

Dolphin Cove Limited

Report to Stockholders

Six months ended June 30, 2020



Dolphin Cove limited
Report to Stockholders
Six months ended June 30, 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 June 30, 2020.

OPERATIONS

OPERATIONS										
	6 Months Ended June 30, 2020 <u>Unaudited</u>	6 Months Ended June 30, 2019 <u>Unaudited</u>	% var	3 Months Ended June 30, 2020 <u>Unaudited</u>	3 Months Ended June 30, 2019 <u>Unaudited</u>	% var	LTM Ended June 30, 2020 <u>Unaudited</u>	LTM Ended June 30, 2019 <u>Unaudited</u>	% var	Year Ended December 31, 2019
Total Revenue (US\$m)	\$2.8	\$7.2	-60%	-\$0.1	\$3.7	-103%	\$8.8	\$13.5	-35%	\$13.0
Profit after taxation (US\$m)	-\$0.3	\$1.7	-118%	-\$1.0	\$0.9	-211%	-\$0.4	\$2.0	-120%	\$1.6
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\$)	-\$0.001	\$0.004	-118%	-\$0.003	\$0.002	-211%	-\$0.001	\$0.005	-120%	\$0.004
Dividends declared per share	\$0.0030	\$0.0020		\$0.0000	\$0.0020		\$0.0070	\$0.0060		\$0.0600

Since the global COVID-19 pandemic has begun, Dolphin Cove has taken proactive measures for the safety of its guests, employees, dolphins and all other species under our care, to appropriately manage costs and expenditures, and to provide liquidity in response to the temporary park closures related to COVID-19. Some of these measures included, but are not limited to the following:

- Implemented a rigorous and strict formal review and approval process for payments and cash disbursements.
- Initially furloughed approximately 85% of its employees upon closing all of its parks. At the same time Dolphin Cove supported its employees in the application process for the CARES program launched by the government.
- Reduced executive officers' base salary by 40% and Director fees by 50% until the parks substantially resume normal operations.
- Worked with its vendors and other business partners to manage, defer, and/or abate certain costs and payables during the disruptions caused by the COVID-19 pandemic. The management fees are suspended for the rest of the year.
- Substantially reduced or deferred all capital expenditures starting in March 2020 (other than minimal essential capital expenditures).

The comeback

Dolphin Cove has always maintained high-quality standards, for the safety of our guests and employees the company adapted its facilities and adopted new protocols to face and live the new normality.

During this quarter our staff members were granted with the certificate of Post COVID-19 and also, we accommodated the inspections of TPDco in our parks, as a result of the job done they granted us permission to restart operations.

Finally, in July 21st Dolphin Cove reopened the first facility at Moon Palace Hotel and 3 days after the facilities of Ocho Rios and Lucea were able to open their doors.

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FINANCIAL POSITION

FINANCIAL POSITION					
	As at June 30, 2020 <u>Unaudited</u>	As at June 30, 2019 <u>Unaudited</u>	% var	As at December 31, 2019 <u>Audited</u>	% var
Working Capital (US\$mn)	\$1.6	\$1.6	0%	\$2.4	-33%
Fixed Assets (US\$mn)	\$26.2	\$27.7	-5%	\$26.5	-1%
Net Assets (US\$mn)	\$27.5	\$29.3	-6%	\$28.7	-4%
Debt to Equity ratio	0:1	0:1		0:1	
Net assets per share (US\$)	\$0.07	\$0.07	-6%	\$0.07	-4%
Market price (J\$)	\$6.04	\$11.20	-46%	\$16.50	-63%
Market price (US\$)*	\$0.04	\$0.08	-46%	\$0.12	-63%
Market/Book value	0.62	1.85	-67%	1.61	-62%

* Exchange rate 140 JMD / USD

Our working capital was intact at the end of Q1 2020 but has declined in Q2 and collection of receivables has proved more difficult.

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.

