

Dolphin Cove Limited

Report to Stockholders

Three months ended March 31, 2018



Dolphin Cove limited
 Report to Stockholders
Three Months ended March 31, 2018

On behalf of the Board of Directors, we are pleased to present the unaudited consolidated financial statements of Dolphin Cove Limited for the three months ended March 31, 2018.

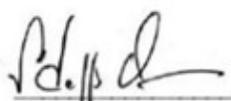
OPERATIONS

OPERATIONS							
	Three-month period ended March 31, 2018	Three-month period ended March 31, 2017	% increase	Last Twelve Months period ended March 31, 2018	Last Twelve Months period ended March 31, 2017	% increase	Year ended December 31, 2017
Total Revenue (U\$mn)	\$3.9	\$4.3	-9%	\$16.2	\$15.4	5%	\$16.6
Profit after taxation (U\$mn)	\$1.0	\$1.4	-29%	\$3.2	\$2.8	14%	\$3.5
Number of shares in issue	392,426,376	392,426,376		392,426,376	392,426,376		392,426,376
Earnings per share after tax	\$0.0025	\$0.0036	-29%	\$0.0082	\$0.0071	14%	\$0.0089
Dividends declared per share	\$0.0016	\$0.0000		\$0.0016	\$0.0000		\$0.0062

Despite the increase in stopovers reported by the Jamaica Tourist Board during the first quarter of the year, the volume of visitors from our two main segments, Hotels and Cruise Ships, decreased by 20% and 5% in comparison to the first quarter of 2017 year which caused declines in our revenue and profits. We attribute this to the attractions sector being adversely affected by the State of Emergency declared by the government and guests consequently being advised by travel agents not to venture outside of their hotels.

However, the rolling twelve-month figures reflect increases in both revenue and profit. In the second quarter to date the effect of the state of emergency appears to persist.

In 2017 we invested nearly US\$2 million in our parks, substantially improving our facilities to offer a better experience to all our guests, not only in the dolphin activity but also in retail, food & beverage and VIP areas. For 2018 our strategy is to continue adding value to our product and now we include lunch in the package which was the main item accounting for the increase of 30% in our direct costs.


 _____ Director
 Stafford Burrowes, OD
 Chairman and Chief Executive Officer



 Travis Burke
 Non Executive Director

Dolphin Cove Limited

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FINANCIAL POSITION

FINANCIAL POSITION					
	As at March 31, 2018	As at March 31, 2017	Increase/ (decrease)	As at Dec 31, 2017	Increase/ (decrease)
Working Capital (US\$mn)	\$1.9	\$2.3	-17%	\$1.5	27%
Fixed Assets (US\$mn)	\$22.1	\$21.8	1%	\$22.0	0%
Net Assets (US\$mn)	\$26.9	\$26.8	0%	\$26.4	2%
Debt to Equity ratio	0.02:1	0.05:1		0.02:1	
Net assets per share	\$0.07	\$0.07	0%	\$0.07	2%
Market price	\$14.50	\$9.20	58%	\$15.50	-6%
Market/Book value	2.12	1.35	57%	2.30	-8%

Working Capital declined 17% below the figure at the end of the first quarter of 2017 as a result of the dividend exceeding the net profit in the first quarter of 2018 whilst no dividend was paid in the first quarter of 2017. However there was a small improvement over the year end figure.

We have a strong balance sheet with very little debt. Our overseas and local projects are still in the planning stages and are being refined to optimize the cost and benefits of the investments and we anticipate being able to provide a more definitive report on this matter in the third quarter of 2018.

