

Dolphin Cove Limited

Report to Stockholders

Nine months ended September 30, 2023



Dolphin Cove limited
Report to Stockholders
Nine months ended September 30, 2023

On behalf of the Board of Directors, we are pleased to present the unaudited consolidated financial statements of Dolphin Cove Limited for the six months ended September 30, 2023.

OPERATIONS

OPERATIONS										
	9 Months Ended September 30, 2023	9 Months Ended September 30, 2022	% var	3 Months Ended September 30, 2023	3 Months Ended September 30, 2022	% var	LTM Ended September 30, 2023	LTM Ended September 30, 2022	% var	Year Ended December 31, 2022
	Unaudited	Unaudited		Unaudited	Unaudited		Unaudited	Unaudited		Audited
Overall Revenue (US\$mn)	\$13.2	\$11.2	18%	\$3.9	\$4.3	-9%	\$17.1	\$13.4	28%	\$15.1
Profit after taxation (US\$mn)	\$3.7	\$3.0	23%	\$1.0	\$1.2	-17%	\$3.7	\$2.2	68%	\$3.0
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\$)	\$0.0090	\$0.0080		\$0.0030	\$0.0030		\$0.0090	\$0.0060		\$0.0080
Dividends declared per share (JDS)	\$0.0080	\$0.0080		\$0.0040	\$0.0040		\$0.0120	\$0.0120		\$0.0080

Dolphin Cove ended the third quarter of the year with solid financial results, the Company produced US\$3.9 million in revenue, 9% less compared to Q3-2022, but 5% above Q3-2019. Despite the marginal decline in sales in Q3, the Company produced US\$13.2 million in revenue year-to-date, US\$2 million or 18% more YoY and for the LTM period revenue grew 28% or US\$3.7 million.

During the third quarter of 2023, the number of stopover visitors to Jamaica was consistent with pre-pandemic levels. However, there was a decrease in cruise line arrivals compared to Q3-2022 due to cancellations or changes in itineraries, which impacted sales production. The rise in park visitors in the first quarter of the year was partially due to the effects of the pandemic in early 2022. Notably, the number of visitors to the parks during the nine-month period ended September matched those of the same period in 2019.

Since January 2021, 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. The exemplary performance by our professional and experienced team in park management and marketing, coupled with strategic capital investments has resulted in the group generating US\$3.7 million in after tax profit, the largest for a 9-month period in its history even when there was no tax on profits.

Stafford Burrowes
Chairman

Sergio Jacome
Director

Emmanuel Islas
Financial Controller

Dolphin Cove Limited

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Nine months ended September 30, 2023



FINANCIAL POSITION

FINANCIAL POSITION					
	As at September 30, 2023	As at September 30, 2022	% var	As at December 31, 2022	% var
	<u>Unaudited</u>	<u>Unaudited</u>		<u>Audited</u>	
Working Capital (US\$mn)	\$4.4	\$3.2	38%	\$3.1	42%
Fixed Assets (US\$mn)	\$25.4	\$25.1	1%	\$25.2	1%
Net Assets (US\$mn)	\$29.8	\$28.0	6%	\$28.1	6%
Debt to Equity ratio	0.03:1	0.04:1		0.03:1	
Net assets per share (US\$)	\$0.08	\$0.07	6%	\$0.07	6%
Market price (J\$)	\$16.34	\$14.50	13%	\$15.30	7%
Market price (US\$)*	\$0.11	\$0.10	5%	\$0.10	7%
Market/Book value	1.39	1.40	-1%	1.38	1%

* Exchange rate 155 JMD / USD

Dolphin Cove's financial health is strong, with high liquidity and solid cash flow from operations. Working capital grew by US\$1.2 million, a 38% increase from the third quarter of 2022 and US\$1.3 million more than in December 2022.

In the first nine months of the year, the company generated US\$3 million in cash from operating activities. This allowed for a US\$1 million dividend payment and nearly US\$1 million in facility upgrades, including the launch of the "Fly High" five-station zip line at Yaaman Park and updating the ATV and Buggy fleet. These investments are expected to improve performance and contribute to the company's growth, with initial results anticipated in the last quarter of the year.

