

Dolphin Cove Limited

Report to Stockholders

Three months ended March 31, 2019



Dolphin Cove limited

Report to Stockholders

Three months ended March 31, 2019

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, 2019.

OPERATIONS

OPERATIONS							
	3 Months Ended March 31, 2019 Unaudited	3 Months Ended March 31, 2018 Unaudited	% Change	12 months Ended March 31, 2019 Unaudited	12 months Ended March 31, 2018 Unaudited	% Change	Year Ended December 31, 2018
Total Revenue (US\$mn)	\$4.0	\$3.9	3%	\$15.2	\$16.2	-6%	\$15.1
Profit after taxation (US\$mn)	\$0.8	\$1.0	-20%	\$2.1	\$3.2	-34%	\$2.3
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	\$0.002	\$0.003	-20%	\$0.005	\$0.008	-34%	\$0.006
Dividends declared per share	\$0.0000	\$0.0016		\$0.0045	\$0.0000		\$0.0045

During the first three months of the year we saw a slight recovery in the Tour Operator market (+2%), particularly for the Montego Bay park. Cruise ship arrivals to the Falmouth Port declined by 24%, which is significant since 50% of our guests from cruise ships comes from that port. Despite the decrease in sales from Cruise Ships, all the other Markets showed a good performance allowing us to achieve 3% increase in our revenue compared to Q1 2018.

Our direct costs and expenses increased during this first quarter compared to the prior year as a result of the improvement in the quality of our products at all our parks and stronger promotion through the different marketing channels. Our operation is now more expensive as we have to be one step ahead of our competitors. Dolphin Cove continues to offer a high-level product for our guests, and all the renovations and added values implemented during 2018 were meant to get better results this year.

We are pleased to announce the opening of a new Dolphin park in Jamaica after more than 6 months of hard work and sustainability studies. On 6 of March we opened a new facility within the new Puerto Seco Beach Club at Discovery Bay and this new park will give us the opportunity to host our cruise ship guests in a location closer to the port of Falmouth.

Dolphin Cove is a company with great and solid values and for over 15 years we have shown our commitment to best practices in relation to the environment and the health and wellness of our animals. There have been unfounded objections to our new facility from certain citizens in the Discovery Bay area despite the fact that the government environmental agencies have certified that we have complied with all that was required and we are defending our position vigorously.

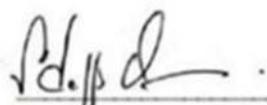
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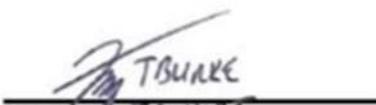


FINANCIAL POSITION

FINANCIAL POSITION					
	As at March 31, 2019 Unaudited	As at March 31, 2018 Unaudited	% Change	As at December 31, 2018 Audited	% Change
Working Capital (US\$mn)	\$2.5	\$1.9	32%	\$1.6	56%
Fixed Assets (US\$mn)	\$27.2	\$24.9	9%	\$27.2	0%
Net Assets (US\$mn)	\$29.7	\$26.9	10%	\$28.8	3%
Debt to Equity ratio	0.01:1	0.02:1		0.01:1	
Net assets per share	\$0.08	\$0.07	10%	\$0.07	3%
Market price (J\$mn)	\$13.99	\$17.18	-19%	\$16.50	-15%
Market/Book value	1.42	1.93	-26%	1.73	-18%

As at March 31, 2019 cash and cash equivalents increased by 49% from December 31 of last year. Working Capital increased by 56% as a result of the renovation works and improvements to fixed assets and the reduction of our current liabilities as well as maintaining the level of dividends at a time of reduced profits, but it is at the very healthy ratio of over 01:1. Our debt to equity ratio is almost nil, with debt at US\$168,875 compared to equity of US\$29.6 million.


