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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 8 to 63 which comprise the group's and company's statement of financial position as at December 31, 2021, 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, 2021, 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 (ISAs). 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 International Code of Ethics for Professional Accountants including International Independence Standards (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 (CONTINUED)

To the Members of
DOLPHIN COVE LIMITED

Report on the Audit of the Financial Statements (Continued)

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

1. Valuation of property, plant and equipment

The group's land and buildings are measured at fair value. The fair value of these properties is determined by methods or factors applied by management's expert or the directors which are dependent on the availability and use of reliable market data and making appropriate adjustments thereto, where required. This involves some element of subjectivity which could result in material errors.

How the matter was addressed in our audit

We challenged the estimated fair value of land and buildings determined by management as at December 31, 2021, by:

- Obtaining managements valuation report of the fair value of the properties and external appraisers' input and assess the reasonableness of the values determined.
- Involve KPMG specialist to evaluate the appropriateness of managements method, assumptions and data, and to conclude if management's estimate appears reasonable.
- Assess whether the presentation and disclosure made in the financial statements is appropriate and in accordance with IFRS 13 *Fair Value Measurement*.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
DOLPHIN COVE LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matters

2. Valuation of trade and other receivables

The group is required to recognise expected credit losses (ECL) on trade receivables, the determination of which is highly subjective and requires management to make significant judgement and estimates including determination of the appropriate variables and assumptions used and the application of forward-looking information.

How the matter was addressed in our audit

Our procedures in this area included:

- Obtaining an understanding of the model used by management for the calculation of expected credit losses on trade receivables.
- Testing the completeness and accuracy of the data used in the ECL models to the underlying accounting records on a sample basis.
- Reviewing the ECL model, assess the appropriateness of the group's impairment methodology, management's assumptions and compliance with the requirements of IFRS 9, *Financial Instruments*.
- Assessing the adequacy of the disclosures of the key assumptions and judgements for compliance with IFRS 9.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
DOLPHIN COVE LIMITED

Report on the Audit of the Financial Statements (Continued)

Other Information (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 company or to cease operations, or has no realistic alternative but to do so.

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



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
DOLPHIN COVE LIMITED

Report on the Audit of the Financial Statements (Continued)

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 ISAs 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 6-7, 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 Wilbert Spence.

A handwritten signature of the KPMG firm, written in blue ink.

Chartered Accountants
Kingston, Jamaica

March 31, 2022



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
DOLPHIN COVE LIMITED

Appendix to the Independent Auditors' Report

As part of an audit in accordance with ISAs, 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 company'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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
DOLPHIN COVE LIMITED

Appendix to the Independent Auditors' Report (Continued)

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, actions taken to eliminate threats or safeguards applied.

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

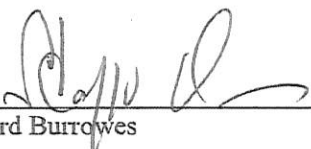
Group Statement of Financial Position

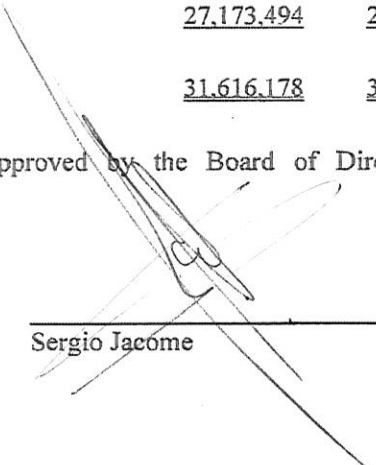
December 31, 2021

(Expressed in United States dollar)

