

Dolphin Cove Limited

Report to Stockholders

Six months ended June 30, 2018



Dolphin Cove limited
Report to Stockholders
Six Months ended June 30, 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 June 30, 2018.

OPERATIONS

OPERATIONS										
	Six-month period ended June 30, 2018	Six-month period ended June 30, 2017	% increase	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017	% increase	Twelve-month period ended June 30, 2018	Twelve-month period ended June 30, 2017	% increase	Year ended December 31, 2017
Total Revenue (US\$m)	\$7.2	\$8.2	-12%	\$3.6	\$4.1	-12%	\$14.0	\$14.6	-4%	\$15.0
Profit after taxation (US\$m)	\$2.0	\$2.6	-23%	\$1.0	\$1.2	-17%	\$3.0	\$2.7	11%	\$3.5
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	\$0.005	\$0.007	-23%	\$0.003	\$0.003	-17%	\$0.008	\$0.007	11%	\$0.009
Dividends declared per share	\$0.0031	\$0.0031		\$0.0015	\$0.0031		\$0.0062	\$0.0046		\$0.0062

Revenues decreased for the six months ended 30 June 2018 compared to 2017 due mainly to the adverse effect of the implementation of the State of Emergency that we experienced in the first four months of the year. However, there was a slightly better performance during the second half of Q2 2018 compared to the same period in 2017. For the rolling 12 months periods 1 July to 30 June, the revenue for the latest 12 months showed a decrease of 4% for the same reason. It appears that the negative effect of the state of emergency has now run its course.

The improvements to our facilities have strengthened relationships with our commercial partners as has the outstanding service provided by our staff and this has mitigated the adverse effect of the State of Emergency.


 _____ Director
 Stafford Burrowes, OD
 Chairman and Chief Executive Officer



 Travis Burke
 Non Executive Director

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Report to Stockholders
Six months ended June 30, 2018



FINANCIAL POSITION

FINANCIAL POSITION					
	As at June 30, 2018	As at June 30, 2017	% increase	As at December 31, 2017	% increase
Working Capital (US\$mn)	\$1.7	\$3.2	-47%	\$1.5	13%
Fixed Assets (US\$mn)	\$25.3	\$24.5	3%	\$24.9	2%
Net Assets (US\$mn)	\$27.3	\$26.8	2%	\$26.4	3%
Debt to Equity ratio	0.02:1	0.04:1		0.02:1	
Net assets per share	\$0.07	\$0.07	2%	\$0.07	3%
Market price (J\$mn)	\$16.80	\$20.00	-16%	\$16.00	5%
Market/Book value	1.86	2.25	-17%	1.83	2%

Working Capital declined as a result of the reduction of long term liabilities and improvements and additions to fixed assets. The increase in amounts due from related parties included in current assets is due to the increase in credit terms of our E-commerce entities as well as the “shelter fee” being charged to our sister company World of Dolphins Inc. for the Dolphins brought to Jamaica after the hurricanes that hit the BVI Islands last year, we expect an improvement in the collections from related parties during the Q3 based on the new agreement signed this year.

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.

