

YAAMAN
Adventure • Park

 **DOLPHIN
COVE**®

**ANNUAL
REPORT 2017**



DOLPHIN
COVE®

YAAMAN!
Adventure • Park

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01



Chairman's Statement

Dear Shareholders,

Once again I am pleased to report our results to our shareholders for the year 2017.

Our financial statements, which are expressed in United States dollars and which also reflect depreciation on the basis of replacement costs of our fixed assets, ensure that the quality of earnings we report is very high. Our profit increased by US\$0.672 million representing a 23.4% gain on a sales increase of 9%, or US\$1.368, million compared to the prior year. This demonstrates how dramatically the increased use of our fixed cost capacity translates to profits.

In 2017 we started construction of a swimming pool, pizza shop and dining area in Ocho Rios and in the Lucea / Montego Bay facility we added a dining area. These projects were done to enhance our competitive position and the results will be evident in the 2018 financial year all else being equal.

In relation to the establishment of a new park in St. Lucia there has been a delay due to objections to the original site, however a new site has been identified and we expect to be able to start construction in 2018.

The opportunity to establish a dolphin habitat at the refurbished Puerto Seco Beach in Discovery Bay is being pursued and we expect that by the latter part of 2018 that facility should be in operation as a profit centre.

Two dolphin calves were born in 2017 and both are doing well. We expect to have a much better year in 2018 in this respect as there were 6 animals pregnant at the end of 2017.

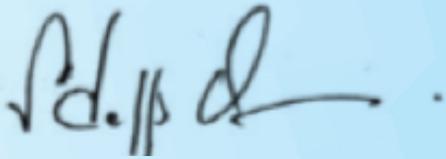
In 2017 we established a Corporate Governance Committee and approved a Whistleblower policy procedure, to conform to best practices.

Chairman's Statement

Apart from the social programs reported in our quarterly statements we also donated JA \$1.2 million to the Maia Autistic Foundation.

The tourist industry is off to a good start in 2018 and we are in a good position, given our very strong balance sheet and recent capital projects with minuscule debt, to grow our share of an expanding market. However, the imposition of the state of emergency in January has deterred more visitors from leaving the confines of their hotels and cruise ships to visit attractions than we had anticipated.

In closing I must record with regret the resignation of our outstanding director and Audit Committee chairman Mr. William McConnell, who has served on the Board for 7 years, for personal reasons unconnected to the Group. His wisdom, experience, energy and commitment will be sorely missed by the Board.



Stafford Burrowes, OD
Chairman and Chief Executive Officer

02



C.E.O's Statement

Dear Shareholders,

We are pleased to share with all of you this 2017 Annual report for Dolphin Cove which shows that our company is a robust and resilient organization.

In 2017, we saw a growth of 9% in revenue as well as a 33% growth in EBITDA, vs the prior year. Dolphin Cove was able to increase also payment of dividends by 33%, from 0.60 to 0.80 cents per share, one of the largest growth in the Junior Stock Exchange in 2017.

Our strategy is working. In the year 2017 we had nearly 2 million usd investments in all our parks, substantially improving our facilities to offer a better experience to all our guests, not only in the dolphin activity but also in retail, food & beverage and VIP areas. Now you can experience an all inclusive day at Dolphin Cove Ocho Rios and have a wonderful international buffet in a scenic restaurant in front of a dolphin habitat or Napolitan style pizza in a brick oven while you enjoy our new fresh water swimming pool, all this after living an interaction program with nurse sharks, stingrays and of course, our marvelous dolphins.

Also, at Dolphin Cove Montego Bay, you can now relax in our pristine Caribbean beach and have a coconut drink after enjoying a jerk chicken of the house or a delicious margarita as part of an experience to round up a dolphin day in this natural habitat.

Still, our number one concern is indeed our ambassadors, the dolphins. In 2017, we saw fruit of a successful breeding program, while our family of dolphins announced the pregnancy of 5 dolphins due in 2018, after we welcome a total of 3 new dolphins in 2016, for a total of XX dolphins at Dolphin Cove at the end of 2017. This is not pure coincidence but the result of a careful breeding program monitored by our professional vets and of course, the result of the love between the males and females of our families. Love is in the ocean!!!

C.E.O's Statement

Also, Dolphin Cove Jamaica provide refuge to 10 dolphins that saw their home destroyed at Tortola (BVI) due to hurricane Irma, the most devastated hurricane in the eastern Caribbean in 2017, from a sister park of Dolphin Discovery. Thanks to the people and trainers of Dolphin Cove Jamaica whom unconditionally received these dolphins and have taken care of them until their house is rebuilt.

Our community is also very important to us, and this is reflected in our annual event, 10,000 smiles, that serve to offer to the underprivileged youth the opportunity to swim with dolphins as our guests in both, Ocho Rios and Montego Bay. Each year we work with a group that focuses on a cause that we wish to support and during 10,000 smiles 2017 we collected 1.2 million Jamaican dollars for the Maia Chung Autism and Disabilities Foundation, in addition to the hundreds of children participated in this program.

We believe in Jamaica, we believe in all good men and women that work tirelessly to provide our guests the Experience of a Lifetime. For this reason, we continue to invest in our people with the commitment to provide them a decent and respected source of work that all of them take great pride of. Our commitment is with all of our people, with all of our dolphins, with our community and of course with our shareholders. Thank you again for your confidence and investing in Dolphin Cove. God bless Jamaica.

Eduardo Albor

CEO

Dolphin Discovery

03

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Dolphin Cove Limited will be held at The Courtleigh Hotel & Suites, 85 Knutsford Boulevard, Kingston 5, on Monday, 25 June 2018 at 2:30 pm for the following purposes:

- 1** To receive the report of the Directors and Financial Statements for the year ended 31 December 2017 and the report of the Auditors thereon.
- 2** To re-elect the retiring Directors and to fix the remuneration of the Directors. The Directors retiring by rotation pursuant to article 97 of the Company's Articles of Incorporation is Messrs Travis Burke and Lorenzo Camara, who, being eligible, offer themselves for re-election. In addition, Messrs John Bailey and Alejandro Raygoza, who were elected since the date of the last annual general meeting, also retire and are eligible for re-election.

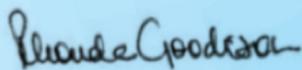
To consider and, if thought fit, pass the following resolutions:

- (a)** That the retiring directors Messrs Travis Burke, Lorenzo Camara, John Bailey and Alejandro Raygoza be re-elected en-bloc.
- (b)** That the retiring directors Messrs Travis Burke, Lorenzo Camara, John Bailey and Alejandro Raygoza be and are hereby re-elected directors of the company.

Notice of Annual General Meeting

To authorize the Directors to fix the remuneration of the Auditors for the ensuing year. The Auditors, Messrs KPMG, Chartered Accountants, have signified their willingness to continue in office pursuant to Section 154 of the Companies Act.

Dated this 23rd of April 2018
BY ORDER OF THE BOARD



Rhonda Goodison
Secretary

NOTES:

- 1 A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. A suitable form of proxy is enclosed. It must be lodged at the Company's registered office at least forty-eight hours before the time appointed for holding the meeting. The proxy form shall bear stamp duty of \$100.00 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the persons executing the proxy.
- 2 Pursuant the articles of incorporation, a corporate shareholder (member) may by resolution of its Directors appoint a person (not a proxy) to attend and vote at the meeting.

04

Director's Report

The directors have pleasure in presenting their report for the year ended 31 December 2017, together with the audited financial statements as at that date.

| FINANCIAL RESULTS FOR THE YEAR | US\$ |
|--|-------------|
| Retained earnings at 1 January 2017 | 11,131,026 |
| Dividends | (2,433,822) |
| Profit before taxation | 3,937,095 |
| Income tax expense | (405,000) |
| Profit after taxation | 3,532,095 |
| Retained earnings at 31 December 2017 | 12,229,299 |
| Earnings per stock unit expressed in US cents per share) | 0.90 ¢ |

Director's Report

Directors

In accordance with clause 97 of the Articles of Incorporation, Messrs Travis Burke and Lorenzo Camara retire by rotation, and being eligible, offer themselves for re-election. In addition, Messrs John Bailey Richard Downer and Alejandro Raygoza, who were elected since the date of the last AGM, also retire and are eligible for re-election.

Subsequent to the year-end, Mr. William McConnell tendered his resignation from the board of Directors and from all Committees. In addition, Messrs John Bailey, Richard Downer and Alejandro Raygoza were all appointed as directors. The Board of Directors now consists of:

| | |
|-------------------------------|-----------------------|
| Mr. Eduardo Albor VillanuevaM | Mr. Lorenzo Camara |
| Mr. Stafford Burrowes | Mr. Richard Downer |
| Mr. John Bailey | Mr. Noel Levy |
| Mr. Travis Burke | Mr. Alejandro Raygoza |

Auditors

The auditors, Messrs KPMG, Chartered Accountants, have indicated their willingness to continue in office pursuant to section 154 of the Companies Act.

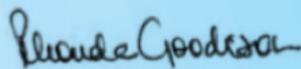
Employees

The directors wish to thank the management and staff of the company for their performance during the year under review.

Customers

The directors wish to thank our valued customers for their support and contribution to the company's performance during the year under review, and look forward to their continued support of the Group.

Dated this 23rd of April 2018
BY ORDER OF THE BOARD



Rhonda Goodison
Secretary

05

Board of Directors

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Stafford Burrowes, O. D.
(appointed September 1998)
Chairman

Mr. Stafford Burrowes, O.D has been Chief Executive Officer of Dolphin Cove Ltd. since September 01, 1998. Mr. Burrowes is Co-owner of Garden House Holdings Limited. Mr. Burrowes is the entrepreneur who conceived and developed the business idea that became the first Dolphin Cove marine park in Jamaica.

He has been the Chairman of Dolphin Cove Ltd. since September 1, 1998. Mr. Burrowes served as the Chairman of Friends of the Sea from 2002 to 2006.

He has also been nominated for and has won, a number of business and tourism awards. In 2010 he was awarded the Order of Distinction in the rank of Officer in recognition of his contribution to the development of tourism in Jamaica.

Board of Directors



Eduardo Albor Villanueva **(appointed November 2015)** **Non Executive Director**

Mr. Albor graduated with a Law Degree from the Universidad de Mayab (Anahuac) in 1990 and continued his education completing an MBA in Business Law from the Universidad Anahuac.

His career path has kept him focused on Corporate Structures serving as General

Counsel for the Royal Resorts hotel chain and as a founding partner of the law firm Camara y Albor.

On the 4th of January 1999, he permanently joined Grupo Dolphindiscovery (www.dolphindiscovery.com) as Chief Executive taking the enterprise from a regional player with three parks to its current status as the largest Dolphin Family in the World and the largest Park Operator in Latin America with twenty-three (23) parks in nine(9) countries including Jamaica, Mexico, USA, Italy and the Caribbean. Mr. Albor currently serves as Chairman of the Board and is the Managing Partner. Active within the industry, Mr. Albor sits on the Latin American Advisory Board for the International Association of Amusement Parks and Attractions (IAAPA.org).

Mr. Albor is President of the editorial group Latitude 21 (Grupo Editorial Latitud 21) and coordinates the three publications within the Group.

Mr. Albor is also very active in the community:

- He is one of the principal drivers of Social Responsibility (ESR designation) in the state of Quintana Roo
- Serves as the Chairman for the non-profit arm of the Group, Fundacion Dolphin Discovery (the Dolphin Discovery Foundation)
- And serves as the Honorary Consul of Romania in Cancun.

Board of Directors



The Hon. W. A. McConnell

OJ, CD, JP, FCA, Hon. LLD

(appointed September 2010, Resigned February 2018)

Non Executive Director

Mr. McConnell, a Chartered Accountant and a member of the Institute of Chartered Accountants of Jamaica, is the Chairman of St. Elizabeth Holdings Limited. He was conferred with the Order of Distinction with the rank of Commander for his services to Jamaica in the development of commerce and export and with the Order of Jamaica for distinguished leadership in Business and the Export Industry, and has been awarded an honorary doctorate of laws (LLD) by the University of the West Indies.

Mr. McConnell is also the Chairman of IronRock Insurance Company Limited, Sugar Manufacturing Corporation of Jamaica Limited and is a Director of Jamaica Cane Products Sales Limited, Jamaica Observer Limited. In addition, Mr. McConnell has served the Private Sector Organization of Jamaica as either Vice President or Honorary Secretary for 20 Continuous years. In 2011 Mr. McConnell retired as Managing Director of both Lascelles de Mercado & Co. Limited and Wray & Nephew Group after 38 years of continuous service to that group. His public service includes serving as a Director and later Chairman of both the Petroleum Corporation of Jamaica and Petrojam Limited and as a Director of the Sugar Industry Authority.



Noel D. Levy

(appointed September 2006)

Non Executive Director

Noel D. Levy, member of the Jamaica Bar Association and the Law Society of England and Wales in the United Kingdom, is a consultant attorney -at- law at the firm of Myers Fletcher & Gordon and former senior partner of that firm, specializing in commercial law.

He has served on the boards of several private commercial companies including banking, life and general insurance companies. Mr. Levy is currently a member of the board of directors of ICWI Group Limited, The Insurance Company of the West Indies Limited and I.G.L. Limited. He served for several years as a Commissioner of the Jamaica Racing Commission and the Betting Gaming and Lotteries Commission.

He is currently serving as a member of the Council of the University of the West Indies, Mona where he is Chairman of the Audit Committee.

Board of Directors



Travis Burke
(appointed December 2015)
Non Executive Director

Travis William Burke focuses on the strategic vision for Dolphin Discovery Group based on three fundamental pillars: assuring the health and wellbeing of the Marine Mammals under our care, fostering innovation in the education and entertainment mission of the Group and implementing the latest technology to strengthen the guest experience.

Travis has been part of the Dolphin Discovery team since 1999 and is proud to serve Mr. Albor, Mr. Burrowes and the Dolphin Cove family in retaining its place amongst Jamaican parks and expanding this wonderful company. Travis is currently Vice-Chair of the Board of Directors at the Alliance of Marine Mammal Parks & Aquariums and serves on two Committees at IAAPA – the Zoo & Aquarium Committee and the Brass Rings Committee.

He has worked in the Parks & Entertainment industry for 23 years beginning as a lifeguard at waterparks in Texas and then moving on to construction and management of facilities at Texas A&M University and other Parks in Mexico and the Caribbean. Travis is a graduate of Texas A&M University with a Bachelor of Business Administration in Accounting.



Lorenzo Camara
(appointed April 2016)
Non Executive Director

Mr. Camara joined Grupo Dolphin Discovery in 1996 and currently serves as Director of Operations. He has extensive experience not only in operations but in sales, engineering, construction and launching of new projects and is responsible for the operation of all 23 Dolphin Parks plus Aquaventuras in Vallarra, Garrafon in Isla Mujeres and Dolphin Discovery's Marina Aquatours in Cancun.

