

Dolphin Cove Limited

Report to Stockholders

Nine months ended September 30, 2022



Dolphin Cove limited

Report to Stockholders

Nine months ended September 30, 2022

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, 2022.

OPERATIONS

OPERATIONS										
	9 Months Ended September 30, 2022 <u>Unaudited</u>	9 Months Ended September 30, 2021 <u>Unaudited</u>	% var	3 Months Ended September 30, 2022 <u>Unaudited</u>	3 Months Ended September 30, 2021 <u>Unaudited</u>	% var	LTM Ended September 30, 2022 <u>Unaudited</u>	LTM Ended September 30, 2021 <u>Unaudited</u>	% var	Year Ended December 31, 2021 <u>Audited</u>
Total Revenue (US\$mn)	\$10.0	\$4.8	108%	\$3.9	\$2.3	70%	\$12.0	\$5.4	122%	\$6.8
Profit before taxation (US\$mn)	\$4.0	\$2.2	82%	\$1.5	\$1.1	36%	\$3.8	\$1.2	217%	\$2.0
Taxation (US\$mn)	-\$1.0	-\$0.1	900%	-\$0.4	\$0.0	1158%	-\$1.4	\$0.6	333%	-\$0.5
Profit after taxation (US\$mn)	\$3.0	\$2.1	43%	\$1.1	\$1.0	10%	\$2.4	\$1.8	30%	\$1.5
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 (US\$)	\$0.0076	\$0.0054		\$0.0029	\$0.0026		\$0.0061	\$0.0087		\$0.0038
Dividends declared per share (JD\$)	\$0.0080	\$0.0000		\$0.0040	\$0.0000		\$0.0120	\$0.0000		\$0.0040

Dolphin Cove ended the third quarter of the year with record financial results, the Company produced US\$3.9 million in revenue, US\$1.6 million more YoY and US\$600,000 or 17% more, when compared to Q3-2019 which was the year before the pandemic. The flow of visitors to our parks has increased through the year - in Q3-2022 we welcomed double the number of guests in our parks than in Q3-2021 and 25% more than in Q3-2019. This is the second quarter with better attendance levels than in pre-pandemic times.

Increase in expenditure YoY is attached to the greater flow of guests to our parks, the main driver being payroll cost due to 3 main factors: 1) Increased operating hours because in Q3-2021 our parks opened for only three to four days per week but in Q3-2022 they were open for the full week, 2) The need to cater to the increased number of visitors to our parks and 3) the full reinstatement of salaries and benefits to the pre-pandemic levels. However the overall payroll cost is still below the 2019 level. We are now experiencing hopefully temporary increases in items such as energy and utilities, fuel and goods for sale.

Now that we are no longer operating under the remittance of tax concession afforded to Junior Market listed companies we are incurring tax on profits to the full extent of a regular business. We are taking this extra cost in stride and are glad that during the incentive period we utilized the savings to reinvest in the operations. The exemplary performance by our professional and experienced team in park management and marketing has resulted in the group generating US\$3 million in after tax profit, the largest for a 9-month period in its history even when there was no tax on profits.

Dolphin Cove Limited

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Nine months ended September 30, 2022




FINANCIAL POSITION

FINANCIAL POSITION					
	As at September 30, 2022	As at September 30, 2021	% var	As at December 31, 2021	% var
	<u>Unaudited</u>	<u>Unaudited</u>		<u>Audited</u>	
Working Capital (US\$mn)	\$3.2	\$3.5	-9%	\$2.3	39%
Fixed Assets (US\$mn)	\$25.2	\$25.4	-1%	\$25.3	0%
Net Assets (US\$mn)	\$28.1	\$28.9	-3%	\$27.2	3%
Debt to Equity ratio	0.04:1	0.04:1		0.04:1	
Net assets per share (US\$)	\$0.07	\$0.07	-3%	\$0.07	3%
Market price (J\$)	\$15.53	\$8.10	92%	\$15.33	1%
Market price (US\$)*	\$0.10	\$0.05	92%	\$0.10	1%
Market/Book value	1.40	0.74	88%	1.43	-2%

* Exchange rate 155 JMD / USD

Dolphin Cove continues to benefit from a very strong financial position with significant available liquidity and cash flow generation. Cash & cash equivalents are 52% or US\$1 million greater than December 2021 even though dividends of US\$2 million were paid year to date.


