KPMG
Chartered Accountants
Unit #14, Fairview Office Park
Alice Eldemire Drive
Montego Bay
Jamaica, W.I.

P.O. Box 220
Montego Bay
Jamaica, W.I.
Telephone +(876) 684-9922
Fax +(876) 684-8827
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
DOLPHIN COVE LIMITED

Report on the Financial Statements

We have audited the financial statements of Dolphin Cove Limited (the company) and the consolidated financial statements of the company and its subsidiaries (collectively, "the group"), set out on pages 3 to 38, which comprise the group's and the company's statements of financial position as at December 31, 2011, the group's and the company's statements of comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

INDEPENDENT AUDITORS' REPORT

To the Members of
DOLPHIN COVE LIMITED

Report on the Financial Statements, cont'd

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company as at December 31, 2011, and of their financial performance, changes in stockholders' equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Additional reporting requirements of 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 and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner so required.

KPMG

Chartered Accountants
Montego Bay, Jamaica

February 29, 2012

DOLPHIN COVE LIMITED

Group Statement of Financial Position
December 31, 2011

	Notes	2011	2010
CURRENT ASSETS			
Cash and cash equivalents		44,922,944	18,815,314
Securities purchased under resale agreements		63,558,935	203,424,623
Investments	3	54,394,538	-
Accounts receivable	4	164,342,854	124,635,189
Due from related parties	5(a)	5,878,625	2,397,907
Taxation recoverable		4,036,524	2,089,992
Inventories	6	24,994,578	25,319,369
		362,128,998	376,682,394
NON-CURRENT ASSETS			
Property, plant and equipment	8	819,552,062	793,153,307
Live assets	9	108,033,316	117,440,052
Loan receivable	10	-	625,798
		927,585,378	911,219,157
TOTAL ASSETS		$1,289,714,376	1,287,901,551
CURRENT LIABILITIES			
Bank overdrafts	11	6,769,468	19,552,951
Accounts payable	12	64,154,178	62,554,622
Current portion of long-term loans	14	72,496,871	85,311,252
Taxation payable		6,216	6,499,376
		143,426,733	173,918,201
NON-CURRENT LIABILITIES			
Deferred tax liability	13	8,873,757	9,447,872
Long-term liabilities	14	124,862,788	248,338,046
		133,736,545	257,785,918
STOCKHOLDERS' EQUITY			
Share capital	15	257,960,325	258,217,124
Capital reserves	16	344,965,907	345,742,071
Retained earnings		409,624,866	252,238,237
		1,012,551,098	856,197,432
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		$1,289,714,376	1,287,901,551

The financial statements on pages 3 to 38 were approved by the Board of Directors on February 29, 2012 and signed on its behalf by:

Director
Stafford Burrowes, O.D.

Director
Hon. William A. McConnell, O.J., C.D.

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

DOLPHIN COVE LIMITED

Group Statement of Comprehensive Income
Year ended December 31, 2011

	Notes	2011	2010
OPERATING REVENUE	17		
Dolphin attraction revenue		794,006,489	619,843,889
Less: Direct costs of dolphin attraction		(80,886,060)	(101,168,676)
		713,120,429	518,675,213
Ancillary services revenue		317,853,768	259,795,037
Less: Direct costs of ancillary services		(58,014,646)	(47,313,516)
		259,839,122	212,481,521
Gross profit		972,959,551	731,156,734
Gain on disposal of property, plant and equipment		570,000	642,400
Other income		27,699	833,965
		973,557,250	732,633,099
OPERATING EXPENSES			
Selling		301,273,283	257,447,514
Other operations		263,960,059	210,468,108
Administrative		177,819,869	126,622,943
		743,053,211	594,538,565
Profit before finance income and costs		230,504,039	138,094,534
Finance income	18(a)	8,722,172	2,193,563
Finance costs	18(b)	(35,317,035)	(33,510,209)
Profit before taxation		203,909,176	106,777,888
Taxation	19	567,899	(37,608,375)
Profit for the year	20	204,477,075	69,169,513
OTHER COMPREHENSIVE INCOME			
Fair value depreciation of available-for-sale investments	16	(776,164)	-
Total comprehensive income		$203,700,911	69,169,513
Earnings per stock unit	21	52.11¢	21.68¢

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

DOLPHIN COVE LIMITED

Group Statement of Changes in Stockholders' Equity
Year ended December 31, 2011

	Share capital (note 15)	Capital reserves (note 16)	Retained earnings	Total
Balances at December 31, 2009	39,053,297	345,742,071	446,257,374	831,052,742
Transactions recorded directly in equity:				
Issue of shares (note 15)	219,163,827	-	-	219,163,827
Dividends (note 23)	-	-	(263,188,650)	(263,188,650)
	219,163,827	-	(263,188,650)	(44,024,823)
Total comprehensive income:				
Profit for the year	-	-	69,169,513	69,169,513
Balances at December 31, 2010	258,217,124	345,742,071	252,238,237	856,197,432
Transactions recorded directly in equity:				
Transaction costs (note 15)	(256,799)	-	-	(256,799)
Dividends (note 23)	-	-	(47,090,446)	(47,090,446)
	(256,799)	-	(47,090,446)	(47,347,245)
Total comprehensive income:				
Profit for the year	-	-	204,477,075	204,477,075
Other comprehensive income:				
Fair value depreciation of available-for-sale investments	-	(776,164)	-	(776,164)
	-	(776,164)	204,477,075	203,700,911
Balances as at December 31, 2011	$257,960,325	344,965,907	409,624,866	1,012,551,098