Board of Directors



Alejandro Raygoza
(appointed November 2017)
Non Executive Director

Alejandro is multilingual and has a Bachelor's Degree in Management and Tourism and is pursuing a Master's Degree in Business Administration. Mr. Raygoza has active participation in the commercialization of the company's products via the various channels coupled with ensuring efficient use of the company's resources consistent with the company's profit-maximizing objective.

Mr. Raygoza has over fifteen (15) years of experience in the management of Dolphin facilities in seven (7) different countries. His past roles include, among other things, Corporate Manager for Cruise Ship and Caribbean Sales, Project Manager and Operations, and Corporate Coordinator at the Grupo Dolphin Discovery's corporate office, presently Mr. Raygoza serves as the Deputy Director of Operations for the Caribbean.



Richard Downer
CD, FCA
(appointed December 2010)
Mentor

Mr. Downer, a former Senior Partner of PricewaterhouseCoopers in Jamaica, currently serves as a director on the board of Sagicor Group Jamaica Limited. He is also a member of the Rating Committee of cariCRIS Limited and the mentor of Tech Limited.

He has served in several roles in the public sector including as Executive Director of the Bureau of Management Support in the Office of the Prime Minister of Jamaica and as Temporary Manager for several troubled financial institutions and directorships of government entities. At PricewaterhouseCoopers, he specialized in corporate finance and corporate recovery. He has also served on the boards of a number of companies in the private sector from time to time.

He was awarded the Order of Distinction with the rank of Commander (CD) by Jamaica in 1986 for services to Accountancy and being a Pioneer in Privatization and the Distinguished Member Award of the Institute of Chartered Accountants in 2012.

Since December 2010, Mr. Downer has been the Mentor appointed by Dolphin Cove Limited under the rules of the Junior Stock Exchange in which capacity he advises on matters of corporate governance and compliance with the rules of the stock exchange. He has been a member of the Group's Audit Committee since 2010 and the Remuneration Committee since 2012.

06

Corporate Governance and Accountability

The Board of Directors is the highest governing authority with respect to the management of the Group. In overseeing the operations of the Group, the Board establishes broad policies and objectives and ensures that sufficient resources are available to meet those objectives. The Board is chaired by the Group's founder, Mr. Stafford Burrowes, and meets regularly to discuss and review the performance of the Group and to ensure that the objectives are satisfactorily pursued giving regard to the social and regulatory environment and the risks that may exist within the relevant markets.

The directors are experienced in their respective fields and collectively bring a wide range of professional and commercial expertise to the management of the Group.

The Board has established a Corporate Governance Committee, an Audit Committee and a Compensation Committee and the members include at least two independent non-executive Directors.

The purpose of the Corporate Governance Committee under its charter is to provide increased focus on ensuring that there is a robust and effective process for evaluating the performance of the Board, Board Committees and individual directors and to ensure that the board fulfils its legal, ethical, and functional responsibilities. Corporate governance was overseen by the Audit Committee prior to the formation of this new Committee. During the year the Committee issued a Whistleblower policy which was approved by the Board.

The Audit Committee functions as an advisor to the Board and provides assurance in the areas of financial reporting, internal control, risk management, compliance with legal and regulatory requirements, internal and external audit. During the year the audit Committee comprised: The Chairman, Mr. W.A. McConnell, and three other non-executive members of the Board. The Group engaged PricewaterhouseCoopers (PWC) to provide internal audit services. The Internal Audit Plan is reviewed and approved by the Audit Committee and periodic reports are received by the Audit Committee which monitors the implementation of recommendations.

Corporate Governance and Accountability

The Compensation Committee recommends appropriate compensation for executive members, within the context of current market rates and best practices, and ensures that the compensation structure is sufficient to attract, retain and motivate highly ranked executive members.

The following table outlines the Director's attendance at Board Meetings for the 12 months ended December 31, 2017:

DIRECTOR'S ATTENDANCE TO BOARD MEETINGS FOR COMMITTEES YEAR ENDED DECEMBER 31, 2017

| | |
|--|---|
| Budgeted number of meetings for the year | 7 |
| Actual number of meetings held | 7 |
| Stafford Burrowes | 7 |
| Noel D. Levy | 7 |
| William A. McConnell | 6 |
| Eduardo Albor | 4 |
| Travis Burke | 0 |
| Lorenzo Camara | 3 |
| Alejandro Raygoza | 2 |

07

Management Team

Stafford Burrowes, O.D. Managing Director

Mr. Stafford Burrowes is responsible for all aspects of Dolphin Cove's operations, including conceiving of and implementing initiatives that are in keeping with the company's mission. He is in charge of setting the overall strategy and vision and building a work culture and environment where high performers thrive.

Educated at Jamaica College in St. Andrew, Mr. Burrowes previously opened and operated a chain of six flower shops named Gaylord's Flowers Ltd in Canada and was Managing Director for Dunn's River Videos Ltd, Global Telecom Ltd and Jamaica Floral Export Ltd.

Mauricio Cortez Senior General Manager – Ocho Rios Park

Mauricio Cortez joined the team at Dolphin Cove – Jamaica in 2016 and has responsibility for the overall operations at our Ocho Rios Park.

Prior to the above appointment, he served as General Manager, over a period spanning nine (9) years, in various Dolphin parks, a theme park and Yacht Club and was also the Corporate Manager of Operations at Dolphin Discovery. Mr. Cortez holds a Master's Degree in Biological Science and has been working with dolphins for the past seventeen (17) years.

Raul Gonzalez General Manager – Montego Bay Park

Mr. Gonzalez joined the team at Dolphin Cove in May 2017, he is responsible of the overall operations at Dolphin Cove Montego Bay, located in Lucea, Raul joined Dolphin Discovery Group back in 2012 in the capacity of Call center representative, his contribution to the company growth made him get a promotion and since the last 3 years he has been performing as General manager on different parks in the Caribbean including Akumal (Mexican Caribbean), St. Kitts and Tortola BVI Islands. Raul holds a degree in Sustainable Tourism with specialism in alternative tourism.

Management Team

Alexander Sale

General Manager – Yaaman Adventure Park

Mr. Alexander Sale joined the company in 2012 having direct responsibility for the Sea Trek operations at the Ocho Rios Park. A year later, he was promoted to Operations Manager of the Yaaman Adventure Park where he assisted the then General Manager in executing the daily operations and ensuring that the guest experience is a memorable one.

In 2016, he was promoted to the position of General Manager with the chief responsibility of managing the Park's operations while ensuring that key performance (financial and otherwise) targets are achieved. Mr. Sale is also a trained and experienced rescue diver.

Beresford Watson

General Manager – Moon Palace Park

Mr. Watson started his carrier at Dolphin Cove back in 2013 as Senior Photo and Video Editor, in 2016 he was moved to the Sales Department as Representative assigned to Moon Palace Location, his experience in the business as well as his outstanding performance boosted his growth and in 2017 he obtained the opportunity to become General Manager of the same location.

In addition to his experience in the Dolphin Business and Tourism, Beresford holds a degree in Computer Science and specialized in computer networking and telecommunications graduated from the Everest University in Orlando Florida.

Dr. Ravidya Burrowes, Ph.D

Consultant Compliance Advisor on Environmental Matters

Dr. Burrowes has been practicing as an environmental consultant and project manager for almost 20 years and she has been the compliance advisor to the company since its inception. Dr. Burrowes holds a doctorate in Geology (2000, Postgraduate Scholarship, University of the West Indies), a Master of Science Degree in Physical Geography (1992, Overseas Development Administration Scholarship, University of London) and a Bachelor of Science Degree in Physical Geography and Geology (1991, Trinidad and Tobago National Scholarship, University of West Indies). She has been the principal investigator on environmental assessments in many countries in the Caribbean including Jamaica, Trinidad and Tobago, St. Kitts, St. Lucia, Guyana, Antigua & Barbuda, the Cayman Islands, Anguilla, the British Virgin Islands, Montserrat and Haiti. She has also managed multi-disciplinary technical teams on a wide range of environmental assessments for industrial estates, offshore oil and gas projects, housing complexes, resort developments and airport and port expansions. Dr. Burrowes is the Managing Director of Environmental Management Consultants (Caribbean) Limited.

Management Team

Marilyn Burrowes Vice President of Marketing

Marilyn Burrowes is the Director of Marketing of the company and is responsible for advertising and public relations matters to do with the marine parks and its subsidiary. She also has oversight of merchandising at the marine park gift shops.

Mrs. Burrowes is responsible for the company's community affairs initiatives and its sponsorship of the Steer Town Basic School; Friends of St. Ann's Bay Hospital and support to Teen Challenge Ocho Rios, St. Ann. Mrs. Burrowes has served eight years on the Board of the Tourism Product Development Company Limited (TPDCo) and is the chairperson of the Attractions Development sub-committee.

She is the President of the Jamaica Attraction Association where she is now in her fourth term; A Director of the St. Ann Chamber of Commerce and is a Vice President of the Jamaica Hotel and Tourist Association.

Emmanuel Islas Financial Controller

Mr. Islas joined the team in March 2017 as the Financial Controller of Dolphin Cove Ltd and its subsidiaries. Mr. Islas is a graduate of the Universidad Anahuac Cancun with a degree in Accounting and Finance also has a bachelor's degree in Management, and a Diploma in Effective Communication and Personnel Management.

He has more than 10 years of experience in the field of accounting and finance in the Tourism Sector including Hotel Industry, Travel Agencies, Vacation Clubs, Destination Management Companies and 5 years in the Dolphin industry.

Nicola Campbell, FCCA Chief Accountant

Nicola Campbell is a Chartered Accountant and a member of the Institute of Chartered Accountants of Jamaica. She has been the chief accountant for the Group for the past decade. Ms. Campbell is a graduate of the University of Technology and was previously employed to Guardsman Communications and the Students' Loan Bureau.

Management Team

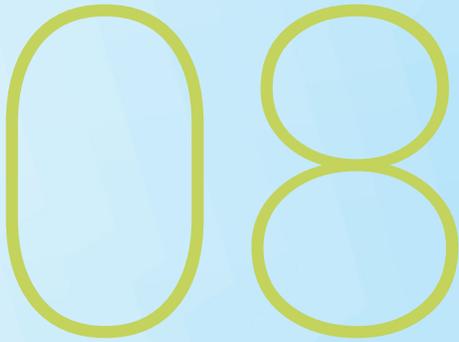
David Alexander Russell, B.S.BA **National Sales Manager**

David "Alexei" Russell has the responsibility of maximizing all land-based sales for Dolphin Cove in Jamaica. His duties also include promoting the brand and fostering and facilitating positive relationships with sales partners island wide. Alexei Russell is a graduate of Boston University where he graduated Cum Laude with a Bachelor of Science in Business Administration. His minor was in Marketing.

Raul Montfort **Commercial Strategy Manager**

Raul joined the team in September, 2017 having the responsibility of implementing new and better sales strategies for the different markets based on data analysis and working together with National Sales manager as well as the General Managers of the Parks to make these strategies to have the expected results.

Mr. Montfort is a graduate of the Universidad del Valle de Mexico with a degree in Business Management he has a second degree in International Business Management graduated from the Universidad Europea de Madrid in Spain, he also has more than 10 years of experience in the tourism industry and more than 5 years in Marketing and Sales area.



Company Data

Board of Directors

Stafford Burrowes, O.D., *(Chairman)*
Eduardo Albor
The Hon. William A. McConnell, OJ, CD, JP,
FCA, Hon. LLD
Noel D. Levy
Travis Burke
Lorenzo Camara
Alejandro Raygoza

Mentor

Richard Downer, CD, FCA

Audit Committee

The Hon. William A. McConnell
(Committee Chairman) (Resigned February 2018)
Noel D. Levy
(Member) (Non Executive Director)
Richard Downer
(Member) (Mentor) (Appointed Chairman February 2018)
John Bailey
(Member) (Appointed Director February 2018)

Remuneration Committee

Noel D. Levy
(Member) (Non Executive Director)
The Hon. William A. McConnell
(Committee Chairman) (Resigned February 2018)
Stafford Burrowes
(Member) (Executive Officer)
Richard Downer
(Member) (Appointed Director February 2018)

Company Secretary

Rhonda A. Goodison

Registered Office

Belmont Road, Ocho Rios, St. Ann

Telecommunications

Telephone: (876) 974-5335
Fax: (876) 974-9208
Website: www.dolphincoveja.com
Email: info@dolphincoveja.com

Registrar & Transfer Agent

Jamaica Central Securities Depository
Limited
40 Harbour Street
Kingston

External Auditors

KPMG, Chartered Accountants
Unit #14 Fairview Office Park
Alice Eldemire Drive
Montego Bay, St. James

Attorney's at-Law

Myers Fletcher and Gordon
21 East Street
Kingston

Bankers

Sagicor Bank Limited
Bank of Nova Scotia Jamaica Limited

09

Disclosure of Shareholdings

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| MAJOR STOCKHOLDERS | SHARES HELD |
|---|-------------|
| World of Dolphins Inc | 313,901,858 |
| Garden House Holdings Limited | 37,491,168 |
| Stafford Burrowes | 7,876,770 |
| ATL Group Pension Fund Trustees NOM Ltd | 2,222,530 |
| NCB Insurance Co. Ltd. A/C WT040 | 2,070,761 |
| SJIML A/C 831 | 1,856,611 |
| NCB Insurance Co. Ltd. A/C WT160 | 1,652,357 |
| SJIML A/C 2884 | 1,303,798 |
| Lorna Allison Myers | 1,245,972 |
| Jamaican Teas Limited Buying Account | 1,221,152 |

Total ordinary stocks in issue: 392,426,376

Total number of stockholders: 505

Disclosure of Shareholdings

Stockholdings of Directors and Connected Persons

| STOCKHOLDINGS OF DIRECTORS AND CONNECTED PERSONS | | | |
|--|--------------|-------------------------------|--------------|
| DIRECTORS | STOCKHOLDING | CONNECTED PERSONS | STOCKHOLDING |
| Stafford Burrowes7 | 7,876,770 | Garden House Holdings Limited | 37,491,168 |
| Noel D. Levy | 200,000 | NIL | NIL |

Stockholdings of Senior Management and Connected Persons

| STOCKHOLDINGS OF SENIOR MANAGEMENT AND CONNECTED PERSONS | | | |
|--|--------------|-------------------------------|--------------|
| SENIOR MANAGEMENT | STOCKHOLDING | CONNECTED PERSONS | STOCKHOLDING |
| Stafford Burrowes7 | 7,876,770 | Garden House Holdings Limited | 37,491,168 |
| Marilyn Burrowes | 1,000,000 | Stafford Burrowes | 7,876,770 |

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Management Discussion & Analysis of the Group Results

General Business Conditions

In 2017, the tourism industry in Jamaica recorded an increase in stopover visitors and cruise ship arrivals. The geographical source of visitors remains dominated by the United States with other notable sources being Canada and Europe.

