

Dolphin Cove Limited

Report to Stockholders

Nine months ended September 30th, 2017



Dolphin Cove limited
 Report to Stockholders
Nine Months ended September 30, 2017

On behalf of the Board of Directors, we are pleased to present the unaudited consolidated financial statements of Dolphin Cove Limited for the nine months ended September 30, 2017.

OPERATIONS

OPERATIONS										
	Nine-month period ended Sept 30, 2017	Nine-month period ended Sept 30, 2016	% increase	Three-month period ended Sept 30, 2017	Three-month period ended Sept 30, 2016	% increase	Twelve-month period ended Sept 30, 2017	Twelve-month period ended Sept 30, 2016	% increase	Year ended December 31, 2016
Total Revenue (US\$)	\$13,034,655	\$12,036,050	8%	\$4,376,230	\$3,929,389	11%	\$16,260,060	\$15,050,553	8%	\$15,265,261
Profit after taxation (US\$)	\$4,121,230	\$3,632,311	13%	\$1,517,994	\$902,679	68%	\$3,349,079	\$3,410,745	-2%	\$2,860,160
Number of shares in issue	392,426,376	392,426,376		392,426,376	392,426,376		392,426,376	392,426,376		392,426,376
Earnings per share after tax	\$0.0105	\$0.0093	13%	\$0.0039	\$0.0023	68%	\$0.0085	\$0.0087	-2%	\$0.0073
Dividends declared per share (JDS)	\$0.60	\$0.60		\$0.20	\$0.20		\$0.60	\$0.50		\$0.60

Total revenue for both the nine month and the rolling 12 month periods were up 8% in US dollars compared to the prior periods of 2016 with the Negril and Yaaman parks showing strong increases. In the three month period of 2017 revenue was up by 11% compared to the three month period of the prior year and this was assisted by the arrival of cruise ships diverted from other destinations as a result of Hurricane Irma in 2017. The number of visitors to our parks increased by 3% over the prior nine month period.

Jamaica continues to see an increase in the number of rooms available for our visitors and de JTB has intensified its push to attract visitors from new destinations. The US economy is doing well and we should therefore have very good arrival numbers for the coming season.

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FINANCIAL POSITION

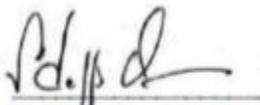
FINANCIAL POSITION					
	As at Sept 30, 2017	As at Sept 30, 2016	Increase/ (decrease)	As at December 31, 2016	Increase/ (decrease)
Working Capital (US\$)	\$4,124,621	\$4,021,977	3%	\$1,377,018	200%
Fixed Assets (US\$)	\$24,822,126	\$23,523,485	6%	\$24,158,166	3%
Net Assets (US\$)	\$27,750,964	\$26,292,660	6%	\$25,441,329	9%
Debt to Equity ratio	0.03:1	0.06:1		0.05:1	
Net assets per share	\$0.07	\$0.07	6%	\$0.06	9%
Market price (JD\$)	\$17.49	\$12.50	40%	\$15.00	17%
Market/Book value	2.47	1.87	33%	2.31	7%

During this quarter the Group continued with the improvements and renovations of the premises, adding value to them and giving us an opportunity to offer better options for our guests.

A dividend of J\$0.20 (20 Jamaican cents) per share was paid on the 20th of September of 2017 to shareholders of record on 31 August 2017 with the ex-dividend date being 29 August 2017. This brings the total of dividends declared and paid in 2017 to the date of this report to J\$0.60 (60 Jamaican cents).

A further dividend of J\$0.20 (20 Jamaican cents) was declared on 6 November 2017 to be paid on the 7 December 2017, bringing the total of dividends declared in 2017 to J\$0.80 (80 Jamaican cents) to the date of this report compared to J\$0.60 (60 Jamaican cents) for the whole of 2016.

We have a strong balance sheet with very little debt. Our overseas projects are still in the planning stages and are being refined to optimize the cost and benefits of the investments.