Stafford Burrowes
Chairman

Sergio Jacome
Director

Emmanuel Islas
Financial Controller

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DOLPHIN COVE LIMITED

Interim Statement of Financial Position

As At June 30, 2020

	As at June 30, 2020 <u>Unaudited</u> <u>US\$</u>	As at June 30, 2019 <u>Unaudited</u> <u>US\$</u>	As at December 31, 2019 <u>Audited</u> <u>US\$</u>
CURRENT ASSETS			
Cash and cash equivalents	408,507	661,998	1,527,556
Investments	2,129	2,127	2,129
Accounts receivable	1,314,358	2,423,721	1,708,552
Due from related companies	737,135	315,953	801,062
Due from parent company	393,800	396,000	288,200
Taxation recoverable	134,981	217,092	228,847
Inventories	260,020	290,996	265,991
	3,250,929	4,307,887	4,822,337
NON-CURRENT ASSETS			
Property, plant and equipment	22,013,835	23,242,783	22,212,663
Right-of-use-asset	629,803	-	661,293
Live Assets	4,228,203	4,493,972	4,301,263
Due from Related company	1,110,012	1,110,012	1,110,012
	27,981,853	28,846,767	28,285,231
TOTAL ASSETS	31,232,781	33,154,654	33,107,568
CURRENT LIABILITIES			
Bank overdrafts	2,891	146,032	134,003
Accounts payable	1,499,914	2,344,880	2,098,771
Current portion of lease liabilities	77,640	-	77,640
Current portion of long term liabilities	21,966	72,099	21,965
Taxation payable	69,069	17,456	-
Due to other related companies	28,237	98,980	83,438
	1,699,717	2,679,447	2,415,817
NON-CURRENT LIABILITY			
Deferred tax liability	1,292,380	1,113,330	1,317,380
Lease liabilities	701,535	-	701,534
Long term loans	14,827	19,312	17,100
	2,008,742	1,132,642	2,036,014
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	11,578,520	13,231,763	12,709,935
	27,524,322	29,342,565	28,655,737
TOTAL EQUITY AND LIABILITIES	31,232,781	33,154,654	33,107,568

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DOLPHIN COVE LIMITED

Group Interim Statement of Profit or Loss and Other Comprehensive Income Six months ended June 30, 2020

	6 Months Ended June 30, 2020 <u>Unaudited</u> US\$	6 Months Ended June 30, 2019 <u>Unaudited</u> US\$	3 Months Ended June 30, 2020 <u>Unaudited</u> US\$	3 Months Ended June 30, 2019 <u>Unaudited</u> US\$	Year Ended December 31, 2019 <u>Audited</u> US\$
OPERATING REVENUE:					
Dolphin Attraction Revenue	1,786,904	4,363,036	-	2,161,250	8,077,386
Ancillary Services Revenue	1,499,382	3,484,872	-	1,793,668	6,791,831
Overall Revenue	3,286,287	7,847,908	-	3,954,918	14,869,217
Less: Costs	555,076	813,929	153,427	355,420	1,814,997
Gross Profit	2,731,210	7,033,979	(153,427)	3,599,498	13,054,220
Gain on disposal of property, plant & equipment	-	-	-	-	990
Live assets retired	-	-	-	-	(290,748)
Other income	108,155	129,548	48,500	63,292	230,662
	<u>2,839,365</u>	<u>7,163,526</u>	<u>(104,927)</u>	<u>3,662,789</u>	<u>12,995,124</u>
OPERATING EXPENSES:					
Selling	770,447	2,097,421	127,255	1,071,419	1,883,867
Other operations	1,636,511	1,816,112	511,396	999,739	4,687,924
Administrative	572,455	1,240,871	189,811	570,662	3,877,415
	<u>2,979,413</u>	<u>5,154,404</u>	<u>828,462</u>	<u>2,641,820</u>	<u>10,449,206</u>
Profit before finance income and costs	(140,049)	2,009,123	(933,390)	1,020,970	2,545,918
Finance income	64,210	71,840	3,521	62,917	93,644
Finance costs	(59,464)	(188,757)	16,583	(119,409)	(353,093)
Profit Before taxation	(135,303)	1,892,206	(913,285)	964,478	2,286,469
Taxation	(138,138)	(166,106)	(69,069)	(81,180)	(673,307)
Profit for the period	<u>(273,441)</u>	<u>1,726,100</u>	<u>(982,354)</u>	<u>883,298</u>	<u>1,613,162</u>
Earnings per stock unit	-0.07¢	0.44¢	-0.25¢	0.23¢	0.41¢
Other comprehensive income:	-	-	-	-	-
Total comprehensive income	<u>(273,441)</u>	<u>1,726,100</u>	<u>(982,354)</u>	<u>883,298</u>	<u>1,613,162</u>