The level of competition increased during 2017 and in response to this Dolphin Cove invested in its facilities and service improvements so that our products are at the forefront with our partners. In this we have benefitted from the knowhow of our parent company, Dolphin Discovery Group which is the premiere dolphin attraction in the world.

Group Financial Highlights – Audited Financial Statements: Year ended December 31, 2016

Statement of Profit & Loss & Other Comprehensive Income

REVENUE:

Revenue from Dolphin Attractions is the primary revenue generating activity and involves the sale of dolphin swim programs, stingray and shark interaction programs. Group sales also includes revenue from ancillary sources such as the sale of souvenirs, photographs, food and beverages and the use of its facilities as well as the Yaa man park that we opened in 2016 featuring attractions including dune buggies, horseback riding, camel rides and Segway tours.

Management Discussion & Analysis of the Group Results

The main drivers of the good performance of the revenue during 2017 were:

- A 4% increase in revenue from Programs, because of increased sales to cruise ships and agencies in the third and fourth quarters of 2017 in part due to hurricane activity affecting other destinations and in part to special marketing campaigns.
- An outstanding performance of Yaaman Park and the energetic work of our staff in the shops which boosted the revenue from Ancillary Services by 16% compared to 2016.

The closure of our operation at the Half Moon hotel to accommodate the hotel's new strategy and expansion was offset by the increase due to the operation at the Moon Palace Hotel.

Overall, sales for the year ended December 31, 2017 increased by US\$ 1.4 million or 9% over 2016.



GROSS PROFIT:

The direct costs of revenues increased by 44% compared to 2016 due to the added values and better quality of products provided in our Ancillary Services during the year. Dolphin Program direct costs were virtually unchanged.



Management Discussion & Analysis of the Group Results

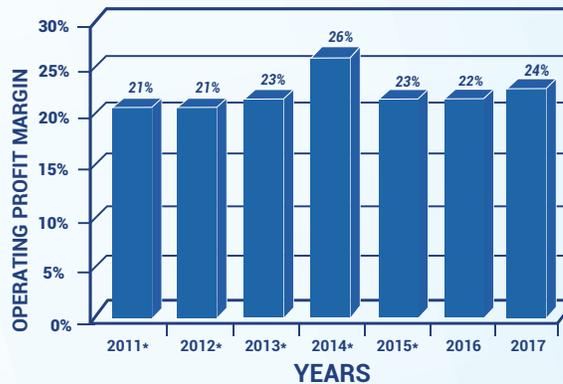
OPERATING EXPENSES:

The operating expenses increased only marginally (by US\$ 224,000 or 2%) over 2016, the main reasons for this increase were:

- More Casual Labour was needed due to the additional arrivals of Cruise Ships in the Q3, additional positions and an increase in the commissions being paid in 2017 made this expense to end 7% above 2016.
- An increase of 3% in the selling expense due to media campaigns and increase in external commissions being paid during 2017.

Generally, due to tight management control, operating expenses have been well contained.

2009 - 2015 OPERATING PROFIT MARGIN



The combination of significantly increased revenue and effective expense management resulted in an operating Margin 18% larger than the previous year, and US\$ 672,000 or 23% more in net profit.

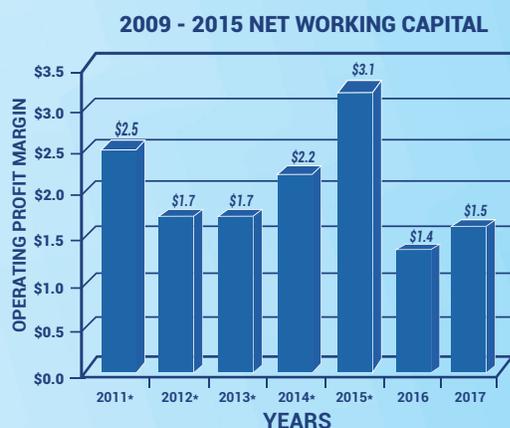
Significant Highlights:

Shareholders net worth increased from US\$25.4 million to US\$26.4 million after paying dividends of US\$2.4 million.

Cash provided by operations increased by US\$0.4 million but cash and securities purchased under resale agreements declined by US\$1.3 million and net current assets were stable after taking into account capital expenditure including live assets of US\$0.4 million and the repayment of long-term debt of US\$716,000 as well as the dividends of US\$2.4 million.

Management Discussion & Analysis of the Group Results

Included in current assets is the sum of US\$1.1 million which is committed for work on the St. Lucia Park. The total cost of the project approved by the directors including this sum is US\$3.5 million. This amount of US\$1.1 million will be transferred from current to fixed assets when it is utilized on construction but is refundable if the project is not started.



The group reported Profits after Tax for the year of US\$3.5 million compared to US\$2.9 million in the prior year.

SEVEN YEAR STATISTICAL SUMMARY

| | 2011* | 2012* | 2013* | 2014* | 2015* | 2016 | 2017 |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| OPERATING RATIOS | | | | | | | |
| Operating Revenue (US\$ millions) | \$12.9 | \$14.5 | \$14.9 | \$15.4 | \$15.1 | \$15.3 | \$16.7 |
| Gross Profit Margin | 88% | 88% | 89% | 91% | 91% | 93% | 90% |
| Operating Profit Margin | 21% | 21% | 23% | 26% | 23% | 23% | 24% |
| Pre-tax Profit Margin | 18% | 21% | 23% | 25% | 23% | 22% | 24% |
| Pre-tax Return On Equity | 20.1% | 23.0% | 26.0% | 17% | 13% | 13% | 15% |
| BALANCE SHEET RATIOS | | | | | | | |
| Current Ratio | 2.5 | 1.8 | 1.9 | 1.8 | 2.6 | 1.6 | 1.7 |
| Net Working Capital (US\$ millions) | \$2.5 | \$1.7 | \$1.7 | \$2.2 | \$3.1 | \$1.4 | \$1.5 |
| Debt to Equity | 0.2 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| (*) Restated | | | | | | | |

11

Auditors' Report & Financial Statements



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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
DOLPHIN COVE LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dolphin Cove Limited ("the company") comprising the separate financial statements of the company and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 37 to 82 which comprise the group's and company's statements of financial position as at December 31, 2017, the group's and company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as at December 31, 2017, and of the group's and company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
DOLPHIN COVE LIMITED

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

How the matters were addressed in our audit

1. Fair Value of Live Assets - Dolphins

Live assets - Dolphins are measured at fair market value less amortization. The determination of fair value requires management to make certain assumptions relating to the estimated useful life and the market price of dolphins, which have a material bearing on the measurement (see note 9).

We challenged the estimated fair value of dolphins determined by management by:

- Testing the reasonableness of the group's estimated fair value of dolphins by evaluating the key assumptions used in the valuation, such as the historical average purchase price of dolphins, the actual purchase price for similar dolphins in recent transactions, and considering the age of dolphins and remaining useful life;
- Reviewing the purchase contract of dolphins acquired during the year to verify actual transaction prices used in the valuation;
- Evaluating the assumptions and underlying data used in determining the fair value, including identification of similar transactions and listings, and corroborating discussions with the management within our understanding of the market environment;
- Specific discussion with a qualified in-house veterinarian regarding the health of each dolphin in production and their remaining useful lives; and
- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements.



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
DOLPHIN COVE LIMITED

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Key Audit Matters

2. *Recovery of debtors' balances*

The Group has significant overdue balances with hotels and tour operators. There is significant judgement involved in determining the levels of allowance for impairment on these balances, because of the uncertainty involved in estimating the timing and amount of future collections (see note 4).

How the matters were addressed in our audit

Our procedures in this area included:

- Testing the manual and automated controls over recording and ageing receivables. Our testing of automated controls involved using our own Information Technology Audit specialists to test the design, implementation and operating effectiveness of automated controls;
- Testing subsequent receipts for selected customers identified as overdue;
- Evaluating the adequacy of the Group's provisions against trade receivables by assessing management's assumptions used and reperforming the calculation; and
- Reviewing the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
DOLPHIN COVE LIMITED

Report on the Audit of the Financial Statements (cont'd)

*Responsibilities of Management and Those Charged with Governance
for the Financial Statements (cont'd)*

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 35-36, forms part of our auditors' report.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Rajan Trehan.

Chartered Accountants
Montego Bay, Jamaica

March 1, 2018



To the Members of
DOLPHIN COVE LIMITED

Appendix to the Independent Auditors' report

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



To the Members of
DOLPHIN COVE LIMITED

Appendix to the Independent Auditors' report (cont'd)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

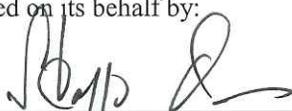
DOLPHIN COVE LIMITED

Group Statement of Financial Position
December 31, 2017

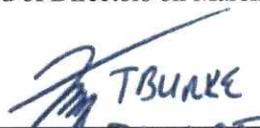
(Expressed in United States dollars)

| | <u>Notes</u> | <u>2017</u> | <u>2016</u> |
|---|--------------|---------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 850,676 | 1,223,530 |
| Investments | 3(a) | 2,127 | 300,037 |
| Accounts receivable | 4 | 1,975,490 | 1,699,508 |
| Taxation recoverable | | 28,896 | 28,268 |
| Due from related companies | 5(b)(ii)(a) | 339,788 | - |
| Inventories | 6 | <u>376,059</u> | <u>343,703</u> |
| | | <u>3,573,036</u> | <u>3,595,046</u> |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 20,931,448 | 20,292,633 |
| Live assets | 9 | 3,968,868 | 3,865,533 |
| Due from related company | 5(b)(ii)(b) | <u>1,110,012</u> | <u>1,450,000</u> |
| | | <u>26,010,328</u> | <u>25,608,166</u> |
| TOTAL ASSETS | | <u>\$29,583,364</u> | <u>29,203,212</u> |
| CURRENT LIABILITIES | | | |
| Bank overdrafts | 10 | 18,746 | 113,286 |
| Accounts payable | 11 | 1,576,306 | 1,340,354 |
| Current portion of long-term liabilities | 13 | 404,505 | 740,635 |
| Taxation payable | | 35,928 | 1,641 |
| Due to other related companies | 5(b)(iii) | <u>20,800</u> | <u>22,112</u> |
| | | <u>2,056,285</u> | <u>2,218,028</u> |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liability | 12 | 856,916 | 936,916 |
| Long-term liabilities | 13 | <u>226,164</u> | <u>606,939</u> |
| | | <u>1,083,080</u> | <u>1,543,855</u> |
| STOCKHOLDERS' EQUITY | | | |
| Share capital | 14 | 3,654,390 | 3,654,390 |
| Capital reserves | 15 | 10,560,310 | 10,655,913 |
| Retained earnings | | <u>12,229,299</u> | <u>11,131,026</u> |
| | | <u>26,443,999</u> | <u>25,441,329</u> |
| TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES | | <u>\$29,583,364</u> | <u>29,203,212</u> |

The financial statements on pages 37 to 82 were approved by the Board of Directors on March 1, 2018 and signed on its behalf by:



Stafford Burrowes Director



Travis William Burke Director

The accompanying notes form an integral part of the financial statements.

DOLPHIN COVE LIMITED

Group Statement of Profit or Loss
Year ended December 31, 2017
(Expressed in United States dollars)

| | <u>Notes</u> | <u>2017</u> | <u>2016</u> |
|---|--------------|---------------------|---------------------|
| OPERATING REVENUE | | | |
| Programmes revenue | 16(a) | 9,136,730 | 8,805,221 |
| Ancillary service revenue | 16(b) | <u>7,496,406</u> | <u>6,459,613</u> |
| Overall revenue | | 16,633,136 | 15,264,834 |
| Less: Direct costs of sales | 17(a) | <u>(1,639,020)</u> | <u>(1,133,669)</u> |
| Gross profit | | 14,994,116 | 14,131,165 |
| Gain on disposal of property, plant and equipment | | 440 | - |
| Other income | | <u>99</u> | <u>427</u> |
| | | <u>14,994,655</u> | <u>14,131,592</u> |
| OPERATING EXPENSES | | | |
| | 17(b) | | |
| Selling | | (4,571,456) | (4,410,924) |
| Other operations | | (3,679,140) | (3,767,635) |
| Administrative | | <u>(2,678,228)</u> | <u>(2,525,587)</u> |
| | | <u>(10,928,824)</u> | <u>(10,704,146)</u> |
| Profit before finance income and costs | | 4,065,831 | 3,427,446 |
| Finance income | 18(a) | 43,279 | 172,394 |
| Finance costs | 18(b) | (277,141) | (307,943) |
| Gain on disposal of investments | | <u>105,126</u> | <u>-</u> |
| Profit before taxation | | 3,937,095 | 3,291,897 |
| Income tax expense | 19 | <u>(405,000)</u> | <u>(431,737)</u> |
| Profit for the year | | <u>\$ 3,532,095</u> | <u>2,860,160</u> |
| Earnings per stock unit | 20 | <u>0.90¢</u> | <u>0.73¢</u> |

The accompanying notes form an integral part of the financial statements.

DOLPHIN COVE LIMITED

Group Statement of Other Comprehensive Income
Year ended December 31, 2017

(Expressed in United States dollars)

| | <u>Notes</u> | <u>2017</u> | <u>2016</u> |
|--|--------------|--------------------|------------------|
| Profit for the year | | 3,532,095 | 2,860,160 |
| Other comprehensive income: | | | |
| Items that are or may be reclassified to profit or loss: | | | |
| Fair value appreciation of available-for-sale investments, being total other comprehensive income | | 9,523 | 30,646 |
| Realised gain on disposal of available-for-sale investments recognised in statement of profit or loss | | (105,126) | - |
| Total comprehensive income | | <u>\$3,436,492</u> | <u>2,890,806</u> |

DOLPHIN COVE LIMITED

Group Statement of Changes in Stockholders' Equity
 Year ended December 31, 2017
 (Expressed in United States dollars)

| | Share capital (note 14) | Capital reserves (note 15) | Retained earnings | Total |
|--|-------------------------------|----------------------------------|----------------------|---------------------|
| Balances as at December 31, 2015 | <u>3,654,390</u> | <u>10,625,267</u> | <u>10,148,076</u> | <u>24,427,733</u> |
| Total comprehensive income: | | | | |
| Profit for the year | - | - | 2,860,160 | 2,860,160 |
| Other comprehensive income: | | | | |
| Fair value appreciation of available-for-sale investments | <u>-</u> | <u>30,646</u> | <u>-</u> | <u>30,646</u> |
| | <u>-</u> | <u>30,646</u> | <u>2,860,160</u> | <u>2,890,806</u> |
| Transactions with owners of the company: | | | | |
| Dividends (note 21) | <u>-</u> | <u>-</u> | <u>(1,877,210)</u> | <u>(1,877,210)</u> |
| Balances as at December 31, 2016 | <u>3,654,390</u> | <u>10,655,913</u> | <u>11,131,026</u> | <u>25,441,329</u> |
| Total comprehensive income: | | | | |
| Profit for the year | - | - | 3,532,095 | 3,532,095 |
| Other comprehensive income: | | | | |
| Fair value appreciation of available-for-sale investments | - | 9,523 | - | 9,523 |
| Realised gain on disposal of available-for-sale investments recognised in statement of profit or loss | <u>-</u> | <u>(105,126)</u> | <u>-</u> | <u>(105,126)</u> |
| | <u>-</u> | <u>(95,603)</u> | <u>3,532,095</u> | <u>3,436,492</u> |
| Transactions with owners of the company: | | | | |
| Dividends (note 21) | <u>-</u> | <u>-</u> | <u>(2,433,822)</u> | <u>(2,433,822)</u> |
| Balances as at December 31, 2017 | <u>\$3,654,390</u> | <u>10,560,310</u> | <u>12,229,299</u> | <u>26,443,999</u> |

The accompanying notes form an integral part of the financial statements.