 _____ Director
 Stafford Burrowes, OD
 Chairman and Chief Executive Officer



 Travis Burke AMU93
 Non Executive Director

Dolphin Cove Limited

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DOLPHIN COVE LIMITED

Group Interim Statement of Financial Position As At September 30, 2017

	As at September 30, 2017 US\$ <u>Unaudited</u>	As at September 30, 2016 US\$ <u>Unaudited</u>	As at December 31, 2016 US\$ <u>Audited</u>
CURRENT ASSETS			
Cash and cash equivalents	2,473,025	1,814,153	1,223,530
Securities purchased under resale agreements	-	1,376,203	-
Investments	2,249	284,736	300,037
Accounts receivable	2,002,071	1,757,287	1,699,508
Other receivable	240,201	-	-
Due from related parties	(5) 578,665	-	-
Taxation recoverable	29,682	68,953	28,268
Inventories	780,676	478,087	343,703
	<u>6,106,568</u>	<u>5,779,419</u>	<u>3,595,046</u>
NON-CURRENT ASSETS			
Investments	-	-	-
Property, plant and equipment	20,741,651	19,957,267	20,292,633
Live assets	4,080,356	3,566,218	3,865,533
Due from related company	110,000	-	1,450,000
	<u>24,932,007</u>	<u>23,523,485</u>	<u>25,608,166</u>
TOTAL ASSETS	\$ <u>31,038,576</u>	29,302,904	29,203,212
CURRENT LIABILITIES			
Bank overdrafts	73,601	104,033	113,286
Accounts payable	1,355,038	902,929	1,340,354
Current portion of long term liabilities	392,160	743,967	740,635
Taxation payable	6,628	6,513	1,641
Due to other related companies	(5) 154,520	-	22,112
	<u>1,981,947</u>	<u>1,757,442</u>	<u>2,218,028</u>
NON-CURRENT LIABILITY			
Deferred tax liability	984,848	545,374	936,916
Long-term liabilities	320,816	707,429	606,939
	<u>1,305,665</u>	<u>1,252,803</u>	<u>1,543,855</u>
SHAREHOLDERS' EQUITY			
Share capital	3,654,390	3,654,390	3,654,390
Equity Reserves	10,664,968	10,594,299	10,655,913
Retained Earnings	13,431,606	12,043,970	11,131,026
	<u>27,750,964</u>	<u>26,292,660</u>	<u>25,441,329</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	\$ <u>31,038,576</u>	29,302,904	29,203,212

Dolphin Cove Limited

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DOLPHIN COVE LIMITED

Group Interim Statement of Profit or Loss and Other Comprehensive Income Nine months ended September 30, 2017

	9 Months Ended September 30, 2017 <u>Unaudited</u> US\$	9 Months Ended September 30, 2016 <u>Unaudited</u> US\$	3 Months Ended September 30, 2017 <u>Unaudited</u> US\$	3 Months Ended September 30, 2016 <u>Unaudited</u> US\$	Year Ended December 31, 2016 <u>Audited</u> US\$
OPERATING REVENUE:					
Programmes revenue	7,352,703	6,990,951	2,442,888	2,245,009	8,805,221
Ancillary services revenue	5,678,142	5,044,669	1,931,016	1,684,380	6,459,613
Overall Revenue	<u>13,030,845</u>	<u>12,035,620</u>	<u>4,373,904</u>	<u>3,929,389</u>	<u>15,264,834</u>
Less: Direct costs of sales	<u>736,361</u>	<u>707,929</u>	<u>263,961</u>	<u>276,286</u>	<u>1,133,669</u>
Net Revenue	12,294,484	11,327,690	4,109,943	3,653,103	14,131,165
Other income	3,810	431	2,326	-	427
	<u>12,298,294</u>	<u>11,328,121</u>	<u>4,112,269</u>	<u>3,653,103</u>	<u>14,131,592</u>
OPERATING EXPENSES:					
Selling	3,259,237	3,159,236	1,085,942	1,153,268	4,410,924
Other operations	2,628,547	2,388,815	782,080	788,589	3,767,635
Administrative	1,930,330	1,876,851	624,600	642,672	2,525,587
	<u>7,818,114</u>	<u>7,424,902</u>	<u>2,492,621</u>	<u>2,584,529</u>	<u>10,704,146</u>
Profit before finance income and costs	4,480,180	3,903,219	1,619,648	1,068,573	3,427,446
Finance income	241,592	259,000	89,902	11,785	172,394
Finance costs	<u>(284,924)</u>	<u>(253,529)</u>	<u>(87,137)</u>	<u>(95,110)</u>	<u>(307,943)</u>
Profit before taxation	4,436,849	3,908,690	1,622,413	985,248	3,291,897
Taxation	<u>(315,619)</u>	<u>(276,380)</u>	<u>(104,420)</u>	<u>(82,570)</u>	<u>(431,737)</u>
Profit for the period	\$ <u>4,121,230</u>	<u>3,632,311</u>	<u>1,517,994</u>	<u>902,679</u>	<u>2,860,160</u>
Earnings per stock unit	<u>1.05€</u>	<u>0.93€</u>	<u>0.39€</u>	<u>0.23€</u>	<u>0.73€</u>
Other comprehensive Income:					
Items that are or may be reclassified to profit or loss:					
Translation adjustment on consolidation of foreign subsidiaries		76,158	-	17,073	-
Fair value appreciation of available-for-sale investments	-	33,668	-	14,990	30,646
	<u>-</u>	<u>109,826</u>	<u>-</u>	<u>32,063</u>	<u>30,646</u>
Total comprehensive income	\$ <u>4,121,230</u>	<u>3,742,137</u>	<u>1,517,994</u>	<u>934,741</u>	<u>2,890,806</u>