	Notes	2021	2020
CURRENT ASSETS			
Cash and cash equivalents		2,420,059	381,395
Investments	4	2,132	2,130
Trade and other receivables	5	946,194	802,432
Taxation recoverable		140,585	323,435
Due from related companies	6(b)(ii)	517,507	767,291
Due from parent company	6(b)(iii)	618,200	486,200
Inventories	7	<u>261,756</u>	<u>258,040</u>
		<u>4,906,433</u>	<u>3,020,923</u>
NON-CURRENT ASSETS			
Property, plant and equipment	9	21,325,865	21,665,070
Right-of-use asset	10(a)	472,351	566,822
Live assets	11	3,801,517	4,001,645
Due from related company	6(b)(iv)	<u>1,110,012</u>	<u>1,110,012</u>
		<u>26,709,745</u>	<u>27,343,549</u>
TOTAL ASSETS		<u>31,616,178</u>	<u>30,364,472</u>
CURRENT LIABILITIES			
Bank overdraft	12	1,110,702	366,591
Current portion of lease liabilities	10(b)	99,063	89,021
Accounts payable	13	1,371,355	1,590,450
Due to other related parties	6(b)(v)	7,356	22,302
Current portion of long-term liabilities	15	<u>5,374</u>	<u>5,374</u>
		<u>2,593,850</u>	<u>2,073,738</u>
NON-CURRENT LIABILITIES			
Deferred tax liability	14	1,327,758	1,004,469
Lease liabilities	10(b)	513,450	612,513
Long-term liabilities	15	<u>7,626</u>	<u>11,841</u>
		<u>1,848,834</u>	<u>1,628,823</u>
EQUITY			
Share capital	16	3,654,390	3,654,390
Capital reserves	17	12,291,412	12,291,412
Retained earnings		<u>11,227,692</u>	<u>10,716,109</u>
		<u>27,173,494</u>	<u>26,661,911</u>
TOTAL EQUITY AND LIABILITIES		<u>31,616,178</u>	<u>30,364,472</u>

The financial statements on pages 8 to 63 were approved by the Board of Directors on March 31, 2022 and signed on its behalf by:


 _____ Director
 Stafford Burrowes


 _____ Director
 Sergio Jacome

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

DOLPHIN COVE LIMITEDGroup Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2021*(Expressed in United States dollar)*

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
OPERATING REVENUE			
Programme revenue	18(a)	3,866,013	2,241,991
Ancillary service revenue	18(b)	<u>3,774,286</u>	<u>2,036,176</u>
Overall revenue		7,640,299	4,278,167
Less: Direct costs of sales	19(a)	<u>(888,202)</u>	<u>(782,081)</u>
Gross profit		6,752,097	3,496,086
Loss on disposal of property, plant and equipment		(267)	-
Loss on disposal of live assets		(11,664)	(81,190)
Other income	19(d)	<u>246,737</u>	<u>367,295</u>
		<u>6,986,903</u>	<u>3,782,191</u>
OPERATING EXPENSES			
Administrative		(760,586)	(820,717)
Other operations		(2,742,617)	(2,612,809)
Selling		<u>(1,235,539)</u>	<u>(1,664,574)</u>
	19(b)	<u>(4,738,742)</u>	<u>(5,098,100)</u>
Profit/(loss) before finance income and costs		2,248,161	(1,315,909)
Finance income	20(a)	218,686	51,782
Finance costs	20(b)	<u>(449,211)</u>	<u>(169,866)</u>
Profit/(loss) before taxation		2,017,636	(1,433,993)
Income tax (expense)/credit	21	<u>(506,210)</u>	<u>305,219</u>
Profit/(loss) being total comprehensive income /(loss) for the year		<u>1,511,426</u>	<u>(1,128,774)</u>
Earnings/(loss) per stock unit	22	<u>0.39¢</u>	<u>(0.29)¢</u>

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

DOLPHIN COVE LIMITED

Group Statement of Changes in Equity
 Year ended December 31, 2021
 (Expressed in United States dollar)

	<u>Share capital</u> (note 16)	<u>Capital reserves</u> (note 17)	<u>Retained earnings</u>	<u>Total</u>
Balances as at December 31, 2019	3,654,390	12,291,412	12,709,935	28,655,737
Loss, being total comprehensive loss for the year	-	-	(1,128,774)	(1,128,774)
Transactions with owners of the company:				
Dividends (note 23)	<u>-</u>	<u>-</u>	(865,052)	(865,052)
Balances as at December 31, 2020	3,654,390	12,291,412	10,716,109	26,661,911
Profit, being total comprehensive income for the year			1,511,426	1,511,426
Transactions with owners of the company:				
Dividends (note 23)	<u>-</u>	<u>-</u>	(999,843)	(999,843)
Balances as at December 31, 2021	<u>3,654,390</u>	<u>12,291,412</u>	<u>11,227,692</u>	<u>27,173,494</u>