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

DOLPHIN COVE LIMITED

Group Statement of Cash Flows
Year ended December 31, 2011

	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		204,477,075	69,169,513
Adjustments for:			
Depreciation and amortisation	8,9	30,833,295	25,769,666
Interest income	18(a)	(8,722,172)	(2,193,563)
Interest expense	18(b)	22,640,117	21,743,943
Gain on disposal of property, plant and equipment		(570,000)	(642,400)
Taxation	19	(567,899)	37,608,375
		248,090,416	151,455,534
Accounts receivable		(39,606,135)	(20,515,780)
Inventories		324,791	(5,854,348)
Accounts payable		152,981	24,943
Due from related parties		(3,480,718)	51,774,602
Cash generated from operations		205,481,335	176,884,951
Interest paid		(21,193,542)	(19,858,793)
Income tax paid		(8,445,908)	(52,073,051)
Net cash provided by operating activities		175,841,885	104,953,107
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		8,620,642	2,193,563
Securities purchased under resale agreements, net		139,865,688	(134,170,523)
Additions to property, plant and equipment	8	(49,180,314)	(151,192,566)
Proceeds from disposal of property, plant and equipment		2,250,000	1,910,000
Additions to live assets	9	(325,000)	(305,899)
Loan receivable		625,798	35,297,036
Investments acquired		(55,170,702)	-
Net cash provided/(used) by investing activities		46,686,112	(246,268,389)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term liabilities, net		(136,289,639)	170,081,014
Shares issued, net of expenses	15	(256,799)	219,163,827
Dividends paid	23	(47,090,446)	(263,188,650)
Net cash (used)/provided by financing activities		(183,636,884)	126,056,191
Net increase/(decrease) in cash resources		38,891,113	(15,259,091)
Cash resources at beginning of the year		(737,637)	14,521,454
CASH RESOURCES AT END OF YEAR		$ 38,153,476	(737,637)
Comprising:			
Cash and cash equivalents		44,922,944	18,815,314
Bank overdrafts		(6,769,468)	(19,552,951)
		$ 38,153,476	(737,637)

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

DOLPHIN COVE LIMITED

Company Statement of Financial Position
December 31, 2011

	Notes	2011	2010
CURRENT ASSETS			
Cash and cash equivalents		33,373,506	18,328,842
Securities purchased under resale agreements		63,558,935	203,424,623
Investments	3	54,394,538	-
Accounts receivable	4	138,853,766	112,220,925
Due from related parties	5(a)	5,878,625	2,397,907
Taxation recoverable		4,022,467	2,089,421
Inventories	6	21,820,337	19,158,718
		321,902,174	357,620,436
NON-CURRENT ASSETS			
Investment in subsidiaries	7	33,220,242	33,220,242
Property, plant and equipment	8	324,352,898	302,038,655
Live assets	9	107,656,692	117,326,672
Loan receivable	10	-	625,798
Due from subsidiary	5(b)	274,603,230	278,529,425
		739,833,062	731,740,792
TOTAL ASSETS		$1,061,735,236	1,089,361,228
CURRENT LIABILITIES			
Bank overdrafts	11	6,769,468	18,246,565
Accounts payable	12	55,787,714	57,477,844
Current portion of long-term loans	14	72,496,871	85,311,252
Taxation payable		-	6,499,376
		135,054,053	167,535,037
NON-CURRENT LIABILITIES			
Deferred tax liability	13	4,420,712	4,838,202
Long term liabilities	14	124,862,788	248,338,046
		129,283,500	253,176,248
STOCKHOLDERS' EQUITY			
Share capital	15	257,960,325	258,217,124
Capital reserves	16	137,495,080	138,271,244
Retained earnings		401,942,278	272,161,575
		797,397,683	668,649,943
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		$1,061,735,236	1,089,361,228

The financial statements on pages 3 to 38 were approved by the Board of Directors on February 29, 2012 and signed on its behalf by:

_________________________ Director
Stafford Burrowes, O.D.

_________________________ Director
Hon. William A. McConnell, O.J., C.D.

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

DOLPHIN COVE LIMITED

Company Statement of Comprehensive Income
Year ended December 31, 2011

	Notes	2011	2010
OPERATING REVENUE	17		
Dolphin attraction revenue		627,588,055	604,297,605
Less: Direct costs of dolphin attraction		(74,006,694)	(99,962,815)
		553,581,361	504,334,790
Ancillary services revenue		312,255,890	253,102,485
Less: Direct costs of ancillary services		(50,524,665)	(46,140,546)
		261,731,225	206,961,939
Gross profit		815,312,586	711,296,729
Gain on disposal of property, plant and equipment		570,000	642,400
		815,882,586	711,939,129
OPERATING EXPENSES			
Selling		278,672,985	257,713,384
Other operations		202,895,186	192,998,249
Administrative		155,210,525	124,884,353
		636,778,696	575,595,986
Profit before finance income and costs		179,103,890	136,343,143
Finance income	18(a)	30,632,407	11,751,888
Finance costs	18(b)	(33,282,638)	(34,508,450)
Profit before taxation		176,453,659	113,586,581
Taxation	19	417,490	(32,998,705)
Profit for the year	20	176,871,149	80,587,876
OTHER COMPREHENSIVE INCOME			
Fair value depreciation of available-for-sale investments	16	(776,164)	-
Total comprehensive income		$176,094,985	80,587,876
Earnings per stock unit	21	45.07¢	25.26¢

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

DOLPHIN COVE LIMITED

Company Statement of Changes in Stockholders' Equity
Year ended December 31, 2011

	Share capital (note 15)	Capital reserves (note 16)	Retained earnings	Total
Balances at December 31, 2009	39,053,297	138,271,244	454,762,349	632,086,890
Transactions recorded directly in equity:				
Issue of shares (note 15)	219,163,827	-	-	219,163,827
Dividends (note 23)	-	-	(263,188,650)	(263,188,650)
	219,163,827	-	(263,188,650)	(44,024,823)
Total comprehensive income:				
Profit for the year	-	-	80,587,876	80,587,876
Balances at December 31, 2010	258,217,124	138,271,244	272,161,575	668,649,943
Transactions recorded directly in equity:				
Transaction costs (note 15)	(256,799)	-	-	(256,799)
Dividends (note 23)	-	-	(47,090,446)	(47,090,446)
	(256,799)	-	(47,090,446)	(47,347,245)
Total comprehensive income:				
Profit for the year	-	-	176,871,149	176,871,149
Other comprehensive income: Fair value depreciation of available-for-sale investments	-	(776,164)	-	(776,164)
	-	(776,164)	176,871,149	176,094,985
Balances as at December 31, 2011	$257,960,325	137,495,080	401,942,278	797,397,683