Update on GCT Assessment

In regards to the GCT assessment referred to in Note 26 (b)(i) of the audited financial statements for the year ended December 2022, Dolphin Cove released a notice to its shareholders in May 18 to inform the decision of the Revenue Appeals Division to confirm the Assessment for J\$91,797,671 exclusive of any interests or penalties.

After discussions held with our Counsel, Dolphin Cove has decided to take this case to the Court and continue with the appeal process in this new instance, as of the date of this report there has been no further developments on this matter.

Dolphin Cove Limited

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Nine months ended September 30, 2023



DOLPHIN COVE LIMITED
Group Interim Statement of Financial Position
As At September 30, 2023

	DCL September 30, 2023 <u>Unaudited</u> <u>US\$</u>	DCL September 30, 2022 <u>Unaudited</u> <u>US\$</u>	DCL December 31, 2022 <u>Audited</u> <u>US\$</u>
CURRENT ASSETS			
Cash and cash equivalents	1,712,247	3,445,412	1,637,957
Investments	1,019,735	18,157	1,002,132
Trade and Other receivables	1,513,378	1,346,647	1,356,708
Taxation recoverable	39,441	5,744	39,441
Due from related companies	1,422,131	784,276	748,910
Due from parent company	2,076,934	717,200	1,139,200
Inventories	519,078	404,563	398,726
	<u>8,302,945</u>	<u>6,721,999</u>	<u>6,323,074</u>
NON-CURRENT ASSETS			
Property, plant and equipment	21,714,629	21,495,901	21,361,944
Rights of use asset	248,851	401,500	378,080
Live Assets	3,701,688	3,700,280	3,834,021
Advance to related company	1,110,012	1,110,012	1,110,012
	<u>26,775,180</u>	<u>26,707,693</u>	<u>26,684,057</u>
TOTAL ASSETS	<u><u>35,078,124</u></u>	<u><u>33,429,692</u></u>	<u><u>33,007,131</u></u>
CURRENT LIABILITIES			
Bank overdrafts	925,008	1,104,924	846,229
Current portion of lease liabilities	132,371	178,428	109,900
Accounts payable	1,556,806	1,779,834	2,087,678
Dividend Payable	1,012,713	-	-
Due to other related parties	7,356	7,356	7,356
Current portion of long-term liabilities	1,516	5,374	5,374
Taxation Payable	257,386	418,935	176,331
	<u>3,893,155</u>	<u>3,494,850</u>	<u>3,232,868</u>
NON-CURRENT LIABILITY			
Deferred tax liability	1,109,839	1,399,210	1,229,072
Lease liabilities	292,648	392,306	403,550
Long-term liabilities	-	4,140	-
	<u>1,402,487</u>	<u>1,795,657</u>	<u>1,632,622</u>
SHAREHOLDERS' EQUITY			
Share capital	3,654,390	3,654,390	3,654,390
Capital Reserves	11,796,412	12,291,412	11,796,412
Retained Earnings	14,331,680	12,193,384	12,690,839
	<u>29,782,482</u>	<u>28,139,186</u>	<u>28,141,640</u>
TOTAL EQUITY AND LIABILITIES	<u><u>35,078,124</u></u>	<u><u>33,429,692</u></u>	<u><u>33,007,131</u></u>

Stafford Burrowes
Chairman

Sergio Jacome
Director

Emmanuel Islas
Financial Controller

Dolphin Cove Limited

Report to Stockholders

Nine months ended September 30, 2023



DOLPHIN COVE LIMITED
Group Interim Statement of Profit & Loss
Nine months ended September 30, 2023