Dolphin Cove Limited

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DOLPHIN COVE LIMITED

Group Interim Statement of Financial Position As At March 31, 2018

	3 Months As at March 31, 2018	3 Months As at March 31, 2017	Year As at December 31, 2017
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
CURRENT ASSETS			
Cash and cash equivalents	1,001,881	2,176,712	850,676
Investments	2,127	300,038	2,127
Accounts receivable	2,072,113	2,436,784	1,975,490
Due from related parties	135,619	-	28,896
Taxation recoverable	53,543	28,712	339,788
Inventories	464,743	397,123	376,059
	<u>3,730,026</u>	<u>5,339,369</u>	<u>3,573,036</u>
NON-CURRENT ASSETS			
Investments	-	63,501	-
Property, plant and equipment	20,955,056	20,310,203	20,931,448
Live assets	3,908,383	4,135,225	3,968,868
Due from related company	1,110,012	1,450,000	1,110,012
	<u>25,973,451</u>	<u>25,958,929</u>	<u>26,010,328</u>
TOTAL ASSETS	<u>\$ 29,703,477</u>	<u>31,298,298</u>	<u>29,583,364</u>
CURRENT LIABILITIES			
Bank overdrafts	32,593	113,286	18,746
Accounts payable	1,361,103	2,172,341	1,576,306
Current portion of long term liabilities	404,505	740,635	404,505
Taxation payable	1,670	1,641	35,928
Due to other related companies	14,946	22,112	20,800
	<u>1,814,817</u>	<u>3,050,015</u>	<u>2,056,285</u>
NON-CURRENT LIABILITY			
Deferred tax liability	882,180	936,917	856,916
Long-term liabilities	128,247	477,471	226,164
	<u>1,010,426</u>	<u>1,414,388</u>	<u>1,083,080</u>
SHAREHOLDERS' EQUITY			
Share capital	3,654,390	3,654,390	3,654,390
Equity Reserves	10,560,310	10,655,913	10,560,310
Retained Earnings	12,663,534	12,523,592	12,229,299
	<u>26,878,234</u>	<u>26,833,895</u>	<u>26,443,999</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	<u>\$ 29,703,477</u>	<u>31,298,298</u>	<u>29,583,364</u>

Dolphin Cove Limited

Report to Stockholders

Three months ended March 31, 2018



DOLPHIN COVE LIMITED

Group Interim Statement of Profit or Loss and Other Comprehensive Income Three months ended March 31, 2018

	3 Months Ended March 31, 2018 <u>Unaudited</u>	3 Months Ended March 31, 2017 <u>Unaudited</u>	LTM Ended March 31, 2018 <u>Unaudited</u>	LTM Ended March 31, 2017 <u>Unaudited</u>	Year Ended Dec 31, 2017 <u>Audited</u>
OPERATING REVENUE:					
Dolphin attraction revenue	2,302,611	2,423,610	9,015,731	8,807,642	9,136,730
Ancillary services revenue	1,549,861	1,863,564	7,182,703	6,597,157	7,496,406
Overall Revenue	<u>3,852,472</u>	<u>4,287,174</u>	<u>16,198,434</u>	<u>15,404,799</u>	<u>16,633,136</u>
Less: Direct costs	<u>294,425</u>	<u>221,839</u>	<u>1,711,606</u>	<u>1,145,646</u>	<u>1,639,020</u>
Gross profit	3,558,047	4,065,335	14,486,828	14,259,153	14,994,116
Gain on disposal of property, plant & equipment	-	-	440	-	440
Live assets retired	-	-	99	-	99
Other income	<u>1,322</u>	<u>-</u>	<u>1,322</u>	<u>427</u>	<u>-</u>
	<u>3,559,368</u>	<u>4,065,335</u>	<u>14,488,688</u>	<u>14,259,580</u>	<u>14,994,655</u>
OPERATING EXPENSES:					
Selling	950,671	1,076,271	4,445,856	4,444,678	4,571,456
Other operations	876,446	819,350	3,736,236	3,826,758	3,679,140
Administrative	<u>549,194</u>	<u>634,213</u>	<u>2,593,209</u>	<u>2,595,645</u>	<u>2,678,228</u>
	<u>2,376,311</u>	<u>2,529,834</u>	<u>10,775,301</u>	<u>10,867,081</u>	<u>10,928,824</u>
Profit before finance income and costs	1,183,057	1,535,501	3,713,387	3,392,499	4,065,831
Finance income	64,124	65,942	41,462	168,943	43,279
Finance costs	(74,942)	(101,294)	(250,789)	(330,477)	(277,141)
Gain on disposal of investments	<u>-</u>	<u>-</u>	<u>105,126</u>	<u>-</u>	<u>105,126</u>
Profit before taxation	1,172,239	1,500,149	3,609,186	3,230,965	3,937,095
Taxation	<u>(125,860)</u>	<u>(107,583)</u>	<u>(423,277)</u>	<u>(456,065)</u>	<u>(405,000)</u>
Profit for the period	<u>\$ 1,046,379</u>	<u>1,392,566</u>	<u>3,185,909</u>	<u>2,774,900</u>	<u>3,532,095</u>
Earnings per stock unit	<u>0.27¢</u>	<u>0.35¢</u>	<u>0.81¢</u>	<u>0.71¢</u>	<u>0.9¢</u>
Other comprehensive Income:					
Items that are or may be reclassified to profit or loss:					
Fair value appreciation of available-for-sale investments, being total other comprehensive income	-	-	-	-	9,523
Realised gain on disposal of available-for-sale investments recognised in statement of profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(105,126)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95,603)</u>
Total comprehensive income	<u>\$ 1,046,379</u>	<u>1,392,566</u>	<u>3,185,909</u>	<u>2,774,900</u>	<u>3,436,492</u>