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

DOLPHIN COVE LIMITED

Company Statement of Cash Flows
Year ended December 31, 2011

	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		176,871,149	80,587,876
Adjustments for:			
Depreciation and amortisation	8,9	23,367,974	22,985,493
Interest income	18(a)	(30,632,407)	(11,751,888)
Interest expense	18(b)	22,640,117	27,007,853
Gain on disposal of property, plant and equipment		(570,000)	(642,400)
Taxation	19	(417,490)	32,998,705
		191,259,343	151,185,639
Accounts receivable		(26,531,311)	(8,101,516)
Inventories		(2,661,619)	306,303
Accounts payable		(3,136,705)	(5,051,835)
Due from subsidiary		-	2,158,356
Due from related parties		(3,480,718)	51,630,154
Cash generated from operations		155,448,990	192,127,101
Interest paid		(21,193,542)	(25,122,703)
Income tax paid		(8,432,422)	(52,072,480)
Net cash provided by operating activities		125,823,026	114,931,918
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		30,530,877	11,751,888
Securities purchased under resale agreements, net		139,865,688	(134,170,523)
Additions to property, plant and equipment	8	(37,645,237)	(13,774,547)
Proceeds from disposal of property, plant and equipment		2,250,000	1,910,000
Additions to live assets	9	(47,000)	(190,399)
Due from subsidiary		3,926,195	(120,327,907)
Investments acquired		(55,170,702)	-
Loan receivable		625,798	(625,798)
Net cash provided/(used) by investing activities		84,335,619	(255,427,286)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term liabilities, net		(136,289,639)	170,081,014
Shares issued, net of expenses	15	(256,799)	219,163,827
Dividends paid	23	(47,090,446)	(263,188,650)
Net cash (used)/provided by financing activities		(183,636,884)	126,056,191
Net increase/(decrease) in cash resources		26,521,761	(14,439,177)
Cash resources at beginning of the year		82,277	14,521,454
CASH RESOURCES AT END OF YEAR		$ 26,604,038	82,277
Comprising:			
Cash and cash equivalents		33,373,506	18,328,842
Bank overdrafts		(6,769,468)	(18,246,565)
		$ 26,604,038	82,277

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

1. Identification

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 company together with its two wholly-owned subsidiaries, Dolphin Cove (Negril) Limited and Too Cool Limited, are collectively referred to as "the group" (note 7).

- 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 offers dolphin programmes and ancillary operations similar to that of its parent company.

- Too Cool Limited is incorporated in the Cayman Islands and owns land and buildings from which its parent company operates.

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. The company also operates an attraction at Prospect Plantation under a lease agreement.

The company's shares are listed on the Junior Market of the Jamaica Stock Exchange since December 21, 2010.

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.

During the year, certain new standards interpretation and amendments to existing standards became effective. The following was deemed relevant to the group:

- Revised IAS 24 *Related Party Disclosures* is effective for annual periods beginning on or after January 1, 2011. This revision introduced changes to related party disclosure requirements for government – related entities and amends the definitions of a related party. Aside from the change to the definition of a related party in note 2(l), this revision did not have a significant impact on these financial statements.

At the date of authorisation of the financial statements, there were certain standards and interpretations which were in issue but were not yet effective. Those which management considered relevant to the group and their effective dates are as follows:

- IFRS 9 *Financial Instruments* is effective for annual reporting periods beginning on or after January 1, 2015. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The revised standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities.

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

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

- IFRS 10 *Consolidated Financial Statements* is effective for annual periods beginning on or after January 1, 2013. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation Special Purpose Entities* and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when (1) it is exposed or has rights to variable returns from its involvement with that investee, (2) has the ability to affect those returns through its power over that investee and (3) there is a link between power and returns. The exposure to risks and rewards of an investee does not, on its own, determine that the investor has control over an investee. It is one of the factors of the control analysis. IFRS 10 clarifies that the investor always considers purpose and design of the investee when assessing control.

- Amendments to IFRS 7 *Disclosures – Transfer of Financial Assets* is effective for annual periods beginning on or after July 1, 2011. The amendment requires disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities, and to evaluate the nature of and risks associated with the entity's continuing involvement in these derecognised assets.

- IAS 27 (2011) *Separate Financial Statements* is effective for annual periods beginning on or after January 1, 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27.

- IFRS 13 *Fair Value Measurement* is effective for annual periods beginning on or after January 1, 2013. It replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. It defines *fair value* as 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, i.e. an exit price.

- IAS 1 *Presentation of Financial Statements*: *Presentation of Items of Other Comprehensive Income* is effective for annual periods beginning on or after July 1, 2012. It has been amended to require an entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income. However, an entity is still allowed to use other titles.

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

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

Management is evaluating the impact that the foregoing standards and amendments to standards will have on its 2012-2016 financial statements.

(b) Basis of preparation:

A "subsidiary" is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of a subsidiary are included in the consolidated financial statements from the date control commences until the date that control ceases.

These financial statements include the separate financial statements of the company and the consolidated financial statements of the company and its subsidiaries, made up to December 31, 2011 (note 1).

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

The financial statements are prepared on the historical cost basis, modified for the inclusion of land and buildings at valuation [note 2(h)] and available-for-sale investments at fair value [note 2(m)], and are presented in Jamaica dollars ($), which is the functional currency of the company.

The significant accounting policies used in the preparation of these financial statements conform to IFRS and the Jamaican Companies Act in all material respects. The accounting policies have been consistently applied and presented in the financial statements.

(c) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the revenue and expenses for the period then ended. Actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year of the revision and future years, where applicable.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

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

(c) Use of estimates and judgements (cont'd):

(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 suggest 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) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the year, to the extent that such events confirm conditions existing at the end of the year.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

(iii) Fair value of land and buildings:

Land and buildings reflect revalued amounts, based on market valuations done by external independent valuers. On the instructions of management, the valuers have used a direct sales comparison approach to determine fair market value.

This approach is based on the principle of substitution, whereby there is a purchaser with perfect knowledge of the property market who would pay no more for the property than the cost of acquiring an existing property, comparable with others of similar design and utility which were sold in the recent past.

However, as no two properties are exactly alike, adjustments are made by the valuers 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.

(iv) Residual value and expected useful life of property, plant and equipment and live assets:

The residual value and the expected useful life of an asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the group.

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

(c) Use of estimates and judgements (cont'd):

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.

(d) 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 and the company's cash management activities, are included as a component of net cash resources for the purpose of the statement of cash flows.

(e) 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.

(f) Accounts receivable:

Trade and other receivables are stated at amortised cost less impairment losses.

(g) Inventories:

Inventories are stated at the lower of cost, determined on the first-in first-out basis, and net realisable value.

(h) Property, plant and equipment:

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.

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

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

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

(i) Live assets:

This comprises the carrying value of dolphins and other live creatures capitalised. These assets are stated at cost less amortisation over periods not exceeding fifteen years.

(j) Accounts payable:

Trade and other payables are stated at amortised cost.

(k) Provisions:

A provision is recognised when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

(l) 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 company").

a) A person or a close member of that person's family is related to a reporting company if that person:

   i) has control or joint control over the reporting company;

   ii) has significant influence over the reporting company; or

   iii) is a member of the key management personnel of the reporting company or of a parent of the reporting entity.

