

Dolphin Cove Limited

Report To Stockholders

Three Months ended March 31st, 2017



Dolphin Cove Limited
 Report to Stockholders
Three months ended March 31, 2017

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, 2017.

OPERATIONS

| OPERATIONS | | | | |
|--------------------------------|---|---|-------------------------|------------------------------|
| | Three-month period ended March 31, 2017 | Three-month period ended March 31, 2016 | % increase / (decrease) | Year ended December 31, 2016 |
| Total Revenue (US\$mn) | \$4.3 | \$4.1 | 5% | \$15.3 |
| Profit after taxation (US\$mn) | \$1.4 | \$1.5 | -7% | \$2.9 |
| Number of shares in issue | 392,426,376 | 392,426,376 | | 392,426,376 |
| Earnings per share after tax | \$0.0036 | \$0.0038 | -7% | \$0.0074 |
| Dividends declared per share | \$0.0000 | \$0.0000 | | \$0.0048 |

Dolphin Cove ended the first quarter of 2017 with a profit of US\$ 1.4 million compared to US\$1.5 million for the same period in 2016. Per guest swim revenues were increased and there was a slight increase in the proportion of ancillary service revenue which is more profitable, and as a result the overall gross profit for the 3 first months of the year was 3% higher than the same period of 2016.

Since Easter fell in to the second quarter of 2017 and the first quarter of 2016, this year's first quarter of 2017 did not benefit from the usual significant spike in revenue during the Easter season. Despite this, revenues for Q1 2017 were above Q1 2016.

Expenses in this first quarter of the year increased by 7% compared with the same period of 2016, due primarily to a strong publicity campaign of our newest park, Yaa man Adventure Park, which caused an increase of 3% in the marketing expenditure and the revenue of this park increased significantly in comparison to 2016.

The administrative expenditure increased by 12% in comparison to 2016 due mainly to repairs to company vehicles.

We had an increase in animal welfare expenditure and utilities which caused the Other operations expense for the quarter to end 8% above 2016.

Dolphin Cove Limited Report To Stockholders

Three Months ended March 31st, 2017



FINANCIAL POSITION

| FINANCIAL POSITION | | | | | |
|--------------------------|-------------------------|-------------------------|-------------------------|----------------------------|-------------------------|
| | As at March 31, 2017 | As at March 31, 2016 | Increase/ (decrease) | As at December 31, 2016 | Increase/ (decrease) |
| Working Capital (US\$mn) | \$2.3 | \$3.4 | -32% | \$1.4 | 64% |
| Fixed Assets (US\$mn) | \$21.8 | \$17.8 | 22% | \$21.7 | 0% |
| Net Assets (US\$mn) | \$26.8 | \$22.8 | 18% | \$25.4 | 6% |
| Debt to Equity ratio | 0.05:1 | 0.07:1 | | 0.05:1 | |
| Net assets per share | \$0.07 | \$0.06 | 18% | \$0.06 | 6% |
| Market price | \$18.00 | \$14.50 | 24% | \$15.50 | 16% |
| Market/Book value | 588.70 | 249.20 | 136% | 239.08 | 146% |

During the quarter the Group made capital expenditures of US\$0.4 million for the purchase of 2 dolphins and several improvements to the facilities of the Parks which is expected to have a positive impact on our performance going forward.

We continue to expand our marketing efforts in anticipation of the additional rooms that are expected to come on stream during 2017 and there is the prospect of increased local sales emanating from Kingston facilitated by the new highway and the establishment of a marketing presence in Kingston.

A dividend of 20 cents per share was declared in April and will be paid in second quarter of 2017.

The financial resources of the group remain strong and this will facilitate our plans to expand our operations locally and in other Caribbean countries.