Stafford Burrowes, OD
Chairman


Travis Burke (AMM9)
Non Executive Director


Federico Lozano
CEO, Dolphin Cove

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DOLPHIN COVE LIMITED

Interim Statement of Financial Position
As At March 31, 2019

	As at March 31, 2019	As at March 31, 2018	As at December 31, 2018
	<u>Unaudited</u> <u>US\$</u>	<u>Unaudited</u> <u>US\$</u>	<u>Audited</u> <u>US\$</u>
CURRENT ASSETS			
Cash and cash equivalents	1,277,497	1,001,881	857,090
Investments	2,127	2,127	2,127
Accounts receivable	2,058,658	2,072,113	1,893,623
Due from related companies	410,787	135,619	410,787
Due from parent company	330,000		264,000
Taxation recoverable	211,837	53,543	211,835
Inventories	284,993	464,743	355,098
	<u>4,575,898</u>	<u>3,730,026</u>	<u>3,994,560</u>
NON-CURRENT ASSETS			
Property, plant and equipment	22,648,478	20,955,056	22,679,522
Live Assets	4,502,609	3,908,383	4,537,895
Due from Related company	1,110,012	1,110,012	1,110,012
	<u>28,261,099</u>	<u>25,973,451</u>	<u>28,327,429</u>
TOTAL ASSETS	<u><u>32,836,998</u></u>	<u><u>29,703,477</u></u>	<u><u>32,321,989</u></u>
CURRENT LIABILITIES			
Bank overdrafts	67,984	32,593	54,389
Accounts payable	1,782,753	1,361,103	2,040,798
Current portion of long term liabilities	148,457	404,505	231,984
Taxation payable	17,456	1,670	17,456
Due to other related companies	98,980	14,946	97,705
	<u>2,115,630</u>	<u>1,814,817</u>	<u>2,442,332</u>
NON-CURRENT LIABILITY			
Deferred tax liability	1,007,185	882,180	1,041,601
Long term loans	20,419	128,246	21,508
	<u>1,027,604</u>	<u>1,010,426</u>	<u>1,063,109</u>
SHAREHOLDERS' EQUITY			
Share capital	3,654,390	3,654,390	3,654,390
Capital Reserve	12,456,412	10,560,310	12,456,412
Retained Earnings	13,582,962	12,663,534	12,705,746
	<u>29,693,764</u>	<u>26,878,234</u>	<u>28,816,548</u>
TOTAL EQUITY AND LIABILITIES	<u><u>32,836,998</u></u>	<u><u>29,703,477</u></u>	<u><u>32,321,989</u></u>

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DOLPHIN COVE LIMITED

Group Interim Statement of Profit or Loss and Other Comprehensive Income

Three months ended March 31, 2019

	3 Months Ended March 31, 2019	3 Months Ended March 31, 2018	Year Ended December 31, 2018
	<u>Unaudited</u> US\$	<u>Unaudited</u> US\$	<u>Audited</u> US\$
OPERATING REVENUE:			
Dolphin Attraction Revenue	2,201,786	2,242,611	8,209,792
Ancillary Services Revenue	1,691,204	1,549,861	6,677,582
Overall Revenue	<u>3,892,990</u>	<u>3,792,472</u>	<u>14,887,374</u>
Less: Direct Costs	<u>458,509</u>	<u>294,425</u>	<u>1,674,668</u>
Gross Profit	3,434,480	3,498,047	13,212,706
Gain on disposal of property, plant & equipment	-	-	(105)
Other income	66,256	61,322	253,914
	<u>3,500,736</u>	<u>3,559,369</u>	<u>13,466,515</u>
OPERATING EXPENSES:			
Selling	1,026,002	950,671	3,923,894
Other operations	816,373	876,446	3,924,232
Administrative	670,209	549,194	2,599,167
	<u>2,512,583</u>	<u>2,376,311</u>	<u>10,447,293</u>
Profit before finance income and costs	988,153	1,183,058	3,019,222
Finance income	8,923	64,124	130,957
Finance costs	(69,348)	(74,942)	(378,717)
Gain on disposal of investments	-	-	-
Profit Before taxation	927,727	1,172,240	2,771,462
Taxation	<u>(84,926)</u>	<u>(125,860)</u>	<u>(433,108)</u>
Profit for the period	<u>\$ 842,801</u>	<u>1,046,380</u>	<u>2,338,354</u>
Earnings per stock unit	0.21¢	0.27¢	0.6¢
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Surplus on revaluation of dolphins			880,000
Deferred tax on surplus on revaluation of dolphins			(220,000)
Surplus on revaluation of land and buildings			1,130,145
Deferred tax on revalued buildings	-	-	105,958
	<u>-</u>	<u>-</u>	<u>1,896,103</u>
Total comprehensive income	<u>\$ 842,801</u>	<u>1,046,380</u>	<u>4,234,457</u>