	9 Months Ended September 30, 2023 <u>Unaudited</u> <u>US\$</u>	9 Months Ended September 30, 2022 <u>Unaudited</u> <u>US\$</u>	3 Months Ended September 30, 2023 <u>Unaudited</u> <u>US\$</u>	3 Months Ended September 30, 2022 <u>Unaudited</u> <u>US\$</u>	Year Ended December 31, 2022 <u>Audited</u> <u>US\$</u>
OPERATING REVENUE:					
Dolphin Attraction Revenue	6,854,392	5,744,792	1,927,672	2,284,485	7,719,723
Ancillary Services Revenue	<u>6,353,699</u>	<u>5,455,257</u>	<u>2,007,608</u>	<u>2,049,942</u>	<u>7,394,041</u>
Overall Revenue	13,208,090	11,200,049	3,935,280	4,334,427	15,113,764
Less: Direct Costs	<u>(1,356,866)</u>	<u>(1,174,067)</u>	<u>(358,285)</u>	<u>(374,225)</u>	<u>(1,729,256)</u>
Gross Profit	11,851,224	10,025,982	3,576,995	3,960,203	13,384,508
Gain / (loss) on disposal of property, plant & equipment	10,275	-	-	-	-
Other income	<u>259</u>	<u>103,803</u>	<u>-</u>	<u>3,415</u>	<u>125,975</u>
	<u>11,861,758</u>	<u>10,129,785</u>	<u>3,576,995</u>	<u>3,963,618</u>	<u>13,363,816</u>
OPERATING EXPENSES:					
Selling	(2,570,305)	(2,136,481) *	(751,342)	(814,339)	(3,153,680)
Other operations	(3,117,887)	(2,826,319)	(1,672,747)	(972,823)	(4,717,962)
Administrative	<u>(1,314,006)</u>	<u>(1,007,855)</u>	<u>222,485</u>	<u>(284,646)</u>	<u>(1,302,804)</u>
	<u>(7,002,198)</u>	<u>(5,970,655) *</u>	<u>(2,201,604)</u>	<u>(2,071,808)</u>	<u>(9,174,446)</u>
(Increase)/decrease in allowance for impairment loss on trade receivables	<u>(139,882)</u>	<u>(33,593) *</u>	<u>(77,912)</u>	<u>(57,911)</u>	<u>(81,539)</u>
Profit before finance income and costs	4,719,679	4,125,537	1,297,479	1,833,899	4,107,831
Finance income	83,688	59,344	25,706	8,146	82,352
Finance costs	<u>(367,089)</u>	<u>(231,125)</u>	<u>(52,000)</u>	<u>(30,463)</u>	<u>(607,492)</u>
Profit Before taxation	4,436,277	3,953,755	1,271,185	1,811,582	3,582,691
Taxation	<u>(758,839)</u>	<u>(988,439)</u>	<u>(318,223)</u>	<u>(627,522)</u>	<u>(614,919)</u>
Profit for the period	<u>3,677,438</u>	<u>2,965,317</u>	<u>952,962</u>	<u>1,184,060</u>	<u>2,967,772</u>
Earnings per stock unit	US 0.0094	US 0.0076	US 0.0024	US 0.003	US 0.0076

(*) Reclassified, see Note 3a

Dolphin Cove Limited

Report to Stockholders

Nine months ended September 30, 2023



DOLPHIN COVE LIMITED
Group Interim Statement of Cash Flow
Nine months ended September 30, 2023