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DOLPHIN COVE LIMITED
Group Interim Statement of Changes in Stockholders' Equity
Nine months ended September 30, 2017

	9 Months Ended September 30, 2017 <u>Unaudited</u> US\$	9 Months Ended September 30, 2016 <u>Unaudited</u> US\$	Year Ended December 31, 2016 <u>Audited</u> US\$
Balances at beginning of period	\$ 25,441,329	24,427,733	24,427,733
Transactions recorded directly in equity:			
Dividends	(1,811,595)	(1,877,210)	(1,877,210)
Total comprehensive income:			
Profit for the period	4,121,230	3,632,311	2,860,160
Other comprehensive income:			
Translation adjustment on consolidation of foreign subsidiaries	-	76,158	-
Fair value appreciation of available-for-sale investments	-	33,668	30,646
Balance at end of period	\$ 27,750,964	26,292,660	25,441,329

Dolphin Cove Limited

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DOLPHIN COVE LIMITED

Group Interim Statement of Cash Flows Six months ended September 30, 2017

	9 Months Ended September 30, 2017 <u>Unaudited</u> US\$	9 Months Ended September 30, 2016 <u>Unaudited</u> US\$	Year Ended December 31, 2016 <u>Audited</u> US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	4,121,230	3,632,311	2,860,160
Adjustments for:			
Depreciation and amortisation	640,856	477,201	1,008,017
Interest income	(241,592)	(259,000)	(48,872)
Interest expense	284,924	253,529	104,787
Impairment loss on trade receivables	-	-	163,570
Taxation	315,619	276,380	431,737
Operating profit before changes in working capital	<u>5,121,037</u>	<u>4,380,420</u>	<u>4,519,399</u>
Accounts receivable	(645,607)	(359,523)	(353,589)
Inventories	(436,973)	(180,200)	(14,004)
Accounts payable	14,684	(159,939)	447,719
Due to related parties	154,520	-	22,112
Cash generated from operations	<u>4,207,661</u>	<u>3,680,758</u>	<u>4,621,637</u>
Interest paid	-	(253,529)	(290,695)
Income tax paid	-	(276,380)	(436,784)
Net cash provided by operating activities	<u>4,207,661</u>	<u>3,150,850</u>	<u>3,894,158</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	259,000	51,968
Securities purchased under resale agreements	-	(75,215)	1,357,588
Additions to property, plant and equipment	(449,018)	(574,125)	(1,443,361)
Additions to live assets	(214,823)	(567,203)	(576,932)
Due from related company	(443,044)	-	(1,450,000)
Investments acquired	-	197,741	161,323
Net cash provided/(used) by investing activities	<u>(1,106,885)</u>	<u>(759,802)</u>	<u>(1,899,414)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(1,811,595)	(1,877,210)	(1,877,210)
Long term liabilities, net	-	(301,471)	(505,044)
Net cash (used)/provided by financing activities	<u>(1,811,595)</u>	<u>(2,178,681)</u>	<u>(2,382,254)</u>
Net increase in cash resources	1,289,181	212,366	(387,510)
Cash resources at beginning of the period	1,110,244	1,497,754	1,497,754
CASH RESOURCES AT END OF PERIOD	<u>\$ 2,399,425</u>	<u>1,710,120</u>	<u>1,110,244</u>
Comprising:			
Cash and cash equivalents	2,473,025	1,814,153	1,223,530
Bank overdrafts	(73,601)	(104,033)	(113,286)
	<u>\$ 2,399,425</u>	<u>1,710,120</u>	<u>1,110,244</u>

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Selected Explanatory Notes

Nine months ended September 30, 2017

1. *Corporate structure and principal activities*

(a) Dolphin Cove Limited (the company) is incorporated and domiciled in Jamaica and its registered office and principal place of business is located at Belmont Road, Ocho Rios, St. Ann, Jamaica, W.I.