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

   i) The company and the reporting company 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 company (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.

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

(l) Related parties (cont'd):

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

v) The company is a post-employment benefit plan for the benefit of employees of either the reporting company or an entity related to the reporting company. If the reporting company is itself such a plan, the sponsoring employers are also related to the reporting company.

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 company or is a member of the key management personnel of the company (or of a parent of the company).

A related party transaction involves transfer of resources, services or obligations between a reporting company and a related party, regardless of whether a price is charged.

(m) Investments:

Investments are classified as loans and receivables and 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 method, less impairment loss.

Available-for-sale investments are stated at fair value, except where fair value cannot be reliably determined, in which case they are stated at cost, with any movements in fair value, except for impairment losses, recognised in other comprehensive income.

The fair value of available-for-sale investments is based on their quoted market bid price at the reporting date. Where a quoted market price is not available, fair value is estimated using discounted cash flow techniques.

Available-for-sale investments are recognised or derecognised by the company on the date it commits to purchase or sell the investments. When these investments are derecognised, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

(n) 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, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or group of operating assets exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

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

(n) Impairment (cont'd):

(i) Calculation of recoverable amounts:

The recoverable amount of 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 the 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. Receivables with a short duration are not discounted. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the group of operating assets 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 is reversed if there has been a change in the estimate used to determine the recoverable amount. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale equity securities, the reversal is recognised directly in other comprehensive income.

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.

(o) Foreign currencies:

Foreign currency balances at the reporting date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

(p) Revenue recognition:

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

(q) Employee benefits:

Employee benefits include current or short-term benefits such as salaries, statutory contributions paid, annual vacation and sick 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 when the employees become entitled to the leave.

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

(r) Finance income and costs:

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.

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

(s) Income taxes:

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.

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.

(t) 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 and for which discrete financial information is available. The identification of operating segments is based on the group's management and internal reporting structure. An operating segment's operating results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance. Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

(t) Segment reporting (cont'd):

The segments which do not qualify as reportable segments are combined and disclosed as other segments. Segment information is presented in respect of the geographical locations of the group's strategic business segments.

(u) 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, accounts receivable, investments and related party receivables. Similarly, financial liabilities include bank overdrafts, accounts payable and provisions, long-term liabilities and related party payables.

(v) Determination of fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some financial instruments lack an available trading market. These instruments are valued using present value, or other generally accepted valuation techniques, and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

3. Investments

	The Group		The Company	
	2011	2010	2011	2010
Available-for-sale:				
Pan Caribbean Financial Services Ltd.:				
Sigma Optima	32,995,026	-	32,995,026	-
Scotia Investments:				
Scotia Canadian Growth Fund				
[US$246,323 (2010: US$Nil)]	21,217,062	-	21,217,062	-
	54,212,088	-	54,212,088	-
Loans and receivables:				
Fixed deposits				
[US$2,122 (2010: US$Nil)]	182,450	-	182,450	-
	$54,394,538	-	54,394,538	-

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)
December 31, 2011

4. Accounts receivable

	The Group		The Company	
	2011	2010	2011	2010
Trade receivables	171,523,203	117,989,861	143,140,811	105,941,373
Other receivables	12,463,514	16,644,310	11,711,937	16,278,534
	183,986,717	134,634,171	154,852,748	122,219,907
Less: Allowance for impairment	(19,643,863)	(9,998,982)	(15,998,982)	(9,998,982)
	$164,342,854	124,635,189	138,853,766	112,220,925

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

	The Group			
	Gross 2011	Impairment 2011	Gross 2010	Impairment 2010
Due 0-30 days	76,959,057	-	37,372,378	-
Past due 31-60 days	21,847,861	-	27,607,300	-
Past due 61–90 days	31,790,052	-	29,260,689	-
More than 90 days	40,926,233	19,643,863	23,749,494	9,998,982
Total	$171,523,203	19,643,863	117,989,861	9,998,982

	The Company			
	Gross 2011	Impairment 2011	Gross 2010	Impairment 2010
Due 0-30 days	62,036,135	-	29,101,727	-
Past due 31-60 days	15,385,983	-	24,698,426	-
Past due 61–90 days	30,352,970	-	28,682,340	-
More than 90 days	35,365,723	15,998,982	23,458,880	9,998,982
Total	$143,140,811	15,998,982	105,941,373	9,998,982

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

	The Group		The Company	
	2011	2010	2011	2010
Balance at beginning of year	9,998,982	10,474,141	9,998,982	10,474,141
Impairment loss recognised/ (reversed)	9,644,881	(475,159)	6,000,000	(475,159)
Balance at end of year	$19,643,863	9,998,982	15,998,982	9,998,982

5. Due from related parties

(a) Current:

This comprises amounts due from directors and affiliated entities, which are repayable within three months.

(b) Non-current:

Due from subsidiary includes:

- A loan of US$2,374,424 to Dolphin Cove (Negril) Limited on terms and conditions that are based on the terms of the loan received by the company from the National Export Import Bank of Jamaica Limited.

- A loan of $96,250,000 to Dolphin Cove (Negril) Limited on terms and conditions that are based on the terms of the loan received by the company from the vendor for land acquired.

6. Inventories

	The Group		The Company	
	2011	2010	2011	2010
Items for resale	23,699,599	23,043,712	20,998,647	18,441,488
Dolphin food	2,724,859	3,803,628	2,251,570	2,245,201
	26,424,458	26,847,340	23,250,217	20,686,689
Less: Allowance for impairment	(1,429,880)	(1,527,971)	(1,429,880)	(1,527,971)
	$24,994,578	25,319,369	21,820,337	19,158,718
Inventories charged to expenses during the year	$16,206,705	15,768,885	11,398,614	15,321,359

7. Investment in subsidiaries

This represents the cost of the company's 100% interest in the shares of Too Cool Limited and Dolphin Cove (Negril) Limited (note 1).