DOLPHIN COVE LIMITED

Group Statement of Cash Flows
Year ended December 31, 2017
(Expressed in United States dollars)

| | <u>Notes</u> | <u>2017</u> | <u>2016</u> |
|---|--------------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit for the year | | 3,532,095 | 2,860,160 |
| Adjustments for: | | | |
| Depreciation and amortisation | 8,9 | 1,071,037 | 1,008,016 |
| Gain on disposal of property, plant and equipment | | (440) | - |
| Gain on disposal of investments | | (105,126) | - |
| Interest income | 18(a) | (7,181) | (18,227) |
| Interest expense | 18(b) | 28,110 | 104,787 |
| Impairment loss on trade receivables | 4(c) | 79,245 | 163,570 |
| Taxation | 19 | <u>405,000</u> | <u>431,737</u> |
| | | 5,002,740 | 4,550,043 |
| Changes in: | | | |
| Accounts receivable | | (355,227) | (384,233) |
| Inventories | | (32,356) | (14,004) |
| Accounts payable | | 325,908 | 447,721 |
| Due to other related companies | | <u>(1,312)</u> | <u>22,112</u> |
| Cash generated from operations | | 4,939,753 | 4,621,639 |
| Interest paid | | (118,066) | (290,695) |
| Income tax paid | | <u>(451,341)</u> | <u>(436,784)</u> |
| Net cash provided by operating activities | | <u>4,370,346</u> | <u>3,894,160</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | 7,181 | 51,968 |
| Securities purchased under resale agreements, net | | - | 1,357,588 |
| Additions to property, plant and equipment | 8 | (1,406,435) | (1,443,361) |
| Proceeds from disposal of property, plant and equipment | | 3,848 | - |
| Additions to live assets | 9 | (410,160) | (576,932) |
| Due from related companies | | 200 | (1,450,000) |
| Proceeds from sale of investments | | <u>307,433</u> | <u>161,323</u> |
| Net cash used by investing activities | | <u>(1,497,933)</u> | <u>(1,899,414)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Long-term liabilities, net | | (716,905) | (505,044) |
| Dividends paid | | <u>(2,433,822)</u> | <u>(1,877,210)</u> |
| Net cash used by financing activities | | <u>(3,150,727)</u> | <u>(2,382,254)</u> |
| Net decrease in cash resources | | (278,314) | (387,508) |
| Cash resources at beginning of the year | | <u>1,110,244</u> | <u>1,497,752</u> |
| CASH RESOURCES AT END OF YEAR | | <u>\$ 831,930</u> | <u>1,110,244</u> |
| Comprising: | | | |
| Cash and cash equivalents | | 850,676 | 1,223,530 |
| Bank overdrafts | | <u>(18,746)</u> | <u>(113,286)</u> |
| | | <u>\$ 831,930</u> | <u>1,110,244</u> |

The accompanying notes form an integral part of the financial statements.

DOLPHIN COVE LIMITED

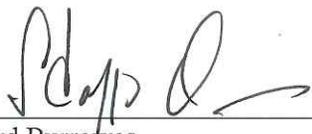
Company Statement of Financial Position

December 31, 2017

(Expressed in United States dollars)

| | <u>Notes</u> | <u>2017</u> | <u>2016</u> |
|---|--------------|---------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 850,676 | 1,223,530 |
| Investments | 3(a) | 2,127 | 300,037 |
| Accounts receivable | 4 | 1,975,030 | 1,699,096 |
| Due from related companies | 5(b)(ii)(a) | 339,788 | - |
| Taxation recoverable | | - | 27,598 |
| Inventories | 6 | <u>376,059</u> | <u>343,703</u> |
| | | <u>3,543,680</u> | <u>3,593,964</u> |
| NON-CURRENT ASSETS | | | |
| Investment in subsidiaries | 7 | 314,539 | 314,539 |
| Property, plant and equipment | 8 | 9,039,128 | 8,448,504 |
| Live assets | 9 | 3,965,603 | 3,861,923 |
| Due from subsidiaries | 5(b)(i) | 4,390,795 | 4,161,501 |
| Due from related company | 5(b)(ii)(b) | <u>1,110,012</u> | <u>1,450,000</u> |
| | | <u>18,820,077</u> | <u>18,236,467</u> |
| TOTAL ASSETS | | <u>\$22,363,757</u> | <u>21,830,431</u> |
| CURRENT LIABILITIES | | | |
| Bank overdrafts | 10 | 18,746 | 113,286 |
| Accounts payable | 11 | 1,574,542 | 1,270,613 |
| Due to other related companies | 5(b)(iii) | 20,800 | 22,112 |
| Due to subsidiaries | 5(b)(iv) | 300 | 300 |
| Current portion of long-term liabilities | 13 | 404,505 | 740,635 |
| Taxation payable | | <u>35,928</u> | <u>1,641</u> |
| | | <u>2,054,821</u> | <u>2,148,587</u> |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liability | 12 | 856,916 | 936,916 |
| Long-term liabilities | 13 | <u>226,164</u> | <u>606,939</u> |
| | | <u>1,083,080</u> | <u>1,543,855</u> |
| STOCKHOLDERS' EQUITY | | | |
| Share capital | 14 | 3,654,390 | 3,654,390 |
| Capital reserves | 15 | 3,902,835 | 3,998,438 |
| Retained earnings | | <u>11,668,631</u> | <u>10,485,161</u> |
| | | <u>19,225,856</u> | <u>18,137,989</u> |
| TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES | | <u>\$22,363,757</u> | <u>21,830,431</u> |

The financial statements on pages 37 to 82 were approved by the Board of Directors on March 1, 2018 and signed on its behalf by:


 _____ Director
 Stafford Burrowes


 _____ Director
 Travis William Burke

The accompanying notes form an integral part of the financial statements.

DOLPHIN COVE LIMITED

Company Statement of Profit or Loss
Year ended December 31, 2017
(Expressed in United States dollars)

| | <u>Notes</u> | <u>2017</u> | <u>2016</u> |
|---|--------------|---------------------|---------------------|
| OPERATING REVENUE | | | |
| Programmes revenue | 16(a) | 9,136,730 | 8,805,221 |
| Ancillary services revenue | 16(b) | <u>7,496,406</u> | <u>6,459,613</u> |
| Overall revenue | | 16,633,136 | 15,264,834 |
| Less: Direct costs of sales | 17(a) | <u>(1,639,020)</u> | <u>(1,133,669)</u> |
| Gross profit | | 14,994,116 | 14,131,165 |
| Gain on disposal of property, plant and equipment | | 440 | - |
| Other income | | <u>99</u> | <u>427</u> |
| | | <u>14,994,655</u> | <u>14,131,592</u> |
| OPERATING EXPENSES | | | |
| | 17(b) | | |
| Selling | | (4,571,456) | (4,410,924) |
| Other operations | | (3,593,558) | (3,696,519) |
| Administrative | | <u>(2,845,466)</u> | <u>(2,820,567)</u> |
| | | <u>(11,010,480)</u> | <u>(10,928,010)</u> |
| Profit before finance income and costs | | 3,984,175 | 3,203,582 |
| Finance income | 18(a) | 282,442 | 528,076 |
| Finance costs | 18(b) | <u>(349,451)</u> | <u>(303,401)</u> |
| Gain on disposal of investment | | <u>105,126</u> | <u>-</u> |
| Profit before taxation | | 4,022,292 | 3,428,257 |
| Taxation expense | 19 | <u>(405,000)</u> | <u>(431,737)</u> |
| Profit for the year | | <u>\$ 3,617,292</u> | <u>2,996,520</u> |

The accompanying notes form an integral part of the financial statements.

DOLPHIN COVE LIMITED

Company Statement of Other Comprehensive Income
Year ended December 31, 2017
(Expressed in United States dollars)

| | <u>Notes</u> | <u>2017</u> | <u>2016</u> |
|--|--------------|--------------------|------------------|
| Profit for the year | | 3,617,292 | 2,996,520 |
| Other comprehensive income: | | | |
| Items that are or may be reclassified to profit or loss: | | | |
| Fair value appreciation of available-for-sale investments | | 9,523 | 30,646 |
| Realised gain on disposal of available-for-sale investments recognised in statement of profit or loss | | (105,126) | <u>-</u> |
| Total comprehensive income | | <u>\$3,521,689</u> | <u>3,027,166</u> |

DOLPHIN COVE LIMITED

Company Statement of Changes in Stockholders' Equity
Year ended December 31, 2017

(Expressed in United States dollars)

| | Share capital (note 14) | Capital reserves (note 15) | Retained earnings | Total |
|--|-------------------------------|----------------------------------|----------------------|---------------------|
| Balances as at December 31, 2015 | <u>3,654,390</u> | <u>3,967,792</u> | <u>9,365,851</u> | <u>16,988,033</u> |
| Total comprehensive income: | | | | |
| Profit for the year | - | - | 2,996,520 | 2,996,520 |
| Other comprehensive income: | | | | |
| Fair value appreciation of available-for-sale investments | <u>-</u> | <u>30,646</u> | <u>-</u> | <u>30,646</u> |
| Total comprehensive income | <u>-</u> | <u>30,646</u> | <u>2,996,520</u> | <u>3,027,166</u> |
| Transactions with owners of the company: | | | | |
| Dividends (note 21) | <u>-</u> | <u>-</u> | <u>(1,877,210)</u> | <u>(1,877,210)</u> |
| Balances as at December 31, 2016 | <u>3,654,390</u> | <u>3,998,438</u> | <u>10,485,161</u> | <u>18,137,989</u> |
| Total comprehensive income: | | | | |
| Profit for the year | - | - | 3,617,292 | 3,617,292 |
| Other comprehensive income: | | | | |
| Fair value appreciation of available-for-sale investments | - | 9,523 | - | 9,523 |
| Realised gain on disposal of available-for-sale investments recognised in statement of profit or loss | <u>-</u> | <u>(105,126)</u> | <u>-</u> | <u>(105,126)</u> |
| Total comprehensive income | <u>-</u> | <u>(95,603)</u> | <u>3,617,292</u> | <u>3,521,689</u> |
| Transactions with owners of the company: | | | | |
| Dividends (note 21) | <u>-</u> | <u>-</u> | <u>(2,433,822)</u> | <u>(2,433,822)</u> |
| Balances as at December 31, 2017 | <u>\$3,654,390</u> | <u>3,902,835</u> | <u>11,668,631</u> | <u>19,225,856</u> |

The accompanying notes form an integral part of the financial statements.

DOLPHIN COVE LIMITED

Company Statement of Cash Flows
Year ended December 31, 2017
(Expressed in United States dollars)

| | <u>Notes</u> | <u>2017</u> | <u>2016</u> |
|---|--------------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit for the year | | 3,617,292 | 2,996,520 |
| Adjustments for: | | | |
| Depreciation and amortisation | 8,9 | 996,562 | 948,010 |
| Gain on disposal of property, plant and equipment | | (440) | - |
| Gain on disposal of investment | | (105,126) | - |
| Interest income | 18(a) | (246,344) | (373,909) |
| Interest expense | 18(b) | 28,110 | 117,762 |
| Impairment loss on trade receivables | 4(c) | 79,245 | 167,657 |
| Taxation | 19 | <u>405,000</u> | <u>431,737</u> |
| | | 4,774,299 | 4,287,777 |
| Change in: | | | |
| Accounts receivable | | (355,179) | (357,702) |
| Inventories | | (32,356) | (14,004) |
| Accounts payable | | 393,885 | 275,944 |
| Due to other related companies | | <u>(1,312)</u> | <u>22,112</u> |
| Cash generated from operations | | 4,779,337 | 4,214,127 |
| Interest paid | | (118,066) | (123,758) |
| Income tax paid | | <u>(423,115)</u> | <u>(436,827)</u> |
| Net cash provided by operating activities | | <u>4,238,156</u> | <u>3,653,542</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | 246,344 | 377,005 |
| Securities purchased under resale agreements, net | | - | 1,357,587 |
| Additions to property, plant and equipment | 8 | (1,284,114) | (1,497,483) |
| Proceeds from disposal of property, plant and equipment | | 3,848 | - |
| Additions to live assets | 9 | (410,160) | (576,932) |
| Due from subsidiaries | | (229,294) | (30,296) |
| Proceeds from sale of investments | | 307,433 | 161,323 |
| Due from related companies | | <u>200</u> | <u>(1,450,000)</u> |
| Net cash used by investing activities | | <u>(1,365,743)</u> | <u>(1,658,796)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Long-term liabilities, net | | (716,905) | (505,044) |
| Dividends paid | | <u>(2,433,822)</u> | <u>(1,877,210)</u> |
| Net cash used by financing activities | | <u>(3,150,727)</u> | <u>(2,382,254)</u> |
| Net decrease in cash resources | | (278,314) | (387,508) |
| Cash resources at beginning of the year | | <u>1,110,244</u> | <u>1,497,752</u> |
| CASH RESOURCES AT END OF YEAR | | <u>\$ 831,930</u> | <u>1,110,244</u> |
| Comprising: | | | |
| Cash and cash equivalents | | 850,676 | 1,223,530 |
| Bank overdrafts | | <u>(18,746)</u> | <u>(113,286)</u> |
| | | <u>\$ 831,930</u> | <u>1,110,244</u> |

The accompanying notes form an integral part of the financial statements.

DOLPHIN COVE LIMITED

Notes to the Financial Statements

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

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 a tourist attraction comprising dolphin programmes and ancillary operations such as restaurants, gift and video shops at several locations.