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

DOLPHIN COVE LIMITED

Group Statement of Cash Flows
 Year ended December 31, 2021
 (Expressed in United States dollar)

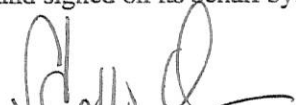
	<u>Notes</u>	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		1,511,426	(1,128,774)
Adjustments for:			
Depreciation and amortisation	9,10,11	1,146,586	1,123,843
Loss on disposal of property, plant and equipment		267	-
Loss on disposal of live asset		11,664	81,190
Interest income	20(a)	(453)	(861)
Interest expense	20(b)	134,617	68,572
Impairment loss on trade receivables, net	5(a)	(161,697)	346,485
Taxation	21	<u>506,210</u>	<u>(305,219)</u>
		3,148,620	185,236
Changes in:			
Accounts receivable		17,935	559,635
Inventories		(3,716)	7,951
Accounts payable		(219,095)	(508,321)
Due to other related parties		<u>(14,946)</u>	<u>(61,136)</u>
Cash generated from operations		2,928,798	183,365
Interest paid		(134,617)	(68,572)
Income tax paid		<u>(71)</u>	<u>(102,280)</u>
Net cash provided by operating activities		<u>2,794,110</u>	<u>12,513</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		453	861
Additions to property, plant and equipment	9	(444,778)	(207,263)
Proceeds from disposal of property, plant and equipment		199	-
Additions to live assets	11	(80,134)	(56,088)
Due from related parties		249,784	33,771
Due from parent company		(132,000)	(198,000)
Investments, net		<u>(2)</u>	<u>(1)</u>
Net cash used by investing activities		<u>(406,478)</u>	<u>(426,720)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term loans		(4,215)	(21,850)
Lease liabilities, net	10(d)	629	(4,140)
Other income – rent concession	10(c)(d),19(d)	(89,650)	(73,500)
Dividends paid		<u>(999,843)</u>	<u>(865,052)</u>
Net cash used by financing activities		<u>(1,093,079)</u>	<u>(964,542)</u>
Net increase/(decrease) in cash and cash equivalents		1,294,553	(1,378,749)
Cash and cash equivalents at beginning of the year		<u>14,804</u>	<u>1,393,553</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		<u><u>1,309,357</u></u>	<u><u>14,804</u></u>
Comprising:			
Cash and cash equivalents		2,420,059	381,395
Bank overdraft		<u>(1,110,702)</u>	<u>(366,591)</u>
		<u><u>1,309,357</u></u>	<u><u>14,804</u></u>

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

DOLPHIN COVE LIMITEDCompany Statement of Financial Position
December 31, 2021*(Expressed in United States dollar)*

	Notes	2021	2020
CURRENT ASSETS			
Cash and cash equivalents		2,420,059	381,395
Investments	4	2,132	2,130
Trade and other receivables	5	945,734	801,972
Due from related companies	6(b)(ii)	517,507	767,291
Due from parent company	6(b)(iii)	618,200	486,200
Taxation recoverable		101,144	283,994
Inventories	7	<u>261,756</u>	<u>258,040</u>
		<u>4,866,532</u>	<u>2,981,022</u>
NON-CURRENT ASSETS			
Investment in subsidiaries	8	314,539	314,539
Property, plant and equipment	9	8,751,177	9,023,404
Right-of-use asset	10(a)	1,702,099	1,892,394
Live assets	11	3,799,405	3,999,188
Due from subsidiaries	6(b)(i)	4,762,059	4,756,362
Due from related company	6(b)(iv)	<u>1,110,012</u>	<u>1,110,012</u>
		<u>20,439,291</u>	<u>21,095,899</u>
TOTAL ASSETS		<u>25,305,823</u>	<u>24,076,921</u>
CURRENT LIABILITIES			
Bank overdraft	12	1,110,702	366,591
Current portion of lease liabilities	10(b)	178,428	163,404
Accounts payable	13	1,336,276	1,523,056
Due to other related parties	6(b)(v)	7,356	22,302
Due to subsidiaries	6(b)(vi)	300	300
Current portion of long-term liabilities	15	<u>5,374</u>	<u>5,374</u>
		<u>2,638,436</u>	<u>2,081,027</u>
NON-CURRENT LIABILITIES			
Deferred tax liability	14	1,269,328	932,804
Lease liabilities	10(b)	1,971,935	2,150,363
Long-term liabilities	15	<u>7,626</u>	<u>11,841</u>
		<u>3,248,889</u>	<u>3,095,008</u>
EQUITY			
Share capital	16	3,654,390	3,654,390
Capital reserves	17	4,718,776	4,718,776
Retained earnings		<u>11,045,332</u>	<u>10,527,720</u>
		<u>19,418,498</u>	<u>18,900,886</u>
TOTAL EQUITY AND LIABILITIES		<u>25,305,823</u>	<u>24,076,921</u>