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)
December 31, 2011

8. Property, plant and equipment

	The Group					
	Land and buildings	Leasehold improvements	Furniture, fixtures, computers & equipment	Motor vehicles	Capital work-in-progress	Total
Cost or valuation:						
December 31, 2009	490,000,000	1,169,352	73,173,833	10,964,660	122,378,686	697,686,531
Additions	113,389,106	122,159	32,057,897	5,623,404	-	151,192,566
Disposals	-	-	-	(2,261,000)	-	(2,261,000)
Transfers	122,366,186	-	12,500	-	(122,378,686)	-
December 31, 2010	725,755,292	1,291,511	105,244,230	14,327,064	-	846,618,097
Additions	18,523,473	57,293	27,999,548	2,600,000	-	49,180,314
Disposals	-	-	-	(2,670,000)	-	(2,670,000)
December 31, 2011	744,278,765	1,348,804	133,243,778	14,257,064	-	893,128,411
Depreciation:						
December 31, 2009	-	589,559	31,110,977	6,749,987	-	38,450,523
Charge for the year	5,334,352	116,935	8,641,622	1,914,758	-	16,007,667
Eliminated on disposals	-	-	-	(993,400)	-	(993,400)
December 31, 2010	5,334,352	706,494	39,752,599	7,671,345	-	53,464,790
Charge for the year	7,737,602	133,176	11,068,035	2,162,746	-	21,101,559
Eliminated on disposals	-	-	-	(990,000)	-	(990,000)
December 31, 2011	13,071,954	839,670	50,820,634	8,844,091	-	73,576,349
Net book values:						
December 31, 2011	$731,206,811	509,134	82,423,144	5,412,973	-	819,552,062
December 31, 2010	$720,420,940	585,017	65,491,631	6,655,719	-	793,153,307

	The Company					
	Land and buildings	Leasehold improvements	Furniture, fixtures, computers & equipment	Motor vehicles	Capital work-in-progress	Total
Cost:						
December 31, 2009	255,900,000	1,169,352	73,173,833	10,964,660	122,378,686	463,586,531
Additions	2,702,230	122,159	8,850,158	2,100,000	-	13,774,547
Disposals	-	-	-	(2,261,000)	-	(2,261,000)
Transfer to subsidiary	-	-	-	-	(122,378,686)	(122,378,686)
December 31, 2010	258,602,230	1,291,511	82,023,991	10,803,660	-	352,721,392
Additions	8,702,315	57,293	26,285,629	2,600,000	-	37,645,237
Disposals	-	-	-	(2,670,000)	-	(2,670,000)
December 31, 2011	267,304,545	1,348,804	108,309,620	10,733,660	-	387,696,629
Depreciation:						
December 31, 2009	-	589,559	31,110,977	6,749,987	-	38,450,523
Charge for the year	3,392,482	116,935	8,036,332	1,679,865	-	13,225,614
Eliminated on disposals	-	-	-	(993,400)	-	(993,400)
December 31, 2010	3,392,482	706,494	39,147,309	7,436,452	-	50,682,737
Charge for the year	3,529,148	133,176	8,530,605	1,458,065	-	13,650,994
Eliminated on disposals	-	-	-	(990,000)	-	(990,000)
December 31, 2011	6,921,630	839,670	47,677,914	7,904,517	-	63,343,731
Net book values:						
December 31, 2011	$260,382,915	509,134	60,631,706	2,829,143	-	324,352,898
December 31, 2010	$255,209,748	585,017	42,876,682	3,367,208	-	302,038,655

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

(a) Land and buildings were valued on an open market value basis by Easton Douglas & Company (Chartered Surveyors and Property Consultants of Kingston, Jamaica) in 2009. The surpluses arising on revaluation are included in capital reserves (note 16).

(b) Land and buildings include land at a valuation of $426,724,562 (2010: $424,030,062) for the group and $121,600,000 (2010: $121,600,000) for the company.

9. Live assets

	The Group		
	Dolphins	Other creatures	Total
Cost:			
December 31, 2009	132,406,050	13,135,497	145,541,547
Additions	136,398	169,501	305,899
December 31, 2010	132,542,448	13,304,998	145,847,446
Additions	-	325,000	325,000
December 31, 2011	132,542,448	13,629,998	146,172,446
Amortisation:			
December 31, 2009	15,582,200	3,063,195	18,645,395
Charge for the year	8,835,847	926,152	9,761,999
December 31, 2010	24,418,047	3,989,347	28,407,394
Charge for the year	8,836,614	895,122	9,731,736
December 31, 2011	33,254,661	4,884,469	38,139,130
Net book values:			
December 31, 2011	$ 99,287,787	8,745,529	108,033,316
December 31, 2010	$108,124,401	9,315,651	117,440,052

	The Company		
	Dolphins	Other creatures	Total
Cost:			
December 31, 2009	132,406,050	13,135,497	145,541,547
Additions	136,399	54,000	190,399
December 31, 2010	132,542,449	13,189,497	145,731,946
Additions	-	47,000	47,000
December 31, 2011	132,542,449	13,236,497	145,778,946
Amortisation:			
December 31, 2009	15,582,200	3,063,195	18,645,395
Charge for the year	8,835,847	924,032	9,759,879
December 31, 2010	24,418,047	3,987,227	28,405,274
Charge for the year	8,836,614	880,366	9,716,980
December 31, 2011	33,254,661	4,867,593	38,122,254
Net book values:			
December 31, 2011	$ 99,287,788	8,368,904	107,656,692
December 31, 2010	$108,124,402	9,202,270	117,326,672

10. Loan receivable

This represented advances to Dolphin Cove (Cayman) Limited that were unsecured and interest free. These advances were settled during the year.

11. Bank overdrafts

Bank overdrafts represent credit balances on the company's bank accounts arising from items in transit. The company has an overdraft facility in the amount of $4,060,000 which is secured by a savings balance of US$56,400.

12. Accounts payable

	The Group		The Company	
	2011	2010	2011	2010
Trade payables	15,587,454	20,245,913	14,439,859	18,845,934
Other payables and accruals	48,566,724	42,308,709	41,347,855	38,631,910
	$64,154,178	62,554,622	55,787,714	57,477,844

13. Deferred tax liability

Deferred tax is attributable to the following [see also note 19(c)]:

	The Group				
	Balance at December 31, 2009	Recognised in income (note 19)	Balance at December 31, 2010	Recognised in income (note 19)	Balance at December 31, 2011
Property, plant and equipment	(4,784,838)	(600,048)	(5,384,886)	(648,716)	(6,033,602)
Live assets	14,132,584	700,174	14,832,758	74,601	14,907,359
Accounts payable	(3,384,037)	3,384,037	-	-	-
Unrealised gain on exchange	603,654	(603,654)	-	-	-
	$ 6,567,363	2,880,509	9,447,872	(574,115)	8,873,757