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. where it offered dolphin programmes and ancillary operations similar to that of the company. However, effective January 1, 2014, the company assumed its operations. Dolphin Cove (Negril) Limited continues to own 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. Lucia 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. Lucia 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) On November 18, 2015, World of Dolphins Inc. ("parent company"), incorporated in Barbados, acquired 229,610,218 shares in the company or 58.51% of its issued share capital, from a majority shareholder.
- (d) 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" – the 'wider group'. Both companies are incorporated in Mexico.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

1. Corporate structure and principal activities (cont'd)

- (e) On December 18, 2015, the parent company made a follow-up offer, expiring on January 8, 2016, to purchase all the remaining shares of the company, with the intention of not increasing its shareholdings beyond 79.99%. The offer was accepted by 110 shareholders tendering 48,815,711 ordinary shares or 12.44% of the issued share capital of the company. In addition, one of the lockout shareholders sold a further 35,475,929 shares to the parent company, at the offer price of \$0.1338 per share.
- (f) Effective January 8, 2016, World of Dolphins Inc. holds 79.99% of shares issued by Dolphin Cove Limited.

2. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements are prepared in accordance 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.

New and amended standards that became effective during the year:

During the year, certain new standards and amendments to existing standards became effective. The adoption of those standards and amendments did not have a significant impact on the financial statements:

- Amendments to IAS 7, *Statement of Cash Flows*, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.
- Amendments to IAS 12, *Income Taxes*, clarifies the following:
 - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
 - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
 - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
 - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
 - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The adoption of these amendments did not result in any change to the presentation and disclosures in the financial statements.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards not yet effective:

Certain new and amended standards have been issued which are not yet effective for the current year and which the Group has not early-adopted. The Group has assessed the relevance of all such new standards and amendments with respect to the Group's operations and has determined that the following are likely to have an effect on the consolidated financial statements.

- IFRS 9 *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.
- IFRS 15 *Revenue From Contracts With Customers*, effective for annual reporting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The Group will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards not yet effective (cont'd):

- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, effective for annual reporting periods beginning on or after January 1, 2018, addresses how to determine the transaction date when an entity recognises a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognising the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income or initial recognition at fair value or at the fair value of the consideration paid or received at the date of initial recognition of the non-monetary asset or liability.

An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held.

The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

- IFRIC 23 *Uncertainty Over Income Tax Treatments* is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities is to be applied in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

An entity has to consider whether it is probable that the relevant tax authority would accept the tax treatment, or group of tax treatments, that is adopted in its income tax filing.

If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings and record the same amount in the financial statements. The entity will disclose uncertainty.

If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better prediction of the resolution of the uncertainty.

If facts and circumstances change, the entity is required to reassess the judgements and estimates applied.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards that are not yet effective (cont'd):

• *IFRIC 23 Uncertainty Over Income Tax Treatments (cont'd)*

IFRIC 23 reinforces the need to comply with existing disclosure requirements regarding:

- judgements made in the process of applying accounting policy to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- assumptions and other estimates used; and
- potential impact of uncertainties that are not reflected in the financial statements.

- *IFRS 16 Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

The Group is assessing the impact, if any, that the foregoing standards and amendments to standards will have on its financial statements when they are adopted.

(b) Basis of preparation and functional currency:

The financial statements are presented in United States dollars (\$), which is the functional currency of the company.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash flows from receivables, due to default or adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows.

(ii) Fair value of land and buildings:

Land and buildings are revalued annually to fair market value at each reporting date. These valuations are conducted periodically 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 analyse 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.

(iii) Fair value of dolphins:

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

For further information in respect of the determination of fair values and the assumptions made see also notes 8(a), 9 and 24(c).

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from those assumptions, could require a material adjustment to the carrying amount reflected in the financial statements.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(d) Basis of consolidation:

The consolidated financial statements include the separate financial statements of the company and its subsidiaries (note 1), made up to December 31, 2017. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(i) Subsidiaries:

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of a subsidiary are included in the consolidated financial statements from the date control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(e) Foreign currencies:

(i) Foreign currency transactions and balances:

Monetary assets and liabilities denominated in foreign currencies are translated to the United States dollar (\$) at the rates of exchange at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined.

Transactions in foreign currencies are converted to the functional currency at the rates of exchange ruling at the dates of those transactions. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Gains and losses arising from fluctuations in exchange rates are generally included in profit or loss. However, foreign currency differences arising from the translation of available-for-sale equity investments are recognised in other comprehensive income, except on impairment, in which case the foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(e) Foreign currencies (cont'd):

(ii) Foreign operations:

The assets and liabilities of foreign operations are translated into the company's functional currency at exchange rates at the reporting date. The income and expenses for foreign operations are translated into the company's presentation currency at exchange rates at the date of those transactions. These foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

Foreign exchange gains or losses arising on a monetary item receivable from or payable to a foreign operation are recognised in the consolidated financial statements in other comprehensive income and presented within equity in the foreign currency translation reserve. In the separate financial statements of the company, these foreign exchange gains or losses are recognised in profit or loss.

(f) Cash and cash equivalents:

Cash and cash equivalents comprise cash in hand and at bank including short-term deposits, where the original maturities of such deposits do not exceed three months.

Bank overdrafts that are repayable on demand and form an integral part of the group's cash management activities, are included as a component of net cash resources for the purpose of the statements of cash flows.

(g) Securities purchased under resale agreements:

Securities purchased under resale agreements are short-term transactions in which the group makes funds available to other parties and in turn receives securities which it agrees to resell on a specified date at a specified price. Resale agreements are accounted for as short-term collateralised lending.

(h) Investments:

Investments are classified as loans and receivables or available-for-sale. Loans and receivables are those that have a fixed or determinable payment and which are not quoted in an active market. Loans and receivables investments are initially measured at cost and subsequently at amortised cost, calculated on the effective interest rate method, less impairment losses.

Available-for-sale investments are initially recognised at cost and subsequently at fair value where a quoted market price is available in an active market. Any resultant gain or loss is recognised in investment revaluation reserve through other comprehensive income. This is done until the investment is sold or otherwise disposed of, or when the carrying amount of the investment is judged to be impaired, at which time the cumulative gain or loss previously recognised in investment revaluation reserve is transferred to profit or loss.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(h) Investments (cont'd):

Fair value is measured at the quoted bid market price at the reporting date. Where quoted market price is not available in an active market, available-for-sale investments are shown at cost.

Investments are recognised/derecognised on the trade date.

(i) Accounts receivable:

Accounts receivable comprising trade and other receivables are stated at amortised cost, less impairment losses.

(j) Related parties:

A related party is a person or company that is related to the company that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) A company is related to a reporting entity if any of the following conditions applies:

- (i) The company and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One company is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other company is a member).
- (iii) Both companies are joint ventures of the same third party.
- (iv) One company is a joint venture of a third company and the other company is an associate of the third entity.
- (v) The company is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
- (vi) The company is controlled, or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the reporting entity or is a member of the management personnel of the reporting entity (or of a parent of the company).
- (viii) The entity, or any member of a group of which it is a part, provides key management services to the Group.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(j) Related parties (cont'd):

- (c) A related party transaction involves transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(k) Inventories:

Inventories are stated at the lower of cost, determined on the weighted average basis, and net realisable value.

(l) Property, plant and equipment:

(i) Recognition and measurement:

Land and buildings are stated at valuation, less subsequent depreciation. All other categories of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Any revaluation increase arising on the revaluation of land and buildings is credited to capital reserves through other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in capital reserve relating to a previous revaluation of such assets.

On a sale or retirement of the revalued asset, the attributable revaluation surplus remaining in unrealised capital reserve is transferred directly to realised reserve.

Cost includes expenditures that are attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefit embodied within the part will flow to the group and its cost can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

The cost of self-constructed assets includes the cost of materials, direct labour and related costs to put the asset into service. Borrowing costs, including but not limited to, interest on borrowings and exchange differences arising on such borrowings, that are directly attributable to the acquisition and/or construction of a qualifying asset are capitalised as part of the cost of that asset.

Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. Thereafter, borrowing costs are recognised in profit or loss when they are incurred.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(l) Property, plant and equipment (cont'd):

(i) Recognition and measurement (cont'd):

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure:

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the group.

(iii) Depreciation:

Depreciation is recognised in profit or loss on the straight-line basis computed at annual rates estimated to write down the assets to their estimated residual values over their estimated useful lives.

The estimated useful lives are as follows:

| | |
|-----------------------------------|----------|
| Buildings | 40 years |
| Leasehold improvements | 10 years |
| Furniture, fixtures and equipment | 10 years |
| Computers | 5 years |
| Motor vehicles | 5 years |
| Dune buggies | 3 years |

No depreciation is charged on land and capital work-in-progress.

(m) Live assets:

This comprises the carrying value of dolphins and other marine life, as well as birds and animals capitalised. Dolphins are stated at valuation and are amortised over an estimated life span of thirty years. The remaining useful life of dolphins approaching an estimated useful life span of thirty years during production is reassessed and estimated by qualified professional based on health and other relevant factors. Other marine life, as well as birds and animals are stated at cost less amortisation over periods not exceeding fifteen years.

(n) Accounts payable:

Trade and other payables are stated at amortised cost.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(o) Provisions:

A provision is recognised when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(p) Interest bearing borrowings:

Interest bearing borrowings are recognised initially at cost. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowing on an effective interest basis.

(q) Share capital and dividends:

Ordinary shares are classified as equity and carried at cost. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(r) Impairment:

The carrying amounts of the group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amounts:

The recoverable amount of the company's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(r) Impairment (cont'd):

(i) Calculation of recoverable amounts (cont'd):

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss, but through other comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit or loss.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(s) Revenue recognition:

(i) Rendering of services:

Revenue from the provision of services is recognised when the service has been provided to customers.

(ii) Sale of goods:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(iii) Finance income:

Finance income comprises interest earned on funds invested and foreign exchange gains recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, taking into account the effective yield on the asset.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(t) Employee benefits:

Employee benefits include current or short-term benefits such as salaries, statutory contributions paid, annual vacation leave and non-monetary benefits such as medical care and housing. Short-term employee benefits are recognised as a liability, net of payments made, and charged as expenses. The expected cost of vacation leave that accumulates is recognised over the period that the employees become entitled to the leave.

(u) Expenses:

(i) Expenses:

Expenses are recognised on the accrual basis.

(ii) Finance costs:

Finance costs comprise interest incurred on borrowings, calculated using the effective interest method, foreign exchange losses and bank related charges.

(iii) Operating lease payments:

Payments under leases are recognised in profit or loss on the straight-line basis over the term of the lease.

(v) Income taxes:

(i) Current tax:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax:

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax liability is recognised for taxable temporary differences, except to the extent that the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(w) Segment reporting:

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. Each operating segment's operating results are reviewed regularly by the group's Chief Operating Decision Maker ("CODM"), to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The group has identified the Managing Director as its CODM.

During the year, a review of the operating segment was conducted. Based on the economic and operational similarities and the way the CODM monitors the operations, the group has concluded that its operating segments should be aggregated and that it has one operating segment.

(x) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, securities purchased under resale agreements, investments, accounts receivable and related party receivables. Similarly, financial liabilities include bank overdrafts, accounts payable, long-term liabilities and related party payables.

(y) Fair value measurement:

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the fair value of an instrument is measured by using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, valuation techniques are used that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(y) Fair value measurement (cont'd):

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – Quoted market price (unadjusted) in an active market for identical assets or liabilities.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

3. Investments

| | <u>The Group and the Company</u> | |
|-----------------------------|----------------------------------|----------------|
| | <u>2017</u> | <u>2016</u> |
| (a) Current: | | |
| Available-for-sale: | | |
| Scotia Investments Limited: | | |
| Scotia Canadian Growth Fund | - | 297,789 |
| Loans and receivables: | | |
| Fixed deposits | <u>2,127</u> | <u>2,248</u> |
| | <u>\$2,127</u> | <u>300,037</u> |

Available-for-sale investments are carried at fair value and were determined using level 2 inputs.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

4. Accounts receivable

| | <u>The Group</u> | | <u>The Company</u> | |
|------------------------------------|--------------------|-------------------|--------------------|-------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Trade receivables (a) | 2,308,843 | 1,925,708 | 2,246,471 | 1,863,384 |
| Other receivables (b) | <u>273,699</u> | <u>301,607</u> | <u>273,287</u> | <u>301,195</u> |
| | 2,582,542 | 2,227,315 | 2,519,758 | 2,164,579 |
| Less: Allowance for impairment (c) | <u>(607,052)</u> | <u>(527,807)</u> | <u>(544,728)</u> | <u>(465,483)</u> |
| | <u>\$1,975,490</u> | <u>1,699,508</u> | <u>1,975,030</u> | <u>1,699,096</u> |

(a) The aging of trade receivables and related impairment was:

| | <u>The Group</u> | | | |
|---------------------|--------------------|-------------------|------------------|-------------------|
| | <u>2017</u> | | <u>2016</u> | |
| | <u>Gross</u> | <u>Impairment</u> | <u>Gross</u> | <u>Impairment</u> |
| Due 0-30 days | 985,863 | - | 884,993 | - |
| Past due 31-60 days | 87,132 | - | 137,199 | - |
| Past due 61-90 days | 135,033 | - | 41,244 | - |
| More than 90 days | <u>1,100,815</u> | <u>607,052</u> | <u>862,272</u> | <u>527,807</u> |
| Total | <u>\$2,308,843</u> | <u>607,052</u> | <u>1,925,708</u> | <u>527,807</u> |

| | <u>The Company</u> | | | |
|---------------------|--------------------|-------------------|------------------|-------------------|
| | <u>2017</u> | | <u>2016</u> | |
| | <u>Gross</u> | <u>Impairment</u> | <u>Gross</u> | <u>Impairment</u> |
| Due 0-30 days | 985,863 | - | 884,993 | - |
| Past due 31-60 days | 87,132 | - | 137,199 | - |
| Past due 61-90 days | 135,033 | - | 41,244 | - |
| More than 90 days | <u>1,038,443</u> | <u>544,728</u> | <u>799,948</u> | <u>465,483</u> |
| Total | <u>\$2,246,471</u> | <u>544,728</u> | <u>1,863,384</u> | <u>465,483</u> |

(b) Other receivables include:

(i) Amounts due from related parties aggregating \$92,254 (2016: \$118,050) for the group and the company.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

4. Accounts receivable (cont'd)

- (c) The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

| | <u>The Group</u> | | <u>The Company</u> | |
|---|------------------|----------------|--------------------|----------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Balance at beginning of year | 527,807 | 364,237 | 465,483 | 297,826 |
| Impairment loss recognised in profit or loss | <u>79,245</u> | <u>163,570</u> | <u>79,245</u> | <u>167,657</u> |
| Balance at end of year | <u>\$607,052</u> | <u>527,807</u> | <u>544,728</u> | <u>465,483</u> |

The creation and release of provisions for impaired receivables have been included in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There were no financial assets other than those listed above that were individually impaired.

5. Related party balances and transactions

- (a) Identity of related parties:

The company has related party relationships with its parent company, its holding companies, subsidiaries, fellow subsidiaries, its directors and key management personnel.

