

Dolphin Cove Limited
Report to Stockholders
Three months ended March 31, 2020



Dolphin Cove limited
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Three months ended March 31, 2020

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, 2020.

OPERATIONS

OPERATIONS							
	3 Months Ended	3 Months Ended	% var	LTM Ended	LTM Ended	% var	Year Ended
	March 31, 2020	March 31, 2019		March 31, 2020	March 31, 2019		December 31, 2019
	<u>Unaudited</u>	<u>Unaudited</u>		<u>Unaudited</u>	<u>Unaudited</u>		
Total Revenue (US\$mn)	\$2.9	\$3.5	-16%	\$12.5	\$13.5	-7%	\$13.0
Profit after taxation (US\$mn)	\$0.7	\$0.8	-13%	\$1.5	\$2.1	-29%	\$1.6
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 (US\$mn)	\$0.002	\$0.002	-13%	\$0.004	\$0.005	-29%	\$0.004
Dividends declared per share	\$0.0033	\$0.0000		\$0.0070	\$0.0060		\$0.0600

Despite a very promising start to the year, the COVID-19 pandemic caused the results for the quarter to be below Q1 of 2019. For the first two months:

- Revenue from programmes increased by 4.5% compared to 2019, and ancillary revenues went up by 11% mainly because of the performance of Yaaman park.
- Direct costs were 4% below the same period in 2019.
- Operating expenses decreased by 7% or US\$60,000, as a result of negotiating better deals with suppliers, more constant review of the allocation of resources and stricter supervision of key areas.
- We adjusted our incentives and commissions scheme and used our budget on more effective channels of publicity and promotion.
- We initiated an organizational restructure which allowed us to reduce payroll costs by 10%.

Effect of COVID-19 pandemic

In February, there was a decline in the number of visitors to our parks as the Ports Authority imposed strict disembarkation rules which resulted in long delays for passengers to start their tours and some ships were not allowed to dock in Jamaica.

On March 21, 10 days after the government declared the first positive case on the Island, we decided to close operations in all our parks consistent with the social distancing recommendation. Consequently, revenue for March 2020 was 53% lower than March 2019.

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Dolphin Cove, is now facing a period of no income and declining cash resources. Even with our parks closed we need to make expenditures for animal welfare, security, insurance, utilities, accounts payable and taxes.

Fortunately, Dolphin Cove is debt free with a large base of tangible assets and a track record of profitable operations which puts in a good position to access additional cash should this be necessary.

Management has been working closely with the directors and senior members of the cruise lines and largest tour operators to have an idea of the expected times for reactivation of the industry in Jamaica, our plan based on these discussions is to resume operations gradually on July 1st.

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FINANCIAL POSITION

FINANCIAL POSITION					
	As at March 31, 2020 <u>Unaudited</u>	As at March 31, 2019 <u>Unaudited</u>	% var	As at December 31, 2019 <u>Audited</u>	% var
Working Capital (US\$mn)	\$2.5	\$2.4	4%	\$2.4	4%
Fixed Assets (US\$mn)	\$26.2	\$27.2	-4%	\$26.5	-1%
Net Assets (US\$mn)	\$28.5	\$29.7	-4%	\$28.7	-1%
Debt to Equity ratio	0:1	0.01:1		0:1	
Net assets per share (US\$mn)	\$0.07	\$0.08	-4%	\$0.07	-1%
Market price (J\$mn)	\$6.04	\$11.20	-46%	\$16.50	-63%
Market price (USD\$mn)*	\$0.04	\$0.08	-46%	\$0.12	-64%
Market/Book value	0.60	1.85	-67%	1.67	-64%

* Exchange rate 138 JMD / USD

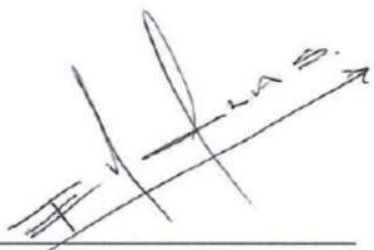
Before the closure of operations, we had great improvement in the collections, which allowed us to declare and pay for the first time a 30-cent dividend to our shareholders. Our working capital was intact at the end of Q1 2020 but has declined in Q2 and collection of receivables has proved more difficult.