Cash flow from operating activities was US\$4.2 million for the nine months ended September 30, 2022 which is 50% greater than the cash generated in the full year 2021; this performance has allowed us to make significant investments over these 9 months such as renovations in facilities, new attractions in Yaaman as the Secret Blue Hole and the beginning of the construction of a five-station zip line and the increase in ATV and Buggy fleet.



Stafford Burrowes
Chairman



Sergio Jacome
Director



Emmanuel Islas
Financial Controller

Dolphin Cove Limited

Report to Stockholders

Nine months ended September 30, 2022



DOLPHIN COVE LIMITED
Group Interim Statement of Financial Position
As At September 30, 2022


	DCL September 30, 2022 <u>Unaudited</u> <u>US\$</u>	DCL September 30, 2021 <u>Unaudited</u> <u>US\$</u>	DCL December 31, 2021 <u>Audited</u> <u>US\$</u>
CURRENT ASSETS			
Cash and cash equivalents	3,445,412	2,032,883	2,420,059
Investments	18,157	2,130	2,132
Trade and Other receivables	1,346,647	1,571,149	946,194
Taxation recoverable	5,744	1,106,568	140,585
Due from related companies	784,276	323,401	517,507
Due from parent company	717,200	624,800	618,200
Inventories	404,563	409,412	261,756
	<u>6,721,999</u>	<u>6,070,343</u>	<u>4,906,433</u>
NON-CURRENT ASSETS			
Property, plant and equipment	21,495,901	21,455,326	21,325,865
Rights of use asset	401,500	495,969	472,351
Live Assets	3,700,280	3,900,927	3,801,517
Due from Related company	1,110,012	1,110,012	1,110,012
	<u>26,707,693</u>	<u>26,962,235</u>	<u>26,709,745</u>
TOTAL ASSETS	<u><u>33,429,692</u></u>	<u><u>33,032,578</u></u>	<u><u>31,616,178</u></u>
CURRENT LIABILITIES			
Bank overdrafts	1,104,924	1,013,300	1,110,702
Current portion of lease liabilities	178,428	22,684	99,063
Accounts payable	1,779,834	1,545,485	1,371,355
Taxation Payable	418,935	-	-
Due to other related parties	7,356	7,326	7,356
Current portion of long-term liabilities	5,374	5,374	5,374
	<u>3,494,850</u>	<u>2,594,170</u>	<u>2,593,850</u>
NON-CURRENT LIABILITY			
Deferred tax liability	1,399,210	1,043,982	1,327,758
Lease liabilities	392,306	612,513	513,450
Long-term liabilities	4,140	8,780	7,626
	<u>1,795,657</u>	<u>1,665,274</u>	<u>1,848,834</u>
SHAREHOLDERS' EQUITY			
Share capital	3,654,390	3,654,390	3,654,390
Capital Reserves	12,291,412	12,291,412	12,291,412
Retained Earnings	12,193,384	12,827,332	11,227,692
	<u>28,139,186</u>	<u>28,773,134</u>	<u>27,173,494</u>
TOTAL EQUITY AND LIABILITIES	<u><u>33,429,692</u></u>	<u><u>33,032,578</u></u>	<u><u>31,616,178</u></u>



Stafford Burrowes
Chairman



Sergio Jacome
Director



Emmanuel Islas
Financial Controller

Dolphin Cove Limited

Report to Stockholders

Nine months ended September 30, 2022



DOLPHIN COVE LIMITED
Group Interim Statement of Profit & Loss
Nine months ended September 30, 2022