The financial statements on pages 8 to 63 were approved by the Board of Directors on March 31, 2022 and signed on its behalf by:



Stafford Burrowes Director



Sergio Jacome Director

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

DOLPHIN COVE LIMITEDCompany Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2021*(Expressed in United States dollar)*

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
OPERATING REVENUE			
Programme revenue	18(a)	3,866,013	2,241,991
Ancillary services revenue	18(b)	<u>3,774,286</u>	<u>2,036,176</u>
Overall revenue		7,640,299	4,278,167
Less: Direct costs of sales	19(a)	<u>(888,202)</u>	<u>(782,081)</u>
Gross profit		6,752,097	3,496,086
Loss on disposal of property, plant and equipment		<u>(267)</u>	-
Loss on disposal of live assets		<u>(11,664)</u>	<u>(81,190)</u>
Other income	19(d)	<u>212,752</u>	<u>367,295</u>
		<u>6,952,918</u>	<u>3,782,191</u>
OPERATING EXPENSES			
Administrative		<u>(743,201)</u>	<u>(802,566)</u>
Other operations		<u>(2,758,213)</u>	<u>(2,570,800)</u>
Selling		<u>(1,235,539)</u>	<u>(1,664,574)</u>
	19(b)	<u>(4,736,953)</u>	<u>(5,037,940)</u>
Profit/(loss) before finance income and costs		2,215,965	(1,255,749)
Finance income	20(a)	372,751	305,225
Finance costs	20(b)	<u>(551,816)</u>	<u>(277,140)</u>
Profit/(loss) before taxation		2,036,900	(1,227,664)
Taxation (expense)/credit	21	<u>(519,445)</u>	<u>311,746</u>
Profit/(loss), being total comprehensive Income/(loss) for the year		<u>1,517,455</u>	<u>(915,918)</u>

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, 2021

(Expressed in United States dollar)

	<u>Share capital</u> (note 16)	<u>Capital reserves</u> (note 17)	<u>Retained earnings</u>	<u>Total</u>
Balances as at December 31, 2019	3,654,390	4,718,776	12,308,690	20,681,856
Loss, being total comprehensive loss for the year	-	-	(915,918)	(915,918)
Transactions with owners of the company:				
Dividends (note 23)	<u>-</u>	<u>-</u>	<u>(865,052)</u>	<u>(865,052)</u>
Balances as at December 31, 2020	3,654,390	4,718,776	10,527,720	18,900,886
Loss, being total comprehensive loss for the year	-	-	1,517,455	1,517,455
Transactions with owners of the company:				
Dividends (note 23)	<u>-</u>	<u>-</u>	<u>(999,843)</u>	<u>(999,843)</u>
Balances as at December 31, 2021	<u>3,654,390</u>	<u>4,718,776</u>	<u>11,045,332</u>	<u>19,418,498</u>