Stafford Burrowes
 Chariman



Lorenzo Camara
 Director



Emmanuel Islas
 Financial Controller

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DOLPHIN COVE LIMITED

Interim Statement of Financial Position
As At March 31, 2020

	As at March 31, 2020 <u>Unaudited</u> <u>US\$</u>	As at March 31, 2019 <u>Unaudited</u> <u>US\$</u>	As at December 31, 2019 <u>Audited</u> <u>US\$</u>
CURRENT ASSETS			
Cash and cash equivalents	820,249	1,277,497	1,527,556
Investments	2,129	2,127	2,129
Accounts receivable	1,800,106	2,058,658	1,708,552
Due from related companies	911,621	410,787	801,062
Due from parent company	341,000	330,000	288,200
Taxation recoverable	229,007	211,837	228,847
Inventories	288,940	284,993	265,991
	<u>4,393,052</u>	<u>4,575,899</u>	<u>4,822,337</u>
NON-CURRENT ASSETS			
Property, plant and equipment	21,960,775	22,648,478	22,212,663
Right-of-use-asset	663,958	-	661,293
Live Assets	4,266,546	4,502,609	4,301,263
Due from Related company	1,110,012	1,110,012	1,110,012
	<u>28,001,291</u>	<u>28,261,099</u>	<u>28,285,231</u>
TOTAL ASSETS	<u><u>32,394,343</u></u>	<u><u>32,836,998</u></u>	<u><u>33,107,568</u></u>
CURRENT LIABILITIES			
Bank overdrafts	2,728	67,984	134,003
Accounts payable	1,689,191	1,817,166	2,098,771
Current portion of lease liabilities	77,640	-	77,640
Current portion of long term liabilities	21,966	148,457	21,965
Taxation payable	-	17,456	-
Due to other related companies	61,642	98,980	83,438
	<u>1,853,166</u>	<u>2,150,043</u>	<u>2,415,817</u>
NON-CURRENT LIABILITY			
Deferred tax liability	1,317,380	1,007,185	1,317,380
Lease liabilities	701,535	-	701,534
Long term loans	15,586	20,419	17,100
	<u>2,034,501</u>	<u>1,027,604</u>	<u>2,036,014</u>
SHAREHOLDERS' EQUITY			
Share capital	3,654,390	3,654,390	3,654,390
Capital Reserve	12,291,412	12,456,412	12,291,412
Retained Earnings	12,560,875	13,548,548	12,709,935
	<u>28,506,677</u>	<u>29,659,350</u>	<u>28,655,737</u>
TOTAL EQUITY AND LIABILITIES	<u><u>32,394,343</u></u>	<u><u>32,836,998</u></u>	<u><u>33,107,568</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, 2020

	3 Months Ended March 31, 2020 Unaudited US\$	3 Months Ended March 31, 2019 Unaudited US\$	Year Ended December 31, 2019 Audited US\$
OPERATING REVENUE:			
Dolphin Attraction Revenue	1,788,258	2,201,786	8,077,386
Ancillary Services Revenue	<u>1,501,917</u>	<u>1,691,204</u>	<u>6,791,831</u>
Overall Revenue	3,290,176	3,892,990	14,869,217
Less: Direct Costs	<u>405,538</u>	<u>458,509</u>	<u>1,814,997</u>
Gross Profit	2,884,637	3,434,481	13,054,220
Gain on disposal of property, plant & equipment	-	-	990
Live assets retired	-	-	(290,748)
Other income	<u>59,655</u>	<u>66,256</u>	<u>230,662</u>
	<u>2,944,292</u>	<u>3,500,737</u>	<u>12,995,124</u>
OPERATING EXPENSES:			
Selling	643,192	1,026,002	1,883,867
Other operations	1,125,115	816,373	4,687,924
Administrative	<u>382,644</u>	<u>670,209</u>	<u>3,877,415</u>
	<u>2,150,951</u>	<u>2,512,584</u>	<u>10,449,206</u>
Profit before finance income and costs	793,341	988,153	2,545,918
Finance income	60,689	8,923	93,644
Finance costs	<u>(76,047)</u>	<u>(69,348)</u>	<u>(353,093)</u>
Profit Before taxation	777,983	927,728	2,286,469
Taxation	<u>(69,069)</u>	<u>(84,926)</u>	<u>(673,307)</u>
Profit for the period	<u>708,914</u>	<u>842,802</u>	<u>1,613,162</u>
Earnings per stock unit	0.18¢	0.21¢	0.41¢
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Surplus on revaluation of dolphins	-	-	-
Deferred tax on surplus on revaluation of dolphins	-	-	-
Surplus on revaluation of land and buildings	-	-	-
Deferred tax on revalued buildings	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income	<u>708,914</u>	<u>842,802</u>	<u>1,613,162</u>