	9 Months Ended September 30, 2022 <u>Unaudited</u> <u>US\$</u>	9 Months Ended September 30, 2021 <u>Unaudited</u> <u>US\$</u>	3 Months Ended September 30, 2022 <u>Unaudited</u> <u>US\$</u>	3 Months Ended September 30, 2021 <u>Unaudited</u> <u>US\$</u>	Year Ended December 31, 2021 <u>Audited</u> <u>US\$</u>
OPERATING REVENUE:					
Dolphin Attraction Revenue	5,744,792	2,705,255	2,284,485	1,262,310	3,866,013
Ancillary Services Revenue	<u>5,455,257</u>	<u>2,736,582</u>	<u>2,158,575</u>	<u>1,307,403</u>	<u>3,774,286</u>
Overall Revenue	11,200,049	5,441,837	4,443,060	2,569,713	7,640,299
Less: Direct Costs	<u>(1,174,067)</u>	<u>(620,969)</u>	<u>(530,127)</u>	<u>(268,236)</u>	<u>(888,202)</u>
Gross Profit	10,025,982	4,820,868	3,912,933	2,301,476	6,752,097
Gain on disposal of property, plant & equipment	-	(199)	-	-	(267)
Live assets retired	-	-	-	-	(11,664)
Other income	<u>103,803</u>	<u>208,967</u>	<u>63,647</u>	<u>61,867</u>	<u>246,737</u>
	<u>10,129,785</u>	<u>5,029,636</u>	<u>3,976,580</u>	<u>2,363,343</u>	<u>6,986,903</u>
OPERATING EXPENSES:					
Selling	(2,170,074)	(555,952)	(811,083)	(367,873)	(1,235,539)
Other operations	(2,826,319)	(1,693,558)	(1,116,271)	(670,631)	(2,742,617)
Administrative	<u>(1,007,855)</u>	<u>(684,198)</u>	<u>(425,344)</u>	<u>(272,596)</u>	<u>(760,586)</u>
	<u>(6,004,248)</u>	<u>(2,933,707)</u>	<u>(2,352,698)</u>	<u>(1,311,099)</u>	<u>(4,738,742)</u>
Profit before finance income and costs	4,125,537	2,095,928	1,623,881	1,052,244	2,248,160
Finance income	59,344	295,543	21,732	80,520	218,686
Finance costs	<u>(231,125)</u>	<u>(215,442)</u>	<u>(144,302)</u>	<u>(71,903)</u>	<u>(449,211)</u>
Profit Before taxation	3,953,755	2,176,029	1,501,311	1,060,860	2,017,635
Taxation	<u>(988,439)</u>	<u>(64,806)</u>	<u>(375,328)</u>	<u>(32,403)</u>	<u>(506,210)</u>
Profit for the period	<u>2,965,317</u>	<u>2,111,223</u>	<u>1,125,984</u>	<u>1,028,458</u>	<u>1,511,426</u>
Earnings per stock unit	US 0.0076	US 0.0054	US 0.0029	US 0.0026	US 0.0039

Dolphin Cove Limited

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Nine months ended September 30, 2022



DOLPHIN COVE LIMITED
Company Interim Statement of Cash Flow
Nine months ended September 30, 2022