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

DOLPHIN COVE LIMITED

Company Statement of Cash Flow
Year ended December 31, 2021
(Expressed in United States dollar)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		1,517,455	(915,918)
Adjustments for:			
Depreciation and amortisation	9,10,11	1,174,186	1,151,443
Loss on disposal of property, plant and equipment		267	-
Loss on disposal of live assets		11,664	81,190
Interest income	20(a)	(154,518)	(254,304)
Interest expense	20(b)	237,222	175,846
Impairment of trade receivables	5(a)	(161,697)	346,485
Taxation	21	<u>519,445</u>	<u>(311,746)</u>
		3,144,024	272,996
Change in:			
Accounts receivable		172,000	814,815
Inventories		(3,716)	7,951
Accounts payable		(186,780)	(560,649)
Due to other related companies		<u>(14,946)</u>	<u>(61,136)</u>
Cash generated from operations		3,110,582	473,977
Interest paid		(237,222)	(175,846)
Income tax paid		<u>(71)</u>	<u>(74,279)</u>
Net cash provided by operating activities		<u>2,873,289</u>	<u>223,852</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		453	(861)
Additions to property, plant and equipment	9	(443,877)	(207,042)
Proceeds from disposal of property, plant and equipment		199	-
Additions to live assets	11	(80,134)	(56,088)
Investments, net		(2)	(1)
Due from subsidiaries		(5,697)	(140,124)
Due from related companies		249,784	33,771
Due from parent company		<u>(132,000)</u>	<u>(198,000)</u>
Net cash used by investing activities		<u>(411,274)</u>	<u>(568,345)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term loans		(4,215)	(21,850)
Payment of lease liabilities	10(d)	(73,754)	(73,854)
Other income – rent concession	10(c)(d),19(d)	(89,650)	(73,500)
Dividends paid		<u>(999,843)</u>	<u>(865,052)</u>
Net cash used by financing activities		<u>(1,167,462)</u>	<u>(1,034,256)</u>
Net increase/(decrease) in cash resources		1,294,553	(1,378,749)
Cash resources at beginning of the year		<u>14,804</u>	<u>1,393,553</u>
CASH RESOURCES AT END OF YEAR		<u>1,309,357</u>	<u>14,804</u>
Comprising:			
Cash and cash equivalents		2,420,059	381,395
Bank overdraft		<u>(1,110,702)</u>	<u>(366,591)</u>
		<u>1,309,357</u>	<u>14,804</u>

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

DOLPHIN COVE LIMITED

Notes to the Financial Statements

Year ended December 31, 2021*(Expressed in United States dollar)*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) 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, on December 18, 2015, and made a follow-up offer to purchase all the remaining shares of the company, effective January 8, 2016. The parent company now holds 79.99% of the issued share capital of the company.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*1. Corporate structure and principal activities (continued)

- (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 Company” – the ‘wider group’. Both companies are incorporated in Mexico.
- (e) In April 2019, World of Dolphins Inc. pledged to charge 100% (313,901,858) of stock units which it holds in the company as co-security for a Note Purchase Agreement on behalf of Controladora Dolphin SA de C.V.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and comply with the provisions of the Jamaican Companies Act.

Certain new and amended standards and interpretations came into effect during the current financial year. The group has assessed them and has adopted those which are relevant to its financial statements but their adoption did not result in any changes to amounts recognised or disclosed in these financial statements.

New and amended standards that are not yet effective:

At the date of authorisation of the financial statements, certain new and amended standards have been issued which are not yet effective and which the group has not early adopted. The group has assessed the relevance of all such new standards and amendments with respect to its operations and has determined that the following may be relevant:

- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* is effective for annual reporting periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling a contract.

The amendments clarify that the “costs of fulfilling a contract” comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the “incremental cost” approach to recognise larger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

The group is assessing the impact that the amendment will have on its 2022 financial statements.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards that are not yet effective (continued):

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, IAS 41 *Agriculture*, and are effective for annual reporting periods beginning on or after January 1, 2022.
 - (i) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the “10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.
 - (ii) IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The group is assessing the impact that the amendment will have on its 2022 financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Under existing IAS 1 requirements, entities classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Instead of the requirement for a right of deferral to be “unconditional”, the standard requires that a right to defer settlement must have “substance” and exist at the end of the reporting date. An entity classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting date. It has also been clarified that a right to defer exists only if the entity is in compliance with conditions specified in the loan agreement at the reporting date, even if the lender does not test compliance until a later date.

The group does not expect the amendment to have a significant impact on its financial statements when the amendments become effective.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards that are not yet effective (continued):

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual reporting periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help entities provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- requiring entities to disclose their *material* accounting policies rather than their *significant* accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are consistent with the refined definition of material:

“Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements”.

The group is assessing the impact that the amendment will have on its 2023 financial statements.