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DOLPHIN COVE LIMITED

Group Interim Statement of Changes in Stockholders' Equity

Three months ended March 31, 2019

	3 Months Ended March 31, 2019 <u>Unaudited</u> US\$	3 Months Ended March 31, 2018 <u>Unaudited</u> US\$	Year Ended December 31, 2018 <u>Audited</u> US\$
Balances at beginning of period	\$ 28,816,548	26,443,999	26,443,999
Adjustment on initial application on IFRS 9, net of taxes			(79,405)
Transactions with owners of the company:			
Dividends	-	(612,145)	(1,782,503)
Total comprehensive income:			
Profit for the period	842,801	1,046,380	2,338,354
Other comprehensive income:			
Surplus on revaluation of dolphins			880,000
Deferred tax on surplus on revaluation of dolphins			(220,000)
Surplus on revaluation of land and buildings			1,130,145
Deferred tax on revalued buildings			105,958
Capital Reserve adjustments			
Balance at end of period	\$ 29,659,349	26,878,234	28,816,548

Dolphin Cove Limited

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DOLPHIN COVE LIMITED

Group Interim Statement of Cash Flows Three months ended March 31, 2019

	3 Months Ended March 31, 2019 <u>Unaudited</u> <u>US\$</u>	3 Months Ended March 31, 2018 <u>Unaudited</u> <u>US\$</u>	Year Ended December 31, 2018 <u>Audited</u> <u>US\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	842,801	1,046,380	2,338,354
Accounts receivable	(231,035)	(96,623)	81,867
Due from related parties	0	(106,723)	(381,891)
Due from parent company	-	-	(264,000)
Taxation recoverable	(2)	286,245	127,953
Inventories	70,105	(88,684)	20,961
Bank overdrafts	13,595	13,847	35,643
Accounts payable	(258,045)	(215,203)	464,492
Taxation payable	0	(34,258)	(18,472)
Due to other related companies	1,275	(5,854)	76,905
Cash generated from operations	<u>438,694</u>	<u>799,127</u>	<u>2,481,812</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment	182,955	103,680	(1,748,074)
Depreciation on property, plant and equipment.	(151,911)	(127,288)	-
Live Assets	92,102	122,252	(569,027)
Depreciation on live assets.	(56,816)	(61,767)	-
Deferred tax liability	(34,416)	25,264	184,685
Cash generated from investing activities	<u>31,914</u>	<u>62,141</u>	<u>(2,132,416)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Current portion of long term liabilities	(83,527)	-	(172,521)
Long term loans	(1,089)	(97,918)	(204,657)
Dividends paid	-	(612,144)	(1,782,502)
Capital Reserve adjustments	-	-	1,896,103
Retained earnings adjustments	34,415	-	(79,405)
Cash (used)/provided by financing activities	<u>(50,201)</u>	<u>(710,062)</u>	<u>(342,982)</u>
Net increase in cash resources	420,407	151,207	6,414
Cash resources at beginning of the period	857,090	850,674	850,676
CASH RESOURCES AT END OF PERIOD	\$ <u>1,277,497</u>	<u>1,001,881</u>	<u>857,090</u>
Cash and cash equivalents	<u>1,277,497</u>	<u>1,001,881</u>	<u>857,090</u>

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Selected Explanatory Notes

Three months ended March 31, 2019

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 2018 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.

The amount as "Due from Parent Company" represents 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 hurricanes in September 2017.

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.

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.