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Dolphin Cove Limited

Report to Stockholders

Six months ended June 30, 2018



DOLPHIN COVE LIMITED

Interim Statement of Financial Position As At June 30, 2018

	As at June 30, 2018	As at June 30, 2017	As at December 31, 2017
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
CURRENT ASSETS			
Cash and cash equivalents	898,393	2,545,407	850,676
Investments	2,127	1,995	2,127
Accounts receivable	1,411,052	2,376,805	1,975,490
Due from related parties	779,590	510,780	28,896
Taxation recoverable	28,896	71,267	339,788
Inventories	617,318	567,613	376,059
	<u>3,737,375</u>	<u>6,073,867</u>	<u>3,573,036</u>
NON-CURRENT ASSETS			
Property, plant and equipment	21,495,158	20,397,959	20,931,448
Live Assets	3,842,889	4,139,294	3,968,868
Due from Related company	1,110,012	110,000	1,110,012
	<u>26,448,058</u>	<u>24,647,253</u>	<u>26,010,328</u>
TOTAL ASSETS	\$ <u>30,185,434</u>	\$ <u>30,721,120</u>	\$ <u>29,583,364</u>
CURRENT LIABILITIES			
Bank overdrafts	75,903	256,527	18,746
Accounts payable	1,442,737	1,426,777	1,576,306
Current portion of long term liabilities	382,432	734,575	404,505
Taxation payable	18,240	-	35,928
Due to other related companies	167,009	473,034	20,800
	<u>2,086,322</u>	<u>2,890,913</u>	<u>2,056,285</u>
NON-CURRENT LIABILITY			
Deferred tax liability	776,917	586,421	856,916
Long term loans	53,646	412,501	226,164
	<u>830,562</u>	<u>998,922</u>	<u>1,083,080</u>
SHAREHOLDERS' EQUITY			
Share capital	3,654,390	3,654,390	3,654,390
Capital Reserve	10,545,590	10,655,445	10,560,310
Retained Earnings	13,068,569	12,521,450	12,229,299
	<u>27,268,549</u>	<u>26,831,285</u>	<u>26,443,999</u>
TOTAL EQUITY AND LIABILITIES	\$ <u>30,185,434</u>	\$ <u>30,721,120</u>	\$ <u>29,583,364</u>

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Dolphin Cove Limited

Report to Stockholders

Six months ended June 30, 2018



DOLPHIN COVE LIMITED

Group Interim Statement of Profit or Loss and Other Comprehensive Income Six months ended June 30, 2018

	6 Months Ended June 30, 2018	6 Months Ended June 30, 2017	3 Months Ended June 30, 2018	3 Months Ended June 30, 2017	Year Ended December 31, 2017
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
OPERATING REVENUE:					
Dolphin Attraction Revenue	4,240,899	4,909,815	1,938,288	2,486,205	9,136,730
Ancillary Services Revenue	3,486,145	3,747,126	1,936,284	1,883,562	7,496,406
Overall Revenue	<u>7,727,044</u>	<u>8,656,941</u>	<u>3,874,572</u>	<u>4,369,767</u>	<u>16,633,136</u>
Less: Direct Costs	<u>655,906</u>	<u>472,400</u>	<u>361,481</u>	<u>250,561</u>	<u>1,639,020</u>
Gross Profit	7,071,138	8,184,541	3,513,091	4,119,206	14,994,116
Gain on disposal of property, plant & equipment	-	-	-	-	440
Live assets retired	-	-	-	-	99
Other income	131,299	1,484	129,977	1,484	-
	<u>7,202,438</u>	<u>8,186,025</u>	<u>3,643,069</u>	<u>4,120,690</u>	<u>14,994,655</u>
OPERATING EXPENSES:					
Selling	1,825,025	2,173,295	874,354	1,097,024	4,571,456
Other operations	1,690,420	1,846,468	813,974	1,027,118	3,679,140
Administrative	1,286,505	1,305,730	737,311	671,517	2,678,228
	<u>4,801,950</u>	<u>5,325,493</u>	<u>2,425,639</u>	<u>2,795,659</u>	<u>10,928,824</u>
Profit before finance income and costs	2,400,487	2,860,532	1,217,429	1,325,031	4,065,831
Finance income	27,456	151,691	(36,668)	85,749	43,279
Finance costs	(142,366)	(197,786)	(67,424)	(96,492)	(277,141)
Gain on disposal of investments	-	-	-	-	105,126
Profit Before taxation	2,285,577	2,814,437	1,113,337	1,314,288	3,937,095
Taxation	<u>(250,811)</u>	<u>(211,200)</u>	<u>(124,951)</u>	<u>(103,617)</u>	<u>(405,000)</u>
Profit for the period	\$ <u>2,034,766</u>	<u>2,603,237</u>	<u>988,386</u>	<u>1,210,671</u>	<u>3,532,095</u>
Earnings per stock unit	<u>0.52€</u>	<u>0.66€</u>	<u>0.25€</u>	<u>0.31€</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	-	-	-	-	(105,126)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95,603)</u>
Total comprehensive income	\$ <u>2,034,766</u>	<u>2,603,237</u>	<u>988,386</u>	<u>1,210,671</u>	<u>3,436,492</u>