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards that are not yet effective (continued):

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (continued)

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies is unchanged.

The group is assessing the impact that the amendment will have on its 2023 financial statements.

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how entities should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If an entity previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The group is assessing the impact that the amendment will have on its 2023 financial statements, when the amendments become effective.

(b) Basis of measurement and functional currency:

The financial statements are prepared on the historic cost basis, except for land and buildings which are carried at market value. The financial statements are presented in United States dollars (\$), which is the functional currency of the group.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*2. Statement of compliance and basis of preparation (continued)

(c) Going concern:

The preparation of the financial statements in conformity with IFRS assumes that the company and the group will continue in operational existence for the foreseeable future. This means, in part, that the statements of financial position and profit or loss and other comprehensive income assume no intention or necessity to liquidate or terminate operations. This is commonly referred to as the going concern basis.

The group made a profit of \$1,511,426 during the reporting period ended December 31, 2021, compared to a loss of \$1,517,455 in the prior year. The group also has a improved net current asset position of \$2,312,583 (2020: \$947,185) as at the reporting date.

The World Health Organisation declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020. As detailed in note 27, the company and the group are affected by the outbreak of COVID-19. During the financial year ended December 31, 2021, the government relaxed the measures and travel restrictions which were implemented at the onset of the pandemic. This led to an improvement in the results of the company in relation to prior year. In particular, the group significantly improved its liquidity position as at December 31, 2021. At the reporting date, cash at bank amounted to \$2,420,059 (2020: \$381,395).

Management has modeled a number of different scenarios considering a period of 24 months from the reporting date. The assumptions modeled are based on the estimated impact of COVID-19 on the company (passenger/guests from hotel resorts/locals and cruise lines). Under the best-case scenario, which assumes (for the year to December 31, 2022) revenue of \$13.7M and passenger/guests at 88% of 2019 levels, management is of the view that it will have adequate cash flow to support operations. The most severe downside scenario, which is considered prudent but plausible, would have a significant adverse impact on revenues and cashflow with revenue and passenger/guests, and assumes revenue at \$5.8M and pax at 49% of 2019 levels. In both scenarios, as a result of the actions taken by management to reduce costs, optimize cashflows and preserve liquidity the company and the group should be able to have adequate liquidity to continue operating.

Based on the factors noted above, management continues to have a reasonable expectation that the company and the group will have adequate resources to continue operating for the foreseeable future (being at least twelve months from the reporting date). Further details on the impact of COVID-19 on the company are discussed in note 27.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*2. Statement of compliance and basis of preparation (continued)

(d) 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

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

(i) Allowance for impairment losses on receivables:

The impairment allowances for trade and other receivables are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") of the trade accounts receivable.

Under this ECL model, the group segments its accounts receivable in a matrix by days past due and determined for each age bracket an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the accounts receivable. The average ECL rate increases in each segment of days past due until the rate is 100% for the segment of 91 days or more past due. The use of assumptions make uncertainty inherent in such estimates.

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.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*2. Statement of compliance and basis of preparation (continued)

(d) Use of estimates and judgements (continued):

(ii) Fair value of land and buildings (continued):

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.

(e) 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, 2021. 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.

3. Significant accounting policies

(a) 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.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*3. Significant accounting policies (continued)

(a) Foreign currencies (continued):

(i) Foreign currency transactions and balances (continued):

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 translated at the exchange rate at the date of the transaction.

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 equity investments designated at fair value through other comprehensive income 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.

(ii) Foreign operations:

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

Foreign exchange gains or losses, if any, 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.

(b) 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 statement of cash flows.