Director

Stafford Burrowes, OD
Chairman and Chief Executive Officer

Travis Burke
Non Executive Director

Dolphin Cove Limited

Report To Stockholders

Three Months ended March 31st, 2017



DOLPHIN COVE LIMITED

Group Interim Statement of Financial Position As At March 31, 2017

| | 3 Months Ended March 31, 2017 | 3 Months Ended March 31, 2016 | Year Ended December 31, 2016 |
|---|-------------------------------------|-------------------------------------|------------------------------------|
| | <u>Unaudited</u> | <u>Unaudited</u> | <u>Audited</u> |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 2,176,712 | 1,445,851 | 1,223,530 |
| Securities purchased under resale agreements | - | 1,295,724 | - |
| Investments | 300,038 | 255,759 | 300,037 |
| Accounts receivable | 2,436,784 | 1,846,527 | 1,699,508 |
| Due from related parties | - | - | - |
| Taxation recoverable | 28,712 | 63,732 | 28,268 |
| Inventories | 397,123 | 408,955 | 343,703 |
| | <u>5,339,369</u> | <u>5,316,547</u> | <u>3,595,046</u> |
| NON-CURRENT ASSETS | | | |
| Investments | 63,501 | 148,706 | - |
| Property, plant and equipment | 20,310,203 | 17,764,318 | 20,292,633 |
| Live assets | 4,135,224 | 2,958,033 | 3,865,533 |
| Due from related company | 1,450,000 | - | 1,450,000 |
| | <u>25,958,928</u> | <u>20,871,057</u> | <u>25,608,166</u> |
| TOTAL ASSETS | <u>\$ 31,298,297</u> | <u>26,187,604</u> | <u>29,203,212</u> |
| CURRENT LIABILITIES | | | |
| Bank overdrafts | 113,286 | - | 113,286 |
| Accounts payable | 2,172,341 | 1,148,299 | 1,340,354 |
| Dividend Payable | - | - | - |
| Current portion of long term liabilities | 740,635 | 740,635 | 740,635 |
| Taxation payable | 1,641 | - | 1,641 |
| Due to other related companies | 22,112 | - | 22,112 |
| | <u>3,050,016</u> | <u>1,888,934</u> | <u>2,218,028</u> |
| NON-CURRENT LIABILITY | | | |
| Deferred tax liability | 936,917 | 566,350 | 936,916 |
| Long-term liabilities | 477,471 | 898,903 | 606,939 |
| | <u>1,414,388</u> | <u>1,465,253</u> | <u>1,543,855</u> |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 3,654,390 | 2,008,405 | 3,654,390 |
| Equity Reserves | 10,655,913 | 10,492,252 | 10,655,913 |
| Retained Earnings | 12,523,591 | 10,332,759 | 11,131,026 |
| | <u>26,833,894</u> | <u>22,833,416</u> | <u>25,441,329</u> |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | <u>\$ 31,298,297</u> | <u>26,187,604</u> | <u>29,203,212</u> |

Dolphin Cove Limited

Report To Stockholders

Three Months ended March 31st, 2017



DOLPHIN COVE LIMITED

Group Interim Statement of Profit or Loss and Other Comprehensive Income Three months ended March 31, 2017

| | 3 Months Ended March 31, 2017 <u>Unaudited</u> | 3 Months Ended March 31, 2016 <u>Unaudited</u> | Year Ended December 31, 2016 <u>Audited</u> |
|---|---|---|--|
| OPERATING REVENUE: | | | |
| Dolphin attraction revenue | 2,423,610 | 2,421,189 | 8,805,221 |
| Less: Direct costs of dolphin attraction | <u>104,921</u> | <u>99,582</u> | <u>416,579</u> |
| | <u>2,318,689</u> | <u>2,321,606</u> | <u>8,388,642</u> |
| Ancillary services revenue | 1,863,564 | 1,726,020 | 6,459,613 |
| Less: Direct costs of ancillary services | <u>116,918</u> | <u>110,280</u> | <u>717,090</u> |
| | <u>1,746,646</u> | <u>1,615,740</u> | <u>5,742,523</u> |
| Gross profit | 4,065,335 | 3,937,346 | 14,131,165 |
| Gain on disposal of property, plant & equipment | - | - | - |
| Live assets retired | - | - | - |
| Other income | <u>-</u> | <u>-</u> | <u>427</u> |
| | <u>4,065,335</u> | <u>3,937,346</u> | <u>14,131,592</u> |
| OPERATING EXPENSES: | | | |
| Selling | 1,076,271 | 1,042,517 | 4,410,924 |
| Other operations | 819,350 | 760,227 | 3,767,635 |
| Administrative | <u>634,213</u> | <u>564,154</u> | <u>2,525,587</u> |
| | <u>2,529,834</u> | <u>2,366,898</u> | <u>10,704,146</u> |
| Profit before finance income and costs | 1,535,501 | 1,570,448 | 3,427,446 |
| Finance income | 65,942 | 69,392 | 172,394 |
| Finance costs | <u>(101,294)</u> | <u>(78,760)</u> | <u>(307,943)</u> |
| Profit before taxation | 1,500,148 | 1,561,081 | 3,291,897 |
| Taxation | <u>(107,583)</u> | <u>(83,255)</u> | <u>(431,737)</u> |
| Profit for the period | \$ <u>1,392,565</u> | <u>1,477,826</u> | <u>2,860,160</u> |
| Earnings per stock unit | <u>0.35€</u> | <u>0.38€</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 | - | 47,968 | - |
| Fair value appreciation of available-for-sale investments | <u>-</u> | <u>5,020</u> | <u>30,646</u> |
| | <u>-</u> | <u>52,988</u> | <u>30,646</u> |
| Total comprehensive income | \$ <u>1,392,565</u> | <u>1,530,814</u> | <u>2,890,806</u> |