	The Company				
	Balance at December 31, 2009	Recognised in income (note 19)	Balance at December 31, 2010	Recognised in income (note 19)	Balance at December 31, 2011
Property, plant and equipment	(4,784,838)	(5,184,764)	(9,969,602)	(426,499)	(10,396,101)
Live assets	14,132,584	675,220	14,807,804	9,009	14,816,813
Accounts payable	(3,384,037)	3,384,037	-	-	-
Unrealised gain on exchange	603,654	(603,654)	-	-	-
	$ 6,567,363	(1,729,161)	4,838,202	(417,490)	4,420,712

14. Long-term liabilities

			The Group and the Company	
			2011	2010
(i)	Long-term loans:			
	Pan Caribbean Merchant Bank Limited	(a)	-	23,111,504
	Pan Caribbean Merchant Bank Limited	(a)	-	10,416,663
	National Export Import Bank of Jamaica Limited [US$1,675,616 (2010: US$2,374,424)	(b)	145,109,659	203,871,131
			145,109,659	237,399,298
	Less: Current portion		(72,496,871)	(85,311,252)
			72,612,788	152,088,046
(ii)	Due to property vendor		52,250,000	96,250,000
			$124,862,788	248,338,046

(i) Long-term loans:

(a) These loans were interest-bearing and fully settled during the year. They were secured as noted below:

- A first debenture over the fixed and floating assets of the company, stamped to cover US$467,000;
- A corporate guarantee of the company's subsidiary, Too Cool Limited, supported by mortgages over property owned by that company. The mortgages are stamped to cover US$467,000 and J$100,000,000;
- Keyman Insurance on the life of a director for J$50,000,000 and personal guarantee of a director for US$467,000; and
- Assignment of public liability insurance. Comprehensive all risk peril insurance including public liability insurance over the mortgaged property.

(b) This loan is due to be repaid in December 2014 and bears interest at 7.5% per annum. It is secured by a guarantee from PanCaribbean Bank Limited in the amount of US$2,585,500.

(ii) Due to property vendor:

This represents the balance of an initial loan of $94,000,000 plus the company's share of transaction costs in relation to the purchase of land in Hanover. Interest is payable quarterly at a rate of 12% per annum. The principal is payable within four years, in instalments, as specified in the agreement for sale.

15. Share capital

Authorised:
432,426,376 ordinary shares of no par value

	2011	2010
Stated capital, issued and fully paid:		
392,426,376 ordinary shares of no par value	279,053,297	279,053,297
Less: Transaction costs of share issue	(21,092,972)	(20,836,173)
	$257,960,325	258,217,124

On November 22, 2010, the company unanimously passed the following resolutions:

- That the authorised share capital of the company be increased from 39,053,297 to 54,053,297 shares;
- That each of the existing issued and unissued ordinary shares in the capital of the company be divided into 8 ordinary shares.

In December 2010 the company issued 80,000,000 new shares to the public and the shares were listed on the Junior Stock Market of The Jamaica Stock Exchange (note 1).

16. Capital reserves

	The Group		The Company	
	2011	2010	2011	2010
Revaluation surplus arising on (note 8):				
Land	268,788,836	268,788,836	86,389,590	86,389,590
Buildings	102,894,062	102,894,062	77,822,481	77,822,481
	371,682,898	371,682,898	164,212,071	164,212,071
Deferred tax arising on revalued buildings	(25,940,827)	(25,940,827)	(25,940,827)	(25,940,827)
Investment revaluation reserve	(776,164)	-	(776,164)	-
	$344,965,907	345,742,071	137,495,080	138,271,244

17. Operating revenue

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

18. Finance income/(costs)

	The Group		The Company	
	2011	2010	2011	2010
(a) Finance income:				
Interest income	$8,722,172	2,193,563	30,632,407	11,751,888

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)
December 31, 2011

18. Finance income/(costs) (cont'd)

	The Group 2011	The Group 2010	The Company 2011	The Company 2010
(b) Finance costs:				
Interest expense	(22,640,117)	(21,743,943)	(22,640,117)	(23,007,853)
Bank charges	(5,448,054)	(3,909,063)	(4,880,749)	(3,837,633)
Net foreign exchange losses	(1,852,406)	(4,104,515)	(1,851,394)	(4,104,515)
Credit card charges	(5,376,458)	(3,752,688)	(3,910,378)	(3,558,449)
	$(35,317,035)	(33,510,209)	(33,282,638)	(34,508,450)

19. Taxation

	The Group 2011	The Group 2010	The Company 2011	The Company 2010
(a) Income tax charge:				
(i) Current tax at 33⅓%				
Current year	6,216	36,284,792	-	36,284,792
Adjustment in respect of prior year	-	(1,556,926)	-	(1,556,926)
	6,216	34,727,866	-	34,727,866
(ii) Deferred taxation:				
Origination of temporary differences (note 13)	(574,115)	2,880,509	(417,490)	(1,729,161)
	$(567,899)	37,608,375	(417,490)	32,998,705

(b) Reconciliation of actual tax expense:

	The Group 2011	The Group 2010	The Company 2011	The Company 2010
Profit before taxation	$203,909,176	106,777,888	176,453,659	113,586,581
Computed "expected" tax charge	67,969,725	35,592,629	58,817,886	37,862,194
Tax effect of differences between treatment for financial statement and taxation purposes:				
Depreciation and capital allowances, net	(2,431,005)	(614,390)	(2,980,758)	(2,730,574)
Unrealised exchange gains	153,226	950,291	153,226	950,291
Provision for unused vacation	90,099	(160,901)	69,432	(160,901)
Disallowed expenses	6,586,053	(342,787)	1,535,191	(23,752)
Capital income	-	(214,133)	-	(214,133)
Tax remission [note (c)]	(58,012,467)	(1,127,494)	(58,012,467)	(1,127,494)
Relief under Section 86 of the Income Tax Act [note (d)]	(11,762,215)	-	-	-
Tax losses (utilised)/unutilised	(3,161,315)	5,082,086	-	-
	(567,899)	39,165,301	(417,490)	34,555,631
Adjustment in respect of prior year	-	(1,556,926)	-	(1,556,926)
Actual tax (credit)/charge recognised in profit for the year	$(567,899)	37,608,375	(417,490)	32,998,705

19. Taxation (cont'd)

(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:

- Year 1 to 5 100%
- Years 5 to 6 50%

(d) Approval has been granted for Dolphin Cove (Negril) Limited to be relieved of income tax arising from operations up to August 2015, under Section 86 of the Income Tax Act.