	9 Months Ended September 30, 2022 Unaudited US\$	9 Months Ended September 30, 2021 Unaudited US\$	Year Ended December 31, 2021 Audited US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	2,965,317	2,111,223	1,511,426
Adjustments for:			
Depreciation and amortization	772,450	700,582	1,146,586
Loss /(Gain) on disposal of property, plant and equipment	-	(199)	267
Loss on disposal of live assets	-	-	11,664
Interest income	(630)	(297)	(453)
Interest expense	59,676	69,127	134,617
Impairment loss on trade receivables	(38,551)	(408,428)	(161,697)
Taxation	988,439	64,806	506,210
Operating profit before changes in working capital	<u>4,746,701</u>	<u>2,536,814</u>	<u>3,148,620</u>
Accounts receivable	(400,453)	(178,088)	17,935
Inventories	(142,807)	(151,372)	(3,716)
Accounts payable	408,479	(216,536)	(219,095)
Due to other related parties	-	(14,976)	(14,946)
Cash generated from operations	<u>4,611,920</u>	<u>1,975,843</u>	<u>2,928,798</u>
Interest paid	(59,676)	(69,127)	(134,617)
Income tax paid	(363,211)	(25,259)	(71)
Net cash provided by operating activities	<u>4,189,032</u>	<u>1,881,457</u>	<u>2,794,110</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	630	297	453
Additions to property, plant and equipment	(692,160)	(209,744)	(444,778)
Proceeds from disposal of property, plant and equipment	-	-	199
Additions to live assets	(39,687)	(40,206)	(80,134)
Due from related parties	(266,769)	(339,278)	249,784
Due from parent company	(99,000)	(138,600)	(132,000)
Investments, net	(16,025)	-	(2)
Net cash provided/(used) by investing activities	<u>(1,113,012)</u>	<u>(727,530)</u>	<u>(406,478)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term liabilities	(3,486)	(3,061)	(4,215)
Lease Liabilities, net	(41,779)	(66,337)	629
Other income-rent concession	-	(79,750)	(89,650)
Dividend Paid	(1,999,625)	-	(999,843)
Net cash (used)/provided by financing activities	<u>(2,044,890)</u>	<u>(149,148)</u>	<u>(1,093,079)</u>
Net increase in cash resources	1,031,131	1,004,779	1,294,553
Cash resources at beginning of the period	<u>1,309,358</u>	<u>14,804</u>	<u>14,804</u>
CASH RESOURCES AT END OF PERIOD	<u><u>2,340,488</u></u>	<u><u>1,019,583</u></u>	<u><u>1,309,358</u></u>
Comprising:			
Cash and cash equivalents	3,445,412	2,032,883	2,420,059
Bank overdrafts	(1,104,924)	(1,013,300)	(1,110,702)
	<u>2,340,488</u>	<u>1,019,583</u>	<u>1,309,358</u>

Dolphin Cove Limited

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Nine months ended September 30, 2022



DOLPHIN COVE LIMITED
Group Interim Statement of Changes in Stockholders' Equity
Nine months ended September 30, 2022

	9 Months Ended September 30, 2022 <u>Unaudited</u>	9 Months Ended September 30, 2021 <u>Unaudited</u>	Year Ended December 31, 2021 <u>Audited</u>
Balances at beginning of period	27,173,494	26,661,911	26,661,911
Transactions with owners of the company:			
Dividends	(1,999,625)	-	(999,843)
Total comprehensive income:			
Profit for the period	2,965,317	2,111,223	1,511,426
Other comprehensive income:			
	-	-	-
Balance at end of period	<u>28,139,186</u>	<u>28,773,135</u>	<u>27,173,494</u>

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Selected Explanatory Notes

Nine months ended September 30, 2022

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 ancillary operations such as adventure programs, 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., a company incorporated and domiciled in Barbados, 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 Company" or "the Wider Group". Both companies are incorporated and domiciled 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.

3. Accounting policies

The principal accounting policies applied in the preparation of these unaudited financial statements are consistent with those used in the IFRS compliant audited financial statements for the year ended 31 December 2021 as set out in Note 2 thereof.

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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 ("LTM") 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, to date the recovery of the damaged facilities in those destinations has not been as fast as expected and the contract has been extended for one more year.

The amount in non-current assets 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.

Due to

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

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.

7.- Asset revaluations.

Fair value of land and buildings

Land and buildings are revalued periodically to fair market value, and the last valuation done was in April 2020. These valuations are conducted by independent professional valuers, using recent selling prices of comparable properties.

However, as no two properties are exactly alike, adjustments are made to reflect differences between properties. Consequently, the determination of fair market value of the property requires that the valuers analyze the differences in relation to age and physical condition, time of sale, land to building ratio, the advantages and disadvantages of the location and other functional gains to be derived from the property, and make necessary adjustments.

Fair value of dolphins

All dolphins are carried at fair value. The fair values are determined based on the market price of dolphins similar age and recent transactions relating to the purchase and sale of dolphins within the wider group.