Dolphin Cove Limited

Report to Stockholders

Three months ended March 31, 2020



DOLPHIN COVE LIMITED

Group Interim Statement of Cash Flows

Three months ended March 31, 2020

	3 Months Ended March 31, 2020 <u>Unaudited</u> <u>US\$</u>	3 Months Ended March 31, 2019 <u>Unaudited</u> <u>US\$</u>	Year Ended December 31, 2019 <u>Audited</u> <u>US\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	708,914	842,802	2,338,354
Adjustments for:			
Depreciation and amortization	410,650	314,703	1,094,636
Loss /(Gain) on disposal of property, plant and equipment	-	-	105
Interest income	(368)	(514)	(2,188)
Interest expense	509	4,785	35,975
Impairment loss on trade receivables	240,238	(34,415)	(64,392)
Taxation	81,902	119,342	433,108
Operating profit before changes in working capital	1,441,845	1,246,702	3,835,598
Accounts receivable	(91,713)	(231,035)	66,854
Inventories	(22,949)	70,105	20,961
Accounts payable	(152,417)	(276,847)	464,492
Due from related parties	(110,560)	-	76,905
Cash generated from operations	1,064,206	808,925	4,464,810
Interest paid	(509)	(4,785)	(35,975)
Income tax paid	(69,069)	(84,926)	(563,876)
Net cash provided by operating activities	994,628	719,214	3,864,959
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	368	514	2,188
Additions to property, plant and equipment	(51,332)	(182,955)	(1,373,980)
Proceeds from disposal of property, plant and equipment	-	-	31
Additions to live assets	(16,556)	(92,102)	(27,749)
Due from related company	-	-	(70,999)
Due from parent company	(52,800)	(66,000)	(264,000)
Net cash provided/(used) by investing activities	(120,320)	(340,542)	(1,734,509)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(857,974)	-	(1,782,502)
Long term liabilities, net	(1,514)	(1,089)	(377,177)
Net cash (used)/provided by financing activities	(859,488)	(1,089)	(2,159,679)
Net increase in cash resources	14,820	377,583	(29,229)
Cash resources at beginning of the period	802,701	831,930	831,930
CASH RESOURCES AT END OF PERIOD	\$ 817,521	1,209,513	802,701
Comprising:			
Cash and cash equivalents	820,249	1,277,497	857,090
Bank overdrafts	(2,728)	(67,984)	(54,389)
	\$ 817,521	1,209,513	802,701

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DOLPHIN COVE LIMITED
Group Interim Statement of Changes in Stockholders' Equity
Three months ended March 31, 2020

	3 Months Ended March 31, 2020 <u>Unaudited</u> US\$	3 Months Ended March 31, 2019 <u>Unaudited</u> US\$	Year Ended December 31, 2019 <u>Audited</u> US\$
Balances at beginning of period	\$ 28,655,737	28,816,548	28,816,548
Adjustment on initial application on IFRS 16, net of taxes:			(67,786)
Transactions with owners of the company:			
Dividends	(857,974)	-	(1,761,187)
Total comprehensive income:			
Profit for the period	708,914	842,802	1,613,162
Other comprehensive income:			
Disposal of Live asset			-
Deferred tax on disposal of live asset			55,000
Balance at end of period	\$ 28,506,677	29,659,350	28,655,737

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Selected Explanatory Notes

Three months ended March 31, 2020

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, 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 its 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. Finance Costs

The Finance Costs are comprised as follows:

Item	March 2020	March 2019	December 2019
Bank charges and commissions	63,238	49,445	251,756
Loan interest	509	1,891	9,629
Foreigntax loss	12,300	18,012	91,709

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8.- Asset revaluations.

Fair value of land and buildings

Land and buildings are revalued periodically to fair market value. 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.