20. Disclosure of expenses

Profit for the year is stated after charging:

	The Group		The Company	
	2011	2010	2011	2010
	$	$	$	$
Directors' emoluments:				
Fees	7,899,485	2,059,800	6,819,485	2,059,800
Management	33,559,785	28,549,757	33,559,785	28,549,757
Auditors' remuneration:				
Current year	4,200,000	3,605,000	3,000,000	2,775,000
Prior year	-	1,025,000	-	883,500
Depreciation and amortisation	30,833,295	25,769,666	23,367,974	22,985,493
Staff costs [see also note 22(c)]	237,277,086	204,891,644	206,792,494	197,801,836

21. 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. The weighted average number of shares for 2010 reflects the 8:1 split in the number of shares in issue up to December 8, 2010 and computed as follows:

	2011	2010
Issued ordinary shares at January 1	392,426,376	312,426,376
Effect of shares issued during the year	-	6,666,667
Weighted average number of ordinary shares held during the year	$392,426,376	319,093,043

22. Related party balances and transactions

(a) Identity of related parties:

The company has related party relationships with its subsidiaries, Too Cool Limited and Dolphin Cove (Negril) Limited, its affiliate, Dolphin Cove (Cayman) Limited, its directors and key management personnel.

(b) The statement of financial position includes balances with related parties as stated at notes 5 and 10.

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

(c) The statement of comprehensive income includes the following income/(expense) transactions with related parties.

	The Group		The Company	
	2011	2010	2011	2010
	$	$	$	$
Interest earned from subsidiary [note 5(b)]	-	-	21,964,185	9,558,325
Mini-boat commissions paid to a director	(2,123,929)	(2,765,762)	(2,123,929)	(2,765,762)
Rental of dolphins and camels to subsidiary	-	-	46,815,200	-
Management fees charged to subsidiary	-	-	3,600,000	-
Key management personnel compensation (included in staff costs) (note 20)	(41,379,270)	(30,609,557)	(40,379,270)	(30,609,557)

23. Dividends

During the year, the company paid a dividend of $0.08 and $0.04 per ordinary share held on September 28, 2011 and November 30, 2011, respectively.

On March 18, 2010, the company paid a dividend of $6.7392 per ordinary share held as of that date.

24. Segment results

The group's reportable segments are as follows:

(a) Ocho Rios - This comprises business in Ocho Rios, St. Ann and includes tourist attractions such as dolphin programmes, restaurants, gift and video shops.

(b) Hanover - This comprises business at Point, Lucea, Hanover and includes tourist attractions such as dolphin programmes, gift and video shops.

(c) Others - This comprises business at the Prospect and Half Moon locations. Only dolphin programmes are offered at the Half Moon location. Horseback tours and plantation tours, which include camel rides, ostriches and a butterfly enclosure, are offered at the Prospect location.

24. Segment results (cont'd)

Segment information below represents the total for the group:

	2011			
	Ocho Rios	Hanover	Other	Total
Gross revenue from external customers	$ 867,502,493	222,431,512	72,341,452	1,162,275,457
Finance income	$ 30,632,407	53,950	-	30,686,357
Finance costs	$(33,282,638)	(23,998,582)	-	(57,281,220)
Depreciation and amortisation	$ 22,184,848	6,595,133	2,053,314	30,833,295
Taxation	$ 417,490	150,409	-	567,899
Segment profit after tax	$ 179,841,297	28,476,114	(3,840,336)	204,447,075
Reportable segment assets	$1,272,874,998	303,465,300	21,197,550	1,597,537,848
Capital expenditure	$ 36,853,226	11,813,077	839,011	49,505,314
Reportable segment liabilities	$ 264,337,553	287,428,955	-	551,766,508

	2010			
	Ocho Rios	Hanover	Other	Total
Gross revenue from external customers	$ 764,461,904	22,238,836	92,938,186	879,638,926
Finance income	$ 11,751,888	-	-	11,751,888
Finance costs	$(34,508,450)	(8,560,084)	-	(43,068,534)
Depreciation and amortisation	$ 21,856,360	1,891,673	2,021,633	25,769,666
Tax expense	$(31,388,433)	(4,609,670)	(1,610,272)	(37,608,375)
Segment profit/(loss) after tax	$ 80,509,889	(12,539,771)	1,199,395	69,169,513
Reportable segment assets	$1,297,975,594	277,082,490	24,593,134	1,599,651,218
Capital expenditure	$ 13,383,873	137,533,520	581,072	151,498,465
Reportable segment liabilities	$ 420,711,282	289,522,262	-	710,233,544

Reconciliation of reportable segment finance income, finance costs, assets and liabilities:

	2011	2010
Finance income		
Total finance income for reportable segments	30,686,357	11,751,888
Elimination of inter-company transactions	(21,964,185)	(9,558,325)
Consolidated finance income	$ 8,722,172	2,193,563
Finance costs		
Total finance costs for reportable segments	(57,281,220)	(43,068,534)
Elimination of inter-company transactions	21,964,185	9,558,325
Consolidated finance costs	$(35,317,035)	(33,510,209)

24. Segment results (cont'd)

Reconciliation of reportable segment finance income, finance costs, assets and liabilities (cont'd):

	2011	2010
Assets		
Total assets for reportable segments	1,597,537,848	1,599,651,218
Elimination of investment in subsidiaries	(33,220,242)	(33,220,242)
Elimination of due from subsidiary	(274,603,230)	(278,529,425)
Consolidated total assets	$1,289,714,376	1,287,901,551
Liabilities		
Total liabilities for reportable segments	551,766,508	710,233,544
Elimination of due to parent company	(274,603,230)	(278,529,425)
Consolidated total liabilities	$ 277,163,278	431,704,119
Revenue		
Total revenue for reportable segments	1,162,275,457	879,638,926
Elimination of inter-company management fees	(3,600,000)	-
Elimination of inter-company rental income	(46,815,200)	-
	$1,111,860,257	879,638,926

25. 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.

25. Financial instruments (cont'd)

(a) Financial risk management (cont'd)

(i) Credit risk (cont'd):

The maximum exposure to credit risk at the reporting date is represented by the carrying amount of each financial asset as follows:

	Carrying amount			
	The Group		The Company	
	2011	2010	2011	2010
Cash and cash equivalents	44,922,944	18,815,314	33,373,506	18,328,842
Securities purchased under resale agreements	63,558,935	203,424,623	63,558,935	203,424,623
Investments	54,394,538	-	54,394,538	-
Accounts receivable	164,342,854	124,635,189	138,853,766	112,220,925
Due from subsidiary	-	-	274,603,230	278,529,425
Loan receivable	-	625,798	-	625,798
Due from related parties	5,878,625	2,397,907	5,878,625	2,397,907
	$333,097,896	349,898,831	570,662,600	615,527,520

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.