Dolphin Cove Limited

Report to Stockholders

Three months ended March 31, 2018



DOLPHIN COVE LIMITED
Group Interim Statement of Changes in Stockholders' Equity
Three months ended March 31, 2018

	3 Months Ended March 31, 2018 <u>Unaudited</u>	3 Months Ended March 31, 2017 <u>Unaudited</u>	Year Ended December 31, 2017 <u>Audited</u>
Balances at beginning of period	\$ 26,443,999	25,441,329	25,441,329
Transactions with owners of the company:			
Dividends	(612,144)	-	(2,433,822)
Total comprehensive income:			
Profit for the period	1,046,379	1,392,566	3,532,095
Other comprehensive income:			
Fair value appreciation of available-for-sale investments	-	-	9,523
Realised gain on disposal of available-for-sale investments	-	-	(105,126)
Balance at end of period	\$ 26,878,234	26,833,895	26,443,999

Dolphin Cove Limited

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Three months ended March 31, 2018



DOLPHIN COVE LIMITED

Group Interim Statement of Cash Flows Three months ended March 31, 2018

	3 Months Ended March 31, 2018 <u>Unaudited</u>	3 Months Ended March 31, 2017 <u>Unaudited</u>	Year Ended December 31, 2017 <u>Audited</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	1,046,379	1,392,566	3,532,095
Adjustments for:			
Depreciation and amortisation	188,996	169,725	1,071,037
Gain on disposal of property, plant and equipment	-	-	(440)
Gain on disposal of Investments	-	-	(105,126)
Interest income	(64,124)	(65,942)	(7,181)
Interest expense	74,942	30,586	28,110
Impairment loss on trade receivables	-	-	79,245
Taxation	91,602	107,583	405,000
Operating profit before changes in working capital	<u>1,337,795</u>	<u>1,634,518</u>	<u>5,002,740</u>
Accounts receivable	(260,691)	(553,295)	(355,227)
Inventories	(88,684)	(53,420)	(32,356)
Accounts payable	90,497	587,559	325,908
Due to other related parties	-	-	(1,312)
Cash generated from operations	<u>1,078,916</u>	<u>1,615,363</u>	<u>4,939,753</u>
Interest paid	(14,977)	(27,286)	(118,066)
Income tax paid	(125,860)	(107,583)	(451,341)
Net cash provided by operating activities	<u>938,079</u>	<u>1,480,494</u>	<u>4,370,346</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	1,972	7,181
Additions to property, plant and equipment	(90,660)	(79,551)	(1,406,435)
Proceeds from disposal of property, plant and equipment	-	-	3,848
Additions to live assets	-	(336,446)	(410,160)
Due from related company	-	-	200
Proceed from Sales of Investments	-	-	307,433
Net cash provided/(used) by investing activities	<u>(90,660)</u>	<u>(414,025)</u>	<u>(1,497,933)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(612,144)	-	(2,433,822)
Long term liabilities, net	(97,917)	-	(716,905)
Net cash (used)/provided by financing activities	<u>(710,061)</u>	<u>-</u>	<u>(3,150,727)</u>
Net increase in cash resources	137,358	1,066,469	(278,314)
Cash resources at beginning of the period	831,930	1,110,244	1,110,244
CASH RESOURCES AT END OF PERIOD	<u>\$ 969,288</u>	<u>2,176,713</u>	<u>831,930</u>
Comprising:			
Cash and cash equivalents	1,001,881	2,176,712	850,676
Bank overdrafts	(32,593)	-	(18,746)
	<u>\$ 969,288</u>	<u>2,176,712</u>	<u>831,930</u>

Dolphin Cove Limited

Report to Stockholders

Three months ended March 31, 2018



Selected Explanatory Notes

Three months ended March 31, 2018

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

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.

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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 twelve-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.