	9 Months Ended September 30, 2023 Unaudited <u>US\$</u>	9 Months Ended September 30, 2022 Unaudited <u>US\$</u> (Restated)	Year Ended December 31, 2022 Audited <u>US\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	3,677,438	2,965,317	2,967,772
Adjustments for:			
Depreciation and amortization	750,943	772,450	1,822,059
Loss /(Gain) on disposal of property, plant and equipment	(10,275)	-	-
Loss on disposal of live assets	-	-	146,667
Interest income	(31,606)	(630)	(972)
Interest expense	76,182	59,676	118,407
Impairment loss on trade receivables	139,882	(38,551)	(194,750)
Taxation	758,839	988,439	614,919
Operating profit before changes in working capital	5,361,403	4,746,701	5,474,102
Accounts receivable	(156,670)	(400,453)	(215,764)
Inventories	(120,352)	(142,807)	(136,970)
Accounts payable	(530,872)	408,479	716,323
Due from related parties	(673,221)	(266,769)	(231,403)
Cash generated from operations	3,880,288	4,345,151	5,606,288
Interest paid	(76,182)	(59,676)	(118,407)
Income tax paid	(797,017)	(363,211)	(436,130)
Net cash provided by operating activities	3,007,089	3,922,263	5,051,751
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	31,606	630	972
Additions to property, plant and equipment	(983,044)	(692,160)	(789,927)
Proceeds from disposal of property, plant and equipment	10,275	-	-
Additions to live assets	(1,658)	(39,687)	(53,111)
Due from parent company	(1,365,067)	(99,000)	(2,000,000)
Repayment by parent company	427,408	-	379,000
Investments	(17,603)	(16,025)	(1,000,000)
Net cash provided/(used) by investing activities	(1,898,083)	(846,243)	(3,463,066)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term liabilities	(3,858)	(3,486)	(7,626)
Payment of lease liabilities	(88,431)	(41,779)	(99,063)
Drawdowns of bank overdraft	7,345,711	7,596,728	3,243,200
Repayment of bank overdraft	(7,266,933)	(7,602,506)	(3,507,673)
Dividend Paid	(1,021,204)	(1,999,625)	(1,999,625)
Net cash (used)/provided by financing activities	(1,034,716)	(2,050,668)	(2,370,787)
Net increase in cash resources	74,290	1,025,353	(782,102)
Cash resources at beginning of the period	1,637,957	2,420,059	2,420,059
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,712,247	3,445,412	1,637,957

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 Nine months ended September 30, 2023



DOLPHIN COVE LIMITED
Group Interim Statement of Changes in Stockholders' Equity
Nine months ended September 30, 2023

	9 Months Ended September 30, 2023 <u>Unaudited</u>	9 Months Ended September 30, 2022 <u>Unaudited</u>	Year Ended December 31, 2022 <u>Audited</u>
Balances at beginning of period	28,141,640	27,173,494	27,173,494
Transactions with owners of the company:			
Dividends	(2,036,597)	(1,999,625)	(1,999,625)
Total comprehensive income:			
Profit for the period	3,677,438	2,965,317	2,967,772
Other comprehensive income:	-	-	-
Balance at end of period	<u>29,782,482</u>	<u>28,139,186</u>	<u>28,141,640</u>

Dolphin Cove Limited

Report to Stockholders

Nine months ended September 30, 2023



Selected Explanatory Notes

Nine months ended September 30, 2023

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 2022 as set out in Note 2 thereof. During the prior year, the Company discovered that the classification or presentation of some items in the statements of profit or loss and other comprehensive income and cash flows were not in line with the requirements of the applicable financial reporting framework. The nature of the reclassifications are as follows:

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Nine months ended September 30, 2023



Selected Explanatory Notes

Nine months ended September 30, 2023

3. Accounting policies (continued)

- (a) Statement of profit or loss: As required by IAS1.82(ba), movement in ECL is required to be shown separately on the face of the statement of profit or loss and other comprehensive income. During the prior period, ECL movement on trade receivables was presented as part of 'operating expenses – selling'.
- (b) Statement of cash flows: IAS 7 requires an entity applying IFRS to present its cash flows from operating, investing and financing activities in a manner which is most appropriate to its business. The reclassifications were:
- Due from related parties, in the corresponding figures, was reclassified from investing activities to operating activities as the balance resulted from ordinary trading activities.
 - Bank overdraft was previously presented as a component of cash and cash equivalents. As this overdraft was not deemed to form an integral part of the Group and Company's cash management, overdraft is included in financing activities – split between inflows and outflows.

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" This represents the remaining balance of advances granted during the year, and is unsecured, interest free and repayable on demand.

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.

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Selected Explanatory Notes

Nine months ended September 30, 2023

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.