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 10 (2010: 11) major customers for the group and 7 (2010: 6) for the company who materially comprised trade receivables. As at December 31, 2011, amounts receivable from these customers aggregated $82,917,323 (2010: $67,955,810) for the group and $77,057,983 (2010: $61,859,995) for the company. These represent 54% (2010: 59%) and 48% (2010: 58%) of trade receivables for the group and the company, respectively.

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.

25. Financial instruments (cont'd)

(a) Financial risk management:

(i) Credit risk (cont'd):

Due from related parties

At the reporting date there were no significant concentrations in respect of amounts due from related parties. These related parties are considered to be solvent.

There were no changes in the group's and the company'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 and the company'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 and the company 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 overdraft.

  Financial instruments are subject to interest as follows:

	Carrying amount			
	The Group		The Company	
	2011	2010	2011	2010
Fixed rate instruments:				
Financial assets	182,450	-	197,542,109	300,121,131
Financial liabilities	(197,359,659)	(331,399,298)	(197,359,659)	(331,399,298)
	$(197,177,209)	(331,399,298)	182,450	(31,278,167)
Variable rate instruments:				
Financial assets	94,452,618	217,933,559	84,547,027	217,793,076
Financial liabilities	(6,769,468)	(19,552,951)	(6,769,468)	(18,246,565)
	$ 87,683,150	198,380,608	77,777,559	199,546,511

25. Financial instruments (cont'd)

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

(ii) Market risk (cont'd):

- Interest rate risk (cont'd):

Cash flow sensitivity analysis for variable rate instruments

A change of 100 (2010: 200) basis points in interest rates at the reporting date would have increased/decreased profit by $876,832 (2010: $3,964,802) for the group and $777,776 (2010: $3,990,930) for the company. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

Fair value sensitivity analysis for fixed rate instruments

The group and the company do not account for any fixed rate financial liabilities 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.

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

The group's and the company's exposure to foreign currency risk on US$ denominated balances was as follows:

		The Group		The Company	
		2011	2010	2011	2010
Cash and cash equivalents		370,953	142,242	255,770	109,364
Securities purchased under resale agreements		150,308	-	150,308	-
Investments		248,445	-	248,445	-
Accounts receivable		1,761,225	1,256,501	1,472,185	1,116,165
Due (to)/from related parties		(2,461)	-	(2,461)	2,374,424
Bank overdrafts		(79,171)	(88,541)	(79,171)	(88,541)
Accounts payable		(244,911)	(3,904)	(180,076)	(3,904)
Long-term loan		(1,675,616)	(2,374,424)	(1,675,616)	(2,374,424)
	US$	528,772	(1,068,126)	189,384	1,133,084
Equivalent to	J$	45,545,829	(91,153,873)	16,312,610	96,697,389

25. Financial instruments (cont'd)

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

(ii) Market risk (cont'd):

- Foreign currency risk (cont'd):

Exchange rates in terms of the Jamaica dollar ($) for US$1 were as follows:

At December 31, 2010: $85.34
At December 31, 2011: $86.14

Sensitivity analysis

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

	Increase/(decrease) in profit for the year			
	The Group		The Company	
	2011	2010	2011	2010
	$	$	$	$
1% (2010: 5%) strengthening/ weakening of the US$ against the J$	455,484	4,557,694	163,126	4,834,869

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

(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:

25. Financial instruments (cont'd)

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

(iii) Liquidity risk (cont'd):

The Group

2011

	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $
Long-term liabilities	197,359,659	220,755,551	42,097,383	42,097,383	84,310,785	52,250,000
Bank overdrafts	6,769,468	6,769,468	6,769,468	-	-	-
Accounts payable	64,154,178	64,154,178	64,154,178	-	-	-
Total financial liabilities	268,283,305	291,679,197	113,021,029	42,097,383	84,310,785	52,250,000

2010

	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $
Long-term liabilities	333,649,298	362,978,278	56,704,287	44,618,526	84,150,656	177,504,809
Bank overdrafts	19,552,951	19,552,951	19,552,951	-	-	-
Accounts payable	62,554,622	62,554,622	62,554,622	-	-	-
Total financial liabilities	415,756,871	445,085,851	138,811,860	44,618,526	84,150,656	177,504,809

The Company

2011

	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $
Long-term liabilities	197,359,659	220,755,551	42,097,383	42,097,383	84,310,785	52,250,000
Bank overdrafts	6,769,468	6,769,468	6,769,468	-	-	-
Accounts payable	55,787,714	55,787,714	55,787,714	-	-	-
Total financial liabilities	259,916,841	283,312,733	104,654,565	42,097,383	84,310,785	52,250,000

2010

	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $
Long-term liabilities	333,649,298	362,978,278	56,704,287	44,618,526	84,150,656	177,504,809
Bank overdrafts	18,246,565	18,246,565	18,246,565	-	-	-
Accounts payable	57,477,844	57,477,844	57,477,844	-	-	-
Total financial liabilities	409,373,707	438,702,687	132,428,696	44,618,526	84,150,656	177,504,809

(b) Capital management:

The group manages the adequacy of capital by managing the returns on 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 and the company's approach to managing capital.

25. Financial instruments (cont'd)

(c) Fair value disclosures:

The carrying values reflected in the financial statements for monetary assets and liabilities such as cash and cash equivalents, securities purchased under resale agreements, accounts receivable, bank overdrafts and accounts payable and provisions are assumed to approximate their carrying values due to their relatively short-term nature. Long-term liabilities are assumed to approximate fair value, as they are contracted at commercial rates. Amounts due from/to related parties, are considered to approximate their carrying value due to their short-term nature, and/or an ability to affect future set-offs in the amounts disclosed.

The fair value of investments is determined as disclosed in note 2(m).

(d) Determination of fair value and fair values hierarchy:

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy. This hierarchy requires the use of observable market data when available. The group considers relevant and observable market prices in its valuations where possible.

Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. There are no investments that qualify for this category.

Financial instruments carried at fair value at the reporting date were as follows:

	The Group and Company	
	2011	2010
	Level 1	Level 1
Available-for-sale investments	$54,212,088	-

26. Capital commitment

As at December 31, 2011, the company had a capital commitment of approximately $7.6 million of which $3.4 million was paid as deposit for the purchase and installation of a new accounting software.