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Dolphin Cove Limited
Report to Stockholders
Six months ended June 30, 2018



DOLPHIN COVE LIMITED
Group Interim Statement of Changes in Stockholders' Equity
Six months ended June 30, 2018

	6 Months Ended June 30, 2018 <u>Unaudited</u>	6 Months Ended June 30, 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	(1,210,216)	(1,213,281)	(2,433,822)
Total comprehensive income:			
Profit for the period	2,034,766	2,603,237	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	\$ 27,268,549	26,831,285	26,443,999

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Dolphin Cove Limited

Report to Stockholders

Six months ended June 30, 2018



DOLPHIN COVE LIMITED

Group Interim Statement of Cash Flows

Six months ended June 30, 2018

	6 Months Ended June 30, 2018 <u>Unaudited</u>	6 Months Ended June 30, 2017 <u>Unaudited</u>	Year Ended December 31, 2017 <u>Audited</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	2,034,766	2,603,237	3,532,095
Adjustments for:			
Depreciation and amortisation	351,879	406,640	1,071,037
Gain on disposal of property, plant and equipment	-	-	(440)
Gain on disposal of Investments	-	-	(105,126)
Live assets retired	-	-	-
Interest income	(27,456)	(151,691)	(7,181)
Interest expense	142,366	197,786	28,110
Impairment loss on trade receivables	-	-	79,245
Taxation	241,749	211,200	405,000
Operating profit before changes in working capital	<u>2,743,304</u>	<u>3,267,172</u>	<u>5,002,740</u>
Accounts receivable	564,438	(677,297)	(355,227)
Inventories	(241,259)	(223,911)	(32,356)
Accounts payable	(133,569)	487,559	325,908
Due from/to related parties	-	473,034	(1,312)
Cash generated from operations	<u>2,932,915</u>	<u>3,326,557</u>	<u>4,939,753</u>
Interest paid	(24,804)	-	(118,066)
Income tax paid	(250,811)	-	(451,341)
Net cash provided by operating activities	<u>2,657,301</u>	<u>3,326,557</u>	<u>4,370,346</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,746	1,972	7,181
Additions to property, plant and equipment	(563,710)	(280,990)	(1,406,435)
Proceeds from disposal of property, plant and equipment	32	-	3,848
Additions to live assets	-	(336,446)	(410,160)
Due from related company	(311,094)	(319,176)	200
Proceed from sales of investments	-	-	307,433
Net cash provided/(used) by investing activities	<u>(873,026)</u>	<u>(934,640)</u>	<u>(1,497,933)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(1,210,216)	(1,213,281)	(2,433,822)
Long term liabilities, net	(583,498)	-	(716,905)
Net cash (used)/provided by financing activities	<u>(1,793,714)</u>	<u>(1,213,281)</u>	<u>(3,150,727)</u>
Net increase in cash resources	(9,440)	1,178,636	(278,314)
Cash resources at beginning of the period	831,930	1,110,244	1,110,244
CASH RESOURCES AT END OF PERIOD	<u>\$ 822,490</u>	<u>2,288,880</u>	<u>831,930</u>
Comprising:			
Cash and cash equivalents	898,393	2,545,407	850,676
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	<u>\$ 822,490</u>	<u>2,288,880</u>	<u>831,930</u>

Dolphin Cove Limited

Report to Stockholders

Six months ended June 30, 2018



Selected Explanatory Notes

Six months ended June 30, 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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Dolphin Cove Limited
Report to Stockholders
Six months ended June 30, 2018



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 2017 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, also the group conducts transactions in respect of animals being cared for in Jamaica that belong to other group companies as a result of their temporary relocation due to recent hurricanes.

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.

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