- (b) The statement of financial position includes balances arising in the ordinary course of business with related parties as follows:

- (i) Due from subsidiaries – non-current:

| | | <u>The Company</u> | |
|--------------------------------|-----|--------------------|------------------|
| | | <u>2017</u> | <u>2016</u> |
| Dolphin Cove (Negril) Limited: | | | |
| 10% US\$ loan | (a) | 1,545,111 | 1,429,636 |
| DCTCI Limited: | | | |
| 3.5% US\$ loan | (b) | 1,872,199 | 1,805,867 |
| Marine Adventure Park Limited | | | |
| 3.5% US\$ loan | (c) | 968,185 | 920,698 |
| Dolphin Cove TCI Limited | (d) | 1,550 | 1,550 |
| SB Holdings | (e) | 1,750 | 1,750 |
| Cheshire Hall Limited | (f) | 1,000 | 1,000 |
| Balmoral Dolphins Limited | (g) | <u>1,000</u> | <u>1,000</u> |
| | | <u>\$4,390,795</u> | <u>4,161,501</u> |

- (a) This loan bears interest at 10% per annum, is unsecured and has no fixed repayment terms. However, the company's intent is not to require repayment within 12 months of the reporting date.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

5. Related party balances and transactions (cont'd)

(b) (Continued)

(i) Due from subsidiaries - non-current (cont'd):

- (b) These balances materially comprise advances for the purchase of property and expenses incurred so far in respect of the proposed developments in St. Lucia and the Turks & Caicos Islands [note 8(c)]. These loans, along with additional advances during the year, are unsecured, bear interest at 3.5% per annum and have no fixed repayment terms. However, the company's intent is not to require repayment within 12 months of the reporting date.
- (c) This balance comprises professional fees and other expenses in respect of the expansion of the experience at Marine Adventure Park Limited. These loans, along with additional advances during the year, are unsecured, bear interest at 3.5% per annum and have no fixed repayment terms. However, the company's intent is not to require repayment within 12 months of the reporting date.
- (d) This balance comprises an advance for professional fees due from Dolphin Cove TCI Limited that is unsecured, interest free and repayable on demand.
- (e) This balance comprises an advance for professional fees due from SB Holdings Ltd. that is unsecured, interest free and repayable on demand.
- (f) This balance comprises an advance for professional fees due from Cheshire Hall Limited that is unsecured, interest free and repayable on demand.
- (g) This balance comprises an advance for professional fees due from Balmoral Dolphins Limited that is unsecured, interest free and repayable on demand.

(ii) Due from related companies

| | <u>The Group and the Company</u> | |
|-----------------------------------|----------------------------------|------------------|
| | <u>2017</u> | <u>2016</u> |
| (a) Current: | | |
| Dolphin Discovery Tortola BVI | 34,347 | - |
| Dtraveller Limited | 224,683 | - |
| Controladora Dolphin S.A. de C.V. | 8,521 | - |
| Viajero Cibernetico S.A. | <u>72,237</u> | <u>-</u> |
| | <u>\$ 339,788</u> | <u>-</u> |
| (b) Non-current: | | |
| Dolphin Discovery Inc. | <u>\$1,110,012</u> | <u>1,450,000</u> |

This amount is the initial deposit in respect of the construction of a new dolphin encounter park, to be located in St. Lucia. This deposit represents forty percent (40%) of the estimated amount of the aggregate park cost. [See note 23(b)].

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

5. Related party balances and transactions (cont'd)

(b) (Continued)

- (iii) Amounts due to other related companies are interest free, unsecured and repayable on demand.

| | <u>The Group and the Company</u> | |
|------------------------------------|----------------------------------|---------------|
| | <u>2017</u> | <u>2016</u> |
| Controladora Dolphin S.A. de C.V. | - | 7,166 |
| Dolphin Discovery Anguilla Limited | 14,946 | 14,946 |
| Dolphin Cove Cayman Limited | <u>5,854</u> | <u>-</u> |
| | <u>\$20,800</u> | <u>22,112</u> |

- (iv) Amounts due to subsidiaries are interest free, unsecured and repayable on demand.

| | <u>The Company</u> | |
|--------------------------------|--------------------|-------------|
| | <u>2017</u> | <u>2016</u> |
| Due from Balmoral Dolphins | 100 | 100 |
| Due from Cheshire Hall Limited | 100 | 100 |
| Due from SB Holdings Limited | <u>100</u> | <u>100</u> |
| | <u>\$300</u> | <u>300</u> |

- (c) Profit or loss includes the following (income)/expense transactions with related parties in the ordinary course of business (not disclosed elsewhere).

| | <u>The Group</u> | | <u>The Company</u> | |
|---|------------------|-------------|--------------------|-------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Management fees to parent | 390,788 | 384,211 | 390,788 | 384,211 |
| Rental paid to a subsidiary | - | - | 176,988 | 176,988 |
| Interest earned from subsidiaries [note 5(b)(i)(a)] | - | - | (238,821) | (355,682) |
| Commissions paid to related companies | <u>180,000</u> | <u>-</u> | <u>180,000</u> | <u>-</u> |

Other related party transactions are disclosed in note (d) below, 4(b), 7 and note 23(a).

- (d) Key management personnel compensation:

| | <u>The Group and the Company</u> | |
|--|----------------------------------|----------------|
| | <u>2017</u> | <u>2016</u> |
| | <u>\$</u> | <u>\$</u> |
| Directors' emoluments: | | |
| Fees | 20,216 | 20,216 |
| Management | 65,016 | 66,582 |
| Key management personnel compensation* | <u>237,179</u> | <u>220,697</u> |

*Key management personnel compensation is included in staff costs [note 17(c)].

Directors of the company and entities under their control hold approximately 82% (2016: 82%) of the voting stock units of the company [see note 1(c) and (e)].

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

6. Inventories

| | <u>The Group and the Company</u> | |
|---|----------------------------------|------------------|
| | <u>2017</u> | <u>2016</u> |
| Items for resale | 337,545 | 307,968 |
| Dolphin food | <u>43,745</u> | <u>40,966</u> |
| | 381,290 | 348,934 |
| Less: Allowance for impairment | (<u>5,231</u>) | (<u>5,231</u>) |
| | <u>376,059</u> | <u>343,703</u> |
| Inventories charged to expenses during the year | <u>\$351,947</u> | <u>256,267</u> |

7. Investment in subsidiaries

This represents the cost of the company's 100% interest in the shares of its subsidiaries [note 1(b)].

| | <u>The Company</u> | |
|---------------------------|--------------------|----------------|
| | <u>2017</u> | <u>2016</u> |
| Too Cool Limited | 314,239 | 314,239 |
| Cheshire Hall Limited | 100 | 100 |
| Balmoral Dolphins Limited | 100 | 100 |
| SB Holdings Limited | <u>100</u> | <u>100</u> |
| | <u>\$314,539</u> | <u>314,539</u> |

8. Property, plant and equipment

| | <u>The Group</u> | | | | | <u>Total</u> |
|------------------------|---------------------------|-------------------------------|---|--|---------------------------------|-------------------|
| | <u>Land and buildings</u> | <u>Leasehold improvements</u> | <u>Furniture, fixtures, computers & equipment</u> | <u>Motor vehicles & dune buggies</u> | <u>Capital work-in-progress</u> | |
| Cost or valuation: | | | | | | |
| December 31, 2015 | 15,161,433 | 108,646 | 3,045,131 | 624,241 | 2,593,334 | 21,532,785 |
| Additions | <u>113,397</u> | <u>107,775</u> | <u>714,013</u> | <u>211,901</u> | <u>296,275</u> | <u>1,443,361</u> |
| December 31, 2016 | 15,274,830 | 216,421 | 3,759,144 | 836,142 | 2,889,609 | 22,976,146 |
| Additions | <u>167,444</u> | <u>382,937</u> | <u>494,501</u> | <u>119,854</u> | <u>241,699</u> | <u>1,406,435</u> |
| Disposal | <u>-</u> | <u>-</u> | <u>-</u> | <u>(9,920)</u> | <u>-</u> | <u>(9,920)</u> |
| December 31, 2017 | <u>15,442,274</u> | <u>599,358</u> | <u>4,253,645</u> | <u>946,076</u> | <u>3,131,308</u> | <u>24,372,661</u> |
| Depreciation: | | | | | | |
| December 31, 2015 | 219,187 | 19,781 | 1,635,283 | 278,755 | - | 2,153,006 |
| Charge for the year | <u>117,553</u> | <u>12,908</u> | <u>256,848</u> | <u>143,198</u> | <u>-</u> | <u>530,507</u> |
| December 31, 2016 | 336,740 | 32,689 | 1,892,131 | 421,953 | - | 2,683,513 |
| Charge for the year | <u>130,533</u> | <u>27,860</u> | <u>387,992</u> | <u>217,827</u> | <u>-</u> | <u>764,212</u> |
| Eliminated on disposal | <u>-</u> | <u>-</u> | <u>-</u> | <u>(6,512)</u> | <u>-</u> | <u>(6,512)</u> |
| December 31, 2017 | <u>467,273</u> | <u>60,549</u> | <u>2,280,123</u> | <u>633,268</u> | <u>-</u> | <u>3,441,213</u> |
| Net book values: | | | | | | |
| December 31, 2017 | <u>\$14,975,001</u> | <u>538,809</u> | <u>1,973,522</u> | <u>312,808</u> | <u>3,131,308</u> | <u>20,931,448</u> |
| December 31, 2016 | <u>\$14,938,090</u> | <u>183,732</u> | <u>1,867,013</u> | <u>414,189</u> | <u>2,889,609</u> | <u>20,292,633</u> |

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

8. Property, plant and equipment (cont'd)

| | The Company | | | | | Total |
|------------------------|--------------------|------------------------|--|-------------------------------|--------------------------|-------------------|
| | Land and buildings | Leasehold improvements | Furniture, fixtures, computers & equipment | Motor vehicles & dune buggies | Capital work-in-progress | |
| Cost or valuation: | | | | | | |
| December 31, 2015 | 5,875,475 | 108,646 | 2,744,526 | 584,138 | 8,681 | 9,321,466 |
| Additions | <u>309,431</u> | <u>107,775</u> | <u>714,013</u> | <u>211,901</u> | <u>154,363</u> | <u>1,497,483</u> |
| December 31, 2016 | 6,184,906 | 216,421 | 3,458,539 | 796,039 | 163,044 | 10,818,949 |
| Additions | 153,795 | 382,937 | 494,501 | 119,854 | 133,027 | 1,284,114 |
| Disposal | - | - | - | (9,920) | - | (9,920) |
| December 31, 2017 | <u>6,338,701</u> | <u>599,358</u> | <u>3,953,040</u> | <u>905,973</u> | <u>296,071</u> | <u>12,093,143</u> |
| Depreciation: | | | | | | |
| December 31, 2015 | 143,005 | 19,781 | 1,494,002 | 242,920 | - | 1,899,708 |
| Charge for the year | <u>79,464</u> | <u>12,908</u> | <u>235,167</u> | <u>143,198</u> | - | <u>470,737</u> |
| December 31, 2016 | 222,469 | 32,689 | 1,729,169 | 386,118 | - | 2,370,445 |
| Charge for the year | 92,442 | 27,860 | 356,223 | 213,557 | - | 690,082 |
| Eliminated on disposal | - | - | - | (6,512) | - | (6,512) |
| December 31, 2017 | <u>314,911</u> | <u>60,549</u> | <u>2,085,392</u> | <u>593,163</u> | - | <u>3,054,015</u> |
| Net book values: | | | | | | |
| December 31, 2017 | <u>\$6,023,790</u> | <u>538,809</u> | <u>1,867,648</u> | <u>312,810</u> | <u>296,071</u> | <u>9,039,128</u> |
| December 31, 2016 | <u>\$5,962,437</u> | <u>183,732</u> | <u>1,729,370</u> | <u>409,921</u> | <u>163,044</u> | <u>8,448,504</u> |

- (a) The group's land and buildings were revalued as at December 31, 2014 on an open market basis by Easton Douglas & Company Limited (Chartered Valuation Surveyors and Real Estate Dealers of Kingston, Jamaica). The directors have determined that the estimated market value of these land and buildings as at the reporting date are not materially different from their carrying values.

This fair value was determined using level 3 fair value measurements as the valuation model used both observable and unobservable inputs and the unobservable inputs are considered significant to the fair value measurement [see also note 2(d)(ii)].

The surpluses arising on revaluation are recognised in other comprehensive income and included in capital reserves (note 15).

- (b) Land and buildings include land at a valuation of J\$1,195,100,384 (2016: \$1,195,100,384) for the group and J\$290,000,000 (2016: J\$290,000,000) for the company.
- (c) Capital work-in-progress includes land, at a cost of \$1,850,000 (2016: \$1,850,000), and related expenditure incurred in connection with the planned development of an attraction in the Turks and Caicos Islands and St. Lucia [note 1(b)(iii) and (v)].
- (d) As at December 31, 2017, properties with a carrying value of approximately J\$1 billion (2016: J\$1 billion) were subject to registered mortgages and debentures that form security for certain bank loans [see note 13(a)].

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

9. Live assets

| | <u>The Group</u> | | |
|---------------------|---------------------------|--------------------------|------------------|
| | <u>Dolphins costs</u> | <u>Other animals</u> | <u>Total</u> |
| At cost/valuation: | | | |
| December 31, 2015 | 5,811,538 | 211,318 | 6,022,856 |
| Additions | <u>568,641</u> | <u>8,291</u> | <u>576,932</u> |
| December 31, 2016 | 6,380,179 | 219,609 | 6,599,788 |
| Additions | <u>404,092</u> | <u>6,068</u> | <u>410,160</u> |
| December 31, 2017 | <u>6,784,271</u> | <u>225,677</u> | <u>7,009,948</u> |
| Amortisation: | | | |
| December 31, 2015 | 2,125,860 | 130,886 | 2,256,746 |
| Charge for the year | <u>471,351</u> | <u>6,158</u> | <u>477,509</u> |
| December 31, 2016 | 2,597,211 | 137,044 | 2,734,255 |
| Charge for the year | <u>292,048</u> | <u>14,777</u> | <u>306,825</u> |
| December 31, 2017 | <u>2,889,259</u> | <u>151,821</u> | <u>3,041,080</u> |
| Net book values: | | | |
| December 31, 2017 | <u>\$3,895,012</u> | <u>73,856</u> | <u>3,968,868</u> |
| December 31, 2016 | <u>\$3,782,968</u> | <u>82,565</u> | <u>3,865,533</u> |
| | | | |
| | <u>The Company</u> | | |
| | <u>Dolphins costs</u> | <u>Other animals</u> | <u>Total</u> |
| At cost/valuation: | | | |
| December 31, 2015 | 5,811,538 | 206,141 | 6,017,679 |
| Additions | <u>568,641</u> | <u>8,291</u> | <u>576,932</u> |
| December 31, 2016 | 6,380,179 | 214,432 | 6,594,611 |
| Additions | <u>404,092</u> | <u>6,068</u> | <u>410,160</u> |
| December 31, 2017 | <u>6,784,271</u> | <u>220,500</u> | <u>7,004,771</u> |
| Amortisation: | | | |
| December 31, 2015 | 2,125,860 | 129,556 | 2,255,416 |
| Charge for the year | <u>471,351</u> | <u>5,921</u> | <u>477,272</u> |
| December 31, 2016 | 2,597,211 | 135,477 | 2,732,688 |
| Charge for the year | <u>292,048</u> | <u>14,432</u> | <u>306,480</u> |
| December 31, 2017 | <u>2,889,259</u> | <u>149,909</u> | <u>3,039,168</u> |
| Net book values: | | | |
| December 31, 2017 | <u>\$3,895,012</u> | <u>70,591</u> | <u>3,965,603</u> |
| December 31, 2016 | <u>\$3,782,968</u> | <u>78,955</u> | <u>3,861,923</u> |

The group's Dolphins were revalued as at December 31, 2017, by management on the basis of the market price of dolphins of similar age and recent transactions relating to the purchase and sale of dolphins within the wider group.