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DOLPHIN COVE LIMITED

Group Interim Statement of Cash Flows

Six months ended June 30, 2020

	6 Months Ended June 30, 2020 <u>Unaudited</u> <u>US\$</u>	6 Months Ended June 30, 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	(273,441)	1,726,100	2,338,354
Adjustments for:			
Depreciation and amortization	471,678	301,488	1,094,636
Loss /(Gain) on disposal of property, plant and equipment	-	-	105
Interest income	(539)	(7,232)	(2,188)
Interest expense	745	188,293	35,975
Impairment loss on trade receivables	-	(62,726)	(64,392)
Taxation	138,138	71,729	433,108
Operating cash flow before changes in working capital	336,580	2,217,652	3,835,598
Accounts receivable	588,061	(582,344)	66,854
Inventories	5,971	64,102	20,961
Accounts payable	(260,685)	87,224	464,492
Due from related parties	63,927	(97,705)	76,905
Cash generated from operations	733,854	1,688,929	4,464,810
Interest paid	(745)	(188,293)	(35,975)
Income tax paid	(69,069)	(166,106)	(563,876)
Net cash provided by operating activities	664,040	1,334,530	3,864,959
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	539	7,232	2,188
Additions to property, plant and equipment	(66,086)	(15,524)	(1,373,980)
Proceeds from disposal of property, plant and equipment	-	-	31
Additions to live assets	(29,733)	(43,923)	(27,749)
Due from related company	-	-	(70,999)
Due from parent company	(105,600)	(396,000)	(264,000)
Net cash provided/(used) by investing activities	(200,880)	(448,215)	(1,734,509)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(857,974)	(1,200,083)	(1,782,502)
Long term liabilities, net	(2,272)	(2,196)	(377,177)
Net cash (used)/provided by financing activities	(860,246)	(1,202,279)	(2,159,679)
Net increase in cash resources	(397,086)	(315,964)	(29,229)
Cash resources at beginning of the period	802,701	831,930	831,930
CASH RESOURCES AT END OF PERIOD	\$ 405,615	515,966	802,701
Comprising:			
Cash and cash equivalents	408,507	661,998	857,090
Bank overdrafts	(2,891)	(146,032)	(54,389)
	\$ 405,615	515,966	802,701

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DOLPHIN COVE LIMITED
Group Interim Statement of Changes in Stockholders' Equity
Six months ended June 30, 2020

	6 Months Ended June 30, 2020 <u>Unaudited</u> US\$	6 Months Ended June 30, 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)	(1,200,083)	(1,761,187)
Total comprehensive income:			
Profit for the period	(273,441)	1,726,100	1,613,162
Other comprehensive income:			
Deferred tax on disposal of live asset			55,000
Balance at end of period	\$ <u>27,524,322</u>	<u>29,342,565</u>	<u>28,655,737</u>

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Selected Explanatory Notes

Six months ended June 30, 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	June 2020	June 2019	December 2019
Bank charges and commissions	46,125	105,382	251,756
Loan interest	745	7,232	9,629
Foreignechange loss	12,594	76,143	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.