The principal activities of the company are the operation of marine parks and adventure programmes and ancillary operations such as restaurants, gift shops and photography at several locations in Jamaica.

The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on December 21, 2010.

(b) The company and its wholly-owned subsidiaries, as listed below, are collectively referred to as "the Group".

(i) Dolphin Cove (Negril) Limited was incorporated in Jamaica, on May 11, 2010, and commenced operations in September 2010. Its principal place of business is located at Point, Lucea, Hanover, Jamaica W.I. and it owns the real estate in Hanover which is now leased to the company.

(ii) Too Cool Limited is incorporated in the Cayman Islands and owns land and buildings from which the company operates.

(iii) Cheshire Hall Limited was incorporated on June 22, 2012 as a St. Lucian International Business Company (IBC), controlled by the company through a deed. Its wholly-owned subsidiary, DCTCI Limited was incorporated in the Turks and Caicos Islands and owns land on which the Group intends to develop an attraction.

(iv) Balmoral Dolphins Limited is a St. Lucian IBC, incorporated on April 5, 2012. Its wholly-owned subsidiary, Dolphin Cove TCI Limited, was incorporated in the Turks & Caicos Islands for the intended purpose of operating the attraction to be developed by DCTCI Limited.

(v) SB Holdings Limited was incorporated on November 4, 2013, as a St. Lucian IBC. Its wholly-owned subsidiary, Marine Adventure Park Limited, was also incorporated in St. Lucia and purchased land in St. Lucia on which the Group intends to develop an attraction.

(c) On November 18, 2015 World of Dolphins Inc. ("parent company"), incorporated in Barbados, acquired 229,610,218 shares in the company or 58.51% of its issued share capital, from a majority shareholder.

(d) World of Dolphins, Inc. is a subsidiary of Controladora Dolphin SA de C.V. (intermediate holding company), which is in turn a subsidiary of Dolphin Capital Company, S. de RL de C.V. (ultimate holding company), referred to as the "Dolphin Discovery group" or "the Wider Group". Both companies are incorporated in Mexico.

(e) On December 18, 2015, the parent company made a follow-up offer to purchase all the remaining shares of the company, with the intention of not increasing its shareholdings beyond 79.99%. The offer was accepted by 110 shareholders tendering 48,815,711 ordinary shares or 12.44% of the issued share capital of the company. In addition, one of the lockout shareholders sold a further 35,475,929 shares to the parent company, at the offer price of US\$0.1338 per share.

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(f) Effective January 8, 2016, World of Dolphins Inc. holds 79.99% of shares issued by Dolphin Cove Limited.

2. *Statement of compliance and basis of preparation*

These unaudited interim financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" and comply with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board and comply with the provisions of the Jamaican Companies Act. The condensed interim financial information should be read in conjunction with the annual audited financial statements of the Group and the company. The statements are expressed in United States dollars which is the functional currency of the Group. Property, Plant and equipment and live assets are included in the balance sheet at revalued amounts from time to time.

3. *Accounting policies*

The principal accounting policies applied in the preparation of these unaudited financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2016 as set out in Note 2 thereof.

4. *Seasonality of operations*

The Group earns revenues mainly from visitors to the country the number of which is higher in the winter months of the Northern hemisphere. Accordingly the results of the first portions of the calendar year cannot be taken to be indicative of the likely performance of the entire year. As a result, the Group has adopted the practice recommended in IAS 34 that the results of operations should also be disclosed on a rolling 12 month basis as well as disclosing the calendar quarterly and year to date results in the summary information in Operations.

5. *Related parties*

Due from

This amount represents amounts collected by the Wider Group and payable to the Group for bookings of visitors to the Group's parks.

Due to

The amount included in current liabilities represents accrued fees unpaid in respect of central services provided to the Group by its the Wider Group that have been approved by a committee of the board of directors comprised of the independent directors.

The amount in non-current liabilities represented a deposit paid to the Wider Group in respect of a construction project in St. Lucia on behalf of the Group which has been deferred of which US\$1,340,000 was refunded in 2017.

6. *Earnings per share*

The calculation of the earnings per share is based on the net profit and the 392,426,376 shares in issue during all of the periods.