This fair value measurements for dolphins have been categorized as Level 2 fair values based on observable market data. The directors have determined that the market values of these dolphins as at the reporting date are not materially different from their carrying value.

During 2016, management reviewed the estimated useful life of its dolphins and determined an estimated useful life span of dolphins during production, to be thirty years. The effect on profit or loss for 2016 was an increase in depreciation charge of approximately \$150,000.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

10. Bank overdrafts

The group has a J\$6.5 million overdraft facility, with The Bank of Nova Scotia Jamaica Limited at an interest rate of 17.75%, which is secured by a hypothecation of cash deposits. Bank overdraft, in the current and prior year, represent credit balances in the amount of \$18,746 and \$113,286 respectively, on the group's and company's bank accounts arising from items in transit at the reporting date.

The bank has also issued guarantees aggregating J\$15.2 million (2016: J\$10.2 million) on behalf of the company in favor of the Commissioner of Customs.

11. Accounts payable

| | <u>The Group</u> | | <u>The Company</u> | |
|------------------------------|--------------------|------------------|--------------------|------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Trade payables | 798,940 | 577,490 | 843,300 | 551,127 |
| Statutory deductions payable | 101,481 | 101,375 | 101,481 | 101,375 |
| Accruals | 354,937 | 456,943 | 308,813 | 413,565 |
| Other payables | <u>320,948</u> | <u>204,546</u> | <u>320,948</u> | <u>204,546</u> |
| | <u>\$1,576,306</u> | <u>1,340,354</u> | <u>1,574,542</u> | <u>1,270,613</u> |

12. Deferred tax liability

Deferred tax is attributable to the following:

| | <u>The Group and the Company</u> | | | | |
|--------------------------------------|---|---|---|---|---|
| | <u>Balance at December 31, 2015</u> | <u>Recognised in income (note 19)</u> | <u>Balance at December 31, 2016</u> | <u>Recognised in income (note 19)</u> | <u>Balance at December 31, 2017</u> |
| Accounts receivable | 390 | (368) | 22 | 25,200 | 25,222 |
| Property, plant and equipment | 473,975 | (54,733) | 419,242 | (108,537) | 310,705 |
| Live assets | 528,923 | 6,335 | 535,258 | (5,865) | 529,393 |
| Accounts payable | (19,102) | 1,496 | (17,606) | 9,202 | (8,404) |
| Unrealised foreign exchange gains | (4,960) | <u>4,960</u> | - | - | - |
| | <u>\$979,226</u> | <u>(42,310)</u> | <u>936,916</u> | <u>(80,000)</u> | <u>856,916</u> |

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

13. Long-term liabilities

| | <u>The Group and the Company</u> | |
|--|----------------------------------|----------------|
| | <u>2017</u> | <u>2016</u> |
| Long-term loans: | | |
| Sagicor Bank Jamaica Limited loans: | | |
| Loan A J\$9,919,464 (2016: J\$19,010,373) | (a) 80,250 | 148,009 |
| Loan B J\$68,036,065 (2016: J\$108,945,156) | (b) 550,419 | 848,216 |
| Due to property vendor J\$Nil (2016: J\$45,127,500) | (c) - | <u>351,349</u> |
| | 630,669 | 1,347,574 |
| Less: Current portion | (404,505) | (740,635) |
| | <u>226,164</u> | <u>606,939</u> |

- (a) This represents the balance on a Jamaica dollar J\$50,000,000 loan financed by Development Bank of Jamaica Limited in 2013, which bears interest at a fixed rate of 9.5% per annum. The loan is for seventy-two (72) months with a moratorium of six (6) months on principal payments. Thereafter, the principal is repayable in sixty-six (66) equal monthly installments.

The loan is secured as follows:

- Corporate guarantee of Too Cool Limited supported by a first legal mortgage over the Ocho Rios property stamped to cover J\$100 million; and
- Debenture over the fixed and floating assets of the company, stamped to cover J\$100 million.

- (b) This represents a J\$ loan equivalent to \$2,250,000 financed by Development Bank of Jamaica Limited, also in 2013. This loan is for seventy-two (72) months and bears interest at a fixed rate of 9.5% per annum. There is a moratorium on principal payments of six (6) months. Thereafter, principal is repayable in sixty-six (66) equal monthly installments.

The loan is secured as disclosed in note (a) above, except that the debenture over the fixed and floating assets of the company is to be upstamped by a further J\$125 million.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

13. Long-term liabilities (cont'd)

- (c) This comprises two loans used to finance the acquisition of parcels of land in Hanover. The first represents the balance of an initial loan of J\$94,000,000 plus the company's share of transaction costs and commencing in 2009 was repayable within four years. The second parcel of land was purchased with a loan of J\$15,000,000 in 2012, against which payments of J\$2,272,500 were applied. Interest was payable quarterly at a rate of 12%. The balance is payable upon exchange of the title to the property. The loan was fully repaid in August 2017.

14. Share capital

Authorised:

432,426,376 ordinary shares of no par value

| | <u>The Group and the Company</u> | |
|--|----------------------------------|------------------|
| | <u>2017</u> | <u>2016</u> |
| Stated capital, issued and fully paid: | | |
| 392,426,376 ordinary stock units of no par value | 3,901,554 | 3,901,554 |
| Less: Transaction costs of share issue | (247,164) | (247,164) |
| | <u>\$3,654,390</u> | <u>3,654,390</u> |

Holders of ordinary stock units are entitled to dividends as declared from time to time and are entitled to one vote per stock unit at general meetings of the company.

15. Capital reserves

| | <u>The Group</u> | | <u>The Company</u> | |
|---|-------------------|-------------------|--------------------|------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Revaluation surplus arising on (note 8): | | | | |
| Land | 8,280,573 | 8,280,573 | 2,154,728 | 2,154,728 |
| Buildings | <u>2,862,439</u> | <u>2,862,439</u> | <u>2,330,809</u> | <u>2,330,809</u> |
| | 11,143,012 | 11,143,012 | 4,485,537 | 4,485,537 |
| Deferred tax arising on revalued buildings | (582,702) | (582,702) | (582,702) | (582,702) |
| Investment revaluation reserve (see note below) | <u>-</u> | <u>95,603</u> | <u>-</u> | <u>95,603</u> |
| | <u>10,560,310</u> | <u>10,655,913</u> | <u>3,902,835</u> | <u>3,998,438</u> |

Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments until the assets are derecognised or impaired [note 2(h) and 3(a)].

16. Operating revenue

This represents revenue from the operation of attractions and is reported net of discounts and General Consumption Tax.

- (a) Programme attraction revenue represents programme fees from hotels, cruise ships and walk-in guests.
- (b) Ancillary services revenue represents revenue from the operation of restaurants, gift shops, photo shops and other adventure tours.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

17. Disclosure of expenses

(a) Direct cost of sales:

| | <u>The Group and the Company</u> | |
|--|----------------------------------|------------------|
| | <u>2017</u> | <u>2016</u> |
| Direct cost of programmes (i) | 612,325 | 416,579 |
| Direct cost of ancillary services (ii) | <u>1,026,695</u> | <u>717,090</u> |
| | <u>1,639,020</u> | <u>1,133,669</u> |

(i) Direct costs of dolphin programmes represent dolphin food, medication and veterinary services and other consumables.

(ii) Direct costs of ancillary services represent operating costs of restaurants, gift shops, photo shops and other adventure tours.

(b) Operating expenses:

| | <u>The Group</u> | | <u>The Company</u> | |
|---------------------------------------|-------------------|-------------------|--------------------|-------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Staff costs | 4,381,785 | 4,174,987 | 4,381,785 | 4,174,987 |
| Repairs and maintenance | 350,596 | 278,776 | 350,596 | 278,776 |
| Advertising, marketing and promotion | 955,125 | 1,005,027 | 955,125 | 1,005,027 |
| Guest transportation and tour charge | 2,023,117 | 1,856,451 | 2,023,117 | 1,856,451 |
| Travel and entertainment | 250,987 | 283,424 | 250,987 | 283,424 |
| Legal and professional fees | 100,338 | 197,756 | 96,888 | 197,756 |
| Rental, utilities and office expenses | 525,295 | 517,721 | 702,283 | 819,695 |
| Insurance | 101,372 | 157,397 | 90,264 | 146,291 |
| Security | 266,264 | 227,276 | 266,264 | 227,276 |
| Management fees | 390,788 | 384,211 | 390,788 | 384,211 |
| Depreciation | 1,071,037 | 1,008,017 | 996,563 | 948,010 |
| Auditors' remuneration | 67,440 | 69,600 | 61,140 | 69,600 |
| Cleaning and sanitation | 78,332 | 108,814 | 78,332 | 108,814 |
| Bad debt | 79,245 | 167,179 | 79,245 | 167,179 |
| Donation and subscription | 27,117 | 20,110 | 27,117 | 20,110 |
| Other | <u>259,986</u> | <u>247,400</u> | <u>259,986</u> | <u>240,403</u> |
| | <u>10,928,824</u> | <u>10,704,146</u> | <u>11,010,480</u> | <u>10,928,010</u> |

(c) Staff costs:

| | <u>The Group and the Company</u> | |
|--------------------|----------------------------------|------------------|
| | <u>2017</u> | <u>2016</u> |
| Salaries and wages | 3,088,486 | 3,019,404 |
| Payroll taxes | 367,049 | 340,116 |
| Commission | 478,601 | 374,619 |
| Other benefits | <u>447,649</u> | <u>440,848</u> |
| | <u>\$4,381,785</u> | <u>4,174,987</u> |

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

18. Finance income/(costs)

| | <u>The Group</u> | | <u>The Company</u> | |
|-----------------------------|--------------------|------------------|--------------------|------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| (a) Finance income: | | | | |
| Net foreign exchange gains | 36,098 | 154,167 | 36,098 | 154,167 |
| Interest income | <u>7,181</u> | <u>18,227</u> | <u>246,344</u> | <u>373,909</u> |
| | <u>\$ 43,279</u> | <u>172,394</u> | <u>282,442</u> | <u>528,076</u> |
| (b) Finance costs: | | | | |
| Interest expense | (28,110) | (104,787) | (28,110) | (117,762) |
| Bank charges | (120,260) | (92,036) | (120,260) | (92,036) |
| Credit card charges | (109,764) | (93,603) | (109,764) | (93,603) |
| Net foreign exchange losses | <u>(19,007)</u> | <u>(17,517)</u> | <u>(91,317)</u> | <u>-</u> |
| | <u>\$(277,141)</u> | <u>(307,943)</u> | <u>(349,451)</u> | <u>(303,401)</u> |

19. Taxation

| | <u>The Group</u> | | <u>The Company</u> | |
|--|------------------|------------------|--------------------|------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| (a) Income tax charge: | | | | |
| (i) Current tax at 25% | 485,000 | 474,047 | 485,000 | 474,047 |
| (ii) Deferred taxation: | | | | |
| Origination of temporary differences (note 12) | <u>(80,000)</u> | <u>(42,310)</u> | <u>(80,000)</u> | <u>(42,310)</u> |
| | <u>\$405,000</u> | <u>431,737</u> | <u>405,000</u> | <u>431,737</u> |

(b) Reconciliation of actual tax:

| | <u>The Group</u> | | <u>The Company</u> | |
|--|--------------------|-------------------|--------------------|-------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Profit before taxation | <u>\$3,937,095</u> | <u>3,291,897</u> | <u>4,022,292</u> | <u>3,428,257</u> |
| Computed "expected" tax charge at the company's statutory rate of 25% | 984,274 | 822,974 | 1,005,573 | 857,064 |
| Tax effect of differences between treatment for financial statement and taxation purposes: | | | | |
| Disallowed items and other adjustments, net | (94,257) | 89,840 | (115,556) | 55,750 |
| Tax remission [note (c)] | <u>(485,017)</u> | <u>(481,077)</u> | <u>(485,017)</u> | <u>(481,077)</u> |
| Actual tax credit recognised in profit for the year | <u>\$ 405,000</u> | <u>431,737</u> | <u>405,000</u> | <u>431,737</u> |

(c) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on December 21, 2010. Consequently, the company is entitled to a remission of taxes for 10 years in the proportions set out below, provided the shares remain listed for at least 15 years:

| <u>Years</u> | <u>Tax rate</u> |
|--------------|------------------------|
| 2011 to 2015 | 100% of standard rates |
| 2016 to 2020 | 50% of standard rates |

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

19. Taxation (cont'd)

- (d) Approval granted under Section 86 of the Income Tax Act for Dolphin Cove (Negril) Limited for relief of income tax arising from operations expired in August 2015.
- (e) In 2014, the Government of Jamaica enacted new tax measures to change the tax incentive regimes applicable to various industries. One such measure is the employment tax credit. Businesses that are tax compliant with respect to statutory contributions (both employer and employee portions) are now able to claim such statutory contributions paid as a credit against and up to 30% of their income tax liability. Unused employment tax credit (ETC) cannot be carried forward or refunded and some or all of the ETC claimed may be clawed back out of future distributions to shareholders.

These new tax measures have resulted in changes in the income tax and capital allowances computations only for Dolphin Cove (Negril) Limited. However, given the current tax position of the company, as disclosed in note (c) above, they will not materially affect the group's tax position until the end of the tax remission period.