Dolphin Cove Limited

Report To Stockholders

Three Months ended March 31st, 2017



DOLPHIN COVE LIMITED
Group Interim Statement of Changes in Stockholders' Equity
Three months ended March 31, 2017

| | 3 Months Ended March 31, 2017 <u>Unaudited</u> | 3 Months Ended March 31, 2016 <u>Unaudited</u> | Year Ended December 31, 2016 <u>Audited</u> |
|--|---|---|--|
| Balances at beginning of period | \$ 25,441,329 | 21,337,934 | 24,427,733 |
| Transactions with owners of the company: | | | |
| Dividends | - | - | (1,877,210) |
| Total comprehensive income: | | | |
| Profit for the period | 1,392,565 | 1,477,826 | 2,860,160 |
| Other comprehensive income: | | | |
| Translation adjustment on consolidation of foreign subsidiaries | - | 12,636 | - |
| Fair value appreciation of available-for-sale investments | - | 5,020 | 30,646 |
| | \$ - | 5,020 | 30,646 |
| Balance at end of period | \$ 26,833,894 | 22,833,416 | 25,441,329 |

Dolphin Cove Limited

Report To Stockholders

Three Months ended March 31st, 2017



DOLPHIN COVE LIMITED
Group Interim Statement of Cash Flows
Three months ended March 31, 2017

| | 3 Months Ended March 31, 2017 Unaudited | 3 Months Ended March 31, 2016 Unaudited | Year Ended December 31, 2016 Audited |
|---|--|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit for the period | 1,392,565 | 1,477,826 | 2,860,160 |
| Adjustments for: | | | |
| Depreciation and amortisation | 169,725 | 175,181 | 1,008,017 |
| Gain on disposal of property, plant and equipment | - | - | - |
| Live assets retired | - | - | - |
| Interest income | (65,942) | (14,128) | (48,872) |
| Interest expense | 30,586 | 32,819 | 104,787 |
| Impairment loss on trade receivables | - | - | 163,570 |
| Taxation | 107,583 | 83,255 | 431,737 |
| Operating profit before changes in working capital | <u>1,634,518</u> | <u>1,754,953</u> | <u>4,519,399</u> |
| Accounts receivable | (553,295) | (449,528) | (353,589) |
| Inventories | (53,420) | (110,094) | (14,004) |
| Accounts payable | 587,559 | 141,207 | 447,719 |
| Due from/to related parties | - | - | 22,112 |
| Cash generated from operations | <u>1,615,363</u> | <u>1,336,538</u> | <u>4,621,637</u> |
| Interest paid | (27,286) | (32,819) | (290,695) |
| Income tax paid | (107,583) | (113,081) | (436,784) |
| Net cash provided by operating activities | <u>1,480,494</u> | <u>1,190,638</u> | <u>3,894,158</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | 1,972 | 15,762 | 51,968 |
| Securities purchased under resale agreements | - | (31,870) | 1,357,588 |
| Additions to property, plant and equipment | (79,551) | (559,715) | (1,443,361) |
| Proceeds from disposal of property, plant and equipment | - | - | - |
| Additions to live assets | (336,446) | (445,142) | (576,932) |
| Due from related company | - | - | (1,450,000) |
| Disposal/(acquisition) of investments | - | - | 161,325 |
| Investments acquired | - | 1,650 | - |
| Net cash provided/(used) by investing activities | <u>(414,026)</u> | <u>(1,019,315)</u> | <u>(1,899,412)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | - | - | (1,877,210) |
| Long term liabilities, net | - | (97,321) | (505,044) |
| Net cash (used)/provided by financing activities | <u>-</u> | <u>(97,321)</u> | <u>(2,382,254)</u> |
| Net increase / (decrease) in cash resources | 1,066,468 | 74,002 | (387,508) |
| Cash resources at beginning of the period | 1,110,244 | 1,371,849 | 1,497,752 |
| CASH RESOURCES AT END OF PERIOD | <u>\$ 2,176,712</u> | <u>1,445,851</u> | <u>1,110,244</u> |
| Comprising: | | | |
| Cash and cash equivalents | 2,176,712 | 1,445,851 | 1,223,530 |
| Bank overdrafts | - | - | (113,286) |
| | <u>\$ 2,176,712</u> | <u>1,445,851</u> | <u>1,110,244</u> |

Dolphin Cove Limited

Report To Stockholders

Three Months ended March 31st, 2017



Selected Explanatory Notes

Three months ended March 31, 2017

1. Basis of preparation and functional currency:
 - a) These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 and the Accounting policies set out in note 2 to the audited consolidated financial statement for the year ended December 31, 2016 which have been consistently applied from period to period.
 - b) The financial statements are presented in United States dollars (US\$), which is the functional currency of the company. During the last quarter of the financial year 2016, management at the direction of the Board of Directors, conducted a review of the accounting policies, which included a reassessment of the functional currency of the group, and concluded that the criteria outlined in IAS 21, The Effects of Changes in Foreign Exchange Rates, indicated that the appropriate functional currency is the United States dollar (US\$).
 - c) The translation of the statements of 2015 was done based on IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, in accordance to the Notes expressed in the Audited Financial Statements of 2016 [Note 2(b)].