- (f) Chesire Hall Limited, SB Holdings Limited, Marine Adventure Park Limited and Balmoral Dolphins Limited have elected to pay income tax at 1% of profits earned in St. Lucia. However, the companies had not commenced operations as at the reporting date [note 1(b)].
- (g) Dolphin Cove TCI Limited and DCTCI Limited are not required to pay income tax in the Turks & Caicos Islands.
- (h) At December 31, 2017, unutilised tax losses available for set-off against future taxable profits, subject to agreement by the Commissioner General of Tax Administration Jamaica, amounted to approximately J\$59 million (2016: J\$38 million) for the group and J\$Nil (2016: J\$Nil) for the company. Tax losses may still be carried forward indefinitely; however, the amount that can be utilised in any one year is restricted to 50% of chargeable income for that year.
- (i) A deferred tax asset of approximately J\$12 million (2016: J\$13 million) relating to available tax losses and timing differences has not been recognised at December 31, 2017, by a subsidiary as management considers that the financial and operational strategies initiated to utilise the benefits of the deferred tax asset are still to be initiated.

20. Earnings per stock unit

Earnings per stock unit is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue for the year.

| | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|
| Profit for the year attributable to stockholders of the company | <u>3,532,095</u> | <u>2,860,160</u> |
| Weighted average number of ordinary stock units held during the year | <u>392,426,376</u> | <u>392,426,376</u> |
| Earnings per stock unit (expressed in ¢ per share) | <u>0.90¢</u> | <u>0.73¢</u> |

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

21. Dividends

| | The Group and the Company | | | |
|---|--|-------------------|--|-------------------|
| | 2017 | | 2016 | |
| | Dividend per ordinary stock unit | Dividends paid | Dividend per ordinary stock unit | Dividends paid |
| | J\$ | \$ | J\$ | \$ |
| First interim dividend: | | | | |
| April 4, 2017 (2016: May 27, 2016) | 20¢ | 609,987 | 20¢ | 633,657 |
| Second interim dividend: | | | | |
| May 30, 2017 (2016: July 26, 2016) | 20¢ | 603,451 | 20¢ | 625,737 |
| Third interim dividend: | | | | |
| September 20, 2017 (2016: October 24, 2016) | 20¢ | 598,314 | 20¢ | 627,816 |
| Fourth interim dividend: | | | | |
| December 7, 2017 | <u>20¢</u> | <u>622,070</u> | - | - |
| | <u>80¢</u> | <u>2,433,822</u> | <u>60¢</u> | <u>1,887,210</u> |

22. Segment information

The group maintains discrete financial information for each of its parks, which is used by the Chief Operating Decision Maker (“CODM”), identified as the group’s Managing Director, as a basis for allocating resources. Each park has been identified as an operating segment and meets the criteria for aggregation under IFRS 8 due to similar economic characteristics and all of the parks provide similar products and services, share similar processes for delivering services and target the same type and class of customer.

Accordingly, based on these economic and operational similarities and the way the CODM monitors the operations, the group has concluded that its operating segments should be aggregated and that it has one operating segment.

Financial information related to the operating segment results for the year ending December 31, 2017, can be found in the Group income statement and related notes. There are no differences in the measurement of the reportable segment results and the group’s results.

Details of the segment assets and liabilities for the year ended December 31, 2017 can be found in the group’s statement of financial position and related notes. There are no differences in the measurement of the reportable segment assets and liabilities and the Group’s assets and liabilities.

23. Commitments

(a) Operating lease commitments:

The company pays rent to Dolphin Cove (Negril) Limited [(note 1(b)(i)].

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

23. Commitments (cont'd)

(a) Operating lease commitments (cont'd):

Future payments under these leases relative to the reporting date are as follows:

| | <u>The Group</u> | | <u>The Company</u> | |
|--|--------------------|----------------|--------------------|------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Within one year | 118,000 | 20,000 | 294,988 | 176,988 |
| Between one and five years | 653,999 | - | 1,361,951 | 707,952 |
| Over five years | <u>603,446</u> | <u>-</u> | <u>2,727,302</u> | <u>2,271,346</u> |
| | <u>\$1,375,445</u> | <u>20,000</u> | <u>4,384,241</u> | <u>3,156,286</u> |
| Operating lease payments recognised in profit or loss | <u>\$ 106,626</u> | <u>137,538</u> | <u>288,706</u> | <u>314,526</u> |

(b) Capital commitments:

At December 31, 2017, commitments for capital expenditure in respect of the construction of a new encounter park in St. Lucia, for which no provision has been made in these financial statements is \$3,500,000 (2016: \$3,500,000) [see note 5(ii)(b)].

24. Financial instruments

(a) Financial risk management:

The group has exposure to credit risk, market risk and liquidity risk from its use of financial instruments in the ordinary course of the business. Derivative financial instruments are not used to reduce exposure to fluctuations in interest and foreign exchange rates.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum exposure to credit risk at the reporting date is represented by the carrying amount of each relevant financial asset.

Cash and cash equivalents, securities purchased under resale agreements and investments

The group limits its exposure to credit risk by:

- placing cash resources with substantial counterparties who are believed to have minimal risk of default;
- only investing in liquid securities with credit worthy institutions; and
- obtaining sufficient collateral as a means of mitigating the risk of financial loss from defaults.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

24. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(i) Credit risk (cont'd):

Accounts receivable

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has a credit policy in place under which each customer is analysed for credit worthiness prior to being offered credit. The group does not require collateral in respect of trade and other receivables. At the reporting date there were significant concentrations of credit risk in respect of 5 (2016: 14) major customers for the group and the company who materially comprise trade receivables. As at December 31, 2017, amounts receivable from these customers aggregated \$1,484,514 (2016: \$962,766) for the group and the company. These represent 64% (2016: 50%) of trade receivables for the group and 66% (2016: 52%) for the company.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowances for doubtful debts are based on the aging of the receivables, with write-offs made if attempts to collect fail and the amount is deemed to be uncollectible.

Due from related parties

At the reporting date there were no significant concentrations in respect of amounts due from related parties.

There were no changes in the group's approach to managing credit risk during the year.

(ii) Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices. These arise mainly from changes in interest rates and foreign exchange rates and will affect the group's income or the value of its holdings of financial instruments.

- Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Subject to normal conditions, the group materially contracts financial liabilities at fixed interest rates for the duration of the term.

Interest-bearing financial assets are primarily represented by cash and cash equivalents, securities purchased under resale agreements and investments. Interest-bearing financial liabilities are mainly represented by loans and bank overdrafts.

24. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(ii) Market risk (cont'd):

• Interest rate risk (cont'd):

Financial instruments are subject to interest as follows:

| | Carrying amount | | | |
|----------------------------|--------------------|-------------------|------------------|------------------|
| | The Group | | The Company | |
| | 2017 | 2016 | 2017 | 2016 |
| Fixed rate instruments: | | | | |
| Financial assets | 2,127 | 684,579 | 4,341,685 | 4,842,330 |
| Financial liabilities | (630,669) | (1,347,574) | (630,669) | (1,347,576) |
| | <u>\$(628,542)</u> | <u>(662,995)</u> | <u>3,711,016</u> | <u>3,494,754</u> |
| Variable rate instruments: | | | | |
| Financial assets | 886,368 | 814,248 | 886,368 | 814,248 |
| Financial liabilities | (18,746) | (113,286) | (18,746) | (113,286) |
| | <u>\$867,622</u> | <u>700,962</u> | <u>867,622</u> | <u>700,962</u> |

Cash flow sensitivity analysis for variable rate instruments

An increase or decrease in basis points in interest rates at the reporting date would have increased/(decreased) profit for the year by amounts shown below.

| | The Group and the Company | | | |
|---|---------------------------|--------------------------|--------------------------|-------------------------|
| | 2017 | | 2016 | |
| | <u>Increase</u> 100bp | <u>Decrease</u> 100bp | <u>Increase</u> 100bp | <u>Decrease</u> 50bp |
| Effect on profit (decrease)/increase | <u>\$8,676</u> | <u>(8,676)</u> | <u>7,010</u> | <u>(3,505)</u> |

This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

Fair value sensitivity analysis for fixed rate instruments

The group does not account for any fixed rate financial instrument at fair value. Therefore, a change in interest rates at the reporting date would not affect the profit or other comprehensive income recognised for the year.

• Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

24. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(ii) Market risk (cont'd):

- Foreign currency risk (cont'd):

The group incurs foreign currency risk primarily on purchases and borrowings that are denominated in a currency other than the United States dollar (\$). The principal foreign currency exposures of the group are denominated in Jamaica dollars (J\$).

Exposure to foreign currency risk arising mainly in respect of J\$ denominated balances was as follows:

| | <u>The Group</u> | | <u>The Company</u> | |
|---------------------------|------------------------|------------------------|------------------------|------------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Cash and cash equivalents | 312,733 | 2,179,520 | 312,733 | 2,179,520 |
| Accounts receivable | 21,332,903 | 18,844,532 | 21,332,903 | 18,844,532 |
| Bank overdrafts | (2,380,705) | (14,550,530) | (2,380,705) | (14,550,530) |
| Accounts payable | (100,037,445) | (128,686,192) | (99,909,565) | (123,525,711) |
| Long term loans | (<u>77,955,529</u>) | (<u>173,083,030</u>) | (<u>77,955,529</u>) | (<u>173,083,030</u>) |
| | (<u>158,728,043</u>) | (<u>295,295,700</u>) | (<u>158,600,163</u>) | (<u>290,135,219</u>) |
| Equivalent to | (<u>1,286,077</u>) | (<u>2,297,855</u>) | (<u>1,285,043</u>) | (<u>2,257,677</u>) |

Exchange rates in terms of the United States dollar (\$) were as follows:

At December 31, 2017: J\$123.61

At December 31, 2016: J\$128.44

Sensitivity analysis

Changes in the exchange rates of the United States dollar (\$) to the Jamaica dollar (\$) would have the effects described below:

| | <u>Increase/(decrease) in profit for the year</u> | | | |
|--|---|-------------------|--------------------|-------------------|
| | <u>The Group</u> | | <u>The Company</u> | |
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| | \$ | \$ | \$ | \$ |
| 4% (2016: 6%) strengthening of the \$ against the J\$ | <u>51,443</u> | <u>137,871</u> | <u>51,402</u> | <u>135,461</u> |
| 2% (2016: 1%) weakening of the \$ against the J\$ | (<u>25,722</u>) | (<u>22,979</u>) | (<u>25,701</u>) | (<u>22,577</u>) |

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

24. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(iii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The management of the group aims at maintaining flexibility in funding by keeping lines of funding available.

The following are the contractual maturities of financial liabilities measured at amortised cost, including interest payments. The tables show the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the group can be required to pay:

| | The Group | | | | | |
|--------------------------------|--------------------|------------------------|------------------|----------------|----------------|----------------|
| | 2017 | | | | | |
| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years |
| Bank overdrafts | 18,746 | 18,746 | 18,746 | - | - | - |
| Accounts payable | 1,576,306 | 1,576,306 | 1,576,306 | - | - | - |
| Due to other related companies | 20,800 | 20,800 | 20,800 | - | - | - |
| Long-term liabilities | <u>630,669</u> | <u>681,085</u> | <u>227,892</u> | <u>218,710</u> | <u>234,483</u> | <u>-</u> |
| Total financial liabilities | <u>\$2,246,521</u> | <u>2,296,937</u> | <u>1,843,744</u> | <u>218,710</u> | <u>234,483</u> | <u>-</u> |
| | The Group | | | | | |
| | 2016 | | | | | |
| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years |
| Bank overdrafts | 113,286 | 113,286 | 113,286 | - | - | - |
| Accounts payable | 1,340,354 | 1,340,354 | 1,340,354 | - | - | - |
| Due to other related companies | 22,112 | 22,112 | 22,112 | - | - | - |
| Long-term liabilities | <u>1,347,574</u> | <u>1,442,215</u> | <u>204,632</u> | <u>261,322</u> | <u>417,651</u> | <u>558,610</u> |
| Total financial liabilities | <u>\$2,823,326</u> | <u>2,917,967</u> | <u>1,680,384</u> | <u>261,322</u> | <u>417,651</u> | <u>558,610</u> |
| | The Company | | | | | |
| | 2017 | | | | | |
| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years |
| Bank overdrafts | 18,746 | 18,746 | 18,746 | - | - | - |
| Accounts payable | 1,574,542 | 1,574,542 | 1,574,542 | - | - | - |
| Due to subsidiaries | 300 | 300 | 300 | - | - | - |
| Due to other related companies | 20,800 | 20,800 | 20,800 | - | - | - |
| Long-term liabilities | <u>630,669</u> | <u>681,085</u> | <u>227,892</u> | <u>218,710</u> | <u>234,483</u> | <u>-</u> |
| Total financial liabilities | <u>\$2,245,057</u> | <u>2,295,473</u> | <u>1,842,280</u> | <u>218,710</u> | <u>234,483</u> | <u>-</u> |

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2017

(Expressed in United States dollars, unless otherwise stated)

24. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(iii) Liquidity risk (cont'd):

| | The Company | | | | | |
|-----------------------------------|--------------------|---------------------------|---------------------|----------------|----------------|----------------|
| | 2016 | | | | | |
| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years |
| Bank overdrafts | 113,286 | 113,286 | 113,286 | - | - | - |
| Accounts payable | 1,270,613 | 1,270,613 | 1,270,613 | - | - | - |
| Due to subsidiaries | 300 | 300 | 300 | - | - | - |
| Due to other related companies | 22,112 | 22,112 | 22,112 | - | - | - |
| Long-term liabilities | <u>1,347,574</u> | <u>1,442,215</u> | <u>204,632</u> | <u>261,322</u> | <u>417,651</u> | <u>591,988</u> |
| Total financial liabilities | <u>\$2,753,885</u> | <u>2,848,526</u> | <u>1,610,943</u> | <u>261,322</u> | <u>417,651</u> | <u>591,988</u> |

(b) Capital management:

The group manages the adequacy of capital by managing the returns on equity and borrowed funds to protect against losses on its business activities so as to be able to generate an adequate level of return for its stockholders.

As a condition of its long term loans, the company is required to have positive stockholders' equity.

There are no other externally imposed capital requirements and there have been no changes in the group's approach to managing capital during the year.

(c) Fair values:

The following methods and assumptions have been used:

- (i) The fair value of cash and cash equivalents, securities purchased under resale agreements, accounts receivable and accounts payable are assumed to approximate their carrying values due to their relatively short-term nature.
- (ii) Amounts due from related parties are assumed to approximate their fair value due to their short-term nature and/or an ability to effect future set-offs in the amounts disclosed.
- (iii) Investments classified as available-for-sale are measured at fair value by reference to price quotes as published by managers of these instruments. The fair value is as disclosed in note 3. The fair value of investments, classified as loans and receivables are determined as disclosed in note 2(i).
- (iv) The carrying value of long-term loans approximate the fair values as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of market rates for similar loans.

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Form of Proxy

Form of Proxy

I/We
of
being the registered holder of ordinary shares in Dolphin Cove Limited,
hereby appoint..... of
or failing him of
as my proxy to attend and, on a poll, vote on my/our behalf at the annual general meeting of the
company to be held on Monday 25 June 2018, and at any adjournment thereof.

Dated this..... day of..... 2018

.....
Signature of Member

STAMP DUTY - \$100.00



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