(c) Investments:

Fixed deposits are classified and measured at amortised cost. The group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*3. Significant accounting policies (continued)

(d) Accounts receivable:

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

(e) Related parties:

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

- (a) A person or a close member of that person’s family is related to the group if that person:
- (i) has control or joint control over the group;
 - (ii) has significant influence over the group; or
 - (iii) is a member of the key management personnel of the group or of a parent of the reporting group.
- (b) An entity is related to the group if any of the following conditions applies:
- (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity 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 entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.
 - (vi) The entity is controlled, or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the group or is a member of the management personnel of the group (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management services to the group or the parent of the group.
- (c) A related party transaction involves transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*3. Significant accounting policies (continued)

(f) Inventories:

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

(g) Property, plant and equipment:

(i) Recognition and measurement:

Land and buildings are measured at valuation, less subsequent depreciation. All other categories of property, plant and equipment are measured 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.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*3. Significant accounting policies (continued)

(g) Property, plant and equipment (continued):

(i) Recognition and measurement (continued):

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. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate

(h) Live assets:

This comprises of dolphins and other marine life, as well as birds and are measured at cost, less amortization. Dolphins and other marine life are amortised over periods not exceeding thirty years and fifteen years respectively. The remaining useful life of the live assets are reassessed annually by qualified professionals based on their health and other factors.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*3. Significant accounting policies (continued)

(i) Leases:

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the cost of the right-of-use asset reflects that the group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*3. Significant accounting policies (continued)

(i) Leases (continued):

As a lessee (continued)

- the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

COVID-19-related rent concessions

The group negotiated a rent concession with its landlord as a result of the severe impact of the COVID-19 pandemic during the year.

The group has applied *COVID-19-Related Rent Concessions-Amendments to IFRS 16*. The group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications.

(j) Accounts payable:

Accounts payable comprising trade and other payables are measured 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, 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.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*3. Significant accounting policies (continued)

(l) 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.

(m) 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.

(n) Impairment:

(i) Non-financial assets:

The carrying amounts of the group's assets are reviewed at each reporting date to determine whether there are any indications of impairment. If any such indication exists, the 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.

– Calculation of recoverable amount:

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell 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.

– Reversal of impairment:

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, if no impairment loss had been recognised.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*3. Significant accounting policies (continued)

(n) Impairment (continued):

(i) Financial assets:

The group recognises a loss allowance for expected credit losses (ECL) on financial assets that are measured at amortised cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset for which credit risk has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month ECL.

Measurement of ECLs at each reporting period reflects reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. For trade receivables, the company applies the simplified approach to provide for expected credit losses, which allows the use of a lifetime expected loss provision. The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information.

(o) Revenue recognition:

Revenue from services is measured at fair value of the consideration received or receivable, net of volume rebates and sales taxes.

Performance obligations and revenue recognition policies:

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

<i>Type of products and services</i>	<i>Nature and timing of satisfaction of performance obligations, including significant payment terms.</i>	<i>Revenue recognition under IFRS 15</i>
Rendering of services	Customers obtain control of service when programme attraction service and ancillary services have been provided.	The group recognises revenue at a point in time as services are provided.

Invoices for services are generated at that point in time. Invoices are usually payable within 30 days.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*3. Significant accounting policies (continued)

(o) Revenue recognition (continued):

<i>Type of products and services</i>	<i>Nature and timing of satisfaction of performance obligations, including significant payment terms.</i>	<i>Revenue recognition under IFRS 15</i>
Sale of goods	Customers obtain control of goods when the good is transferred to the customer. Invoices for goods are generated at a point in time.	Revenue is recognised at a point in time in the amount of the price, before tax on sales, expected to be received by the group for goods and services supplied as a result of their ordinary activities, as contractual performance obligations are fulfilled, and control of goods and services passes to the customer. Revenues are decreased by any trade discounts granted to customers.

(p) 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.

(q) 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.

(r) 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.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*3. Significant accounting policies (continued)

(s) 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.

(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. 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.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*3. Significant accounting policies (continued)

(u) Financial instruments:

A financial instrument is any contract that gives rise to 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, investments, accounts receivable and related party receivables. Similarly, financial liabilities include bank overdrafts, accounts payable, lease liabilities, related party payables and long-term liabilities.

Classification and subsequent measurement

Financial assets

The financial assets that meet both of the following conditions and are not designated as at fair value through profit or loss: a) are held within a business model whose objective is to hold assets to collect contractual cash flows, and b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified as “Held to collect” and measured at amortised cost.

Amortised cost represents the net present value (“NPV”) of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Cash and cash equivalents
- Investments
- Trade and other receivables
- Due from related companies
- Due from parent company
- Due from subsidiaries

Due to their short-term nature, the group initially recognises these assets at the original invoiced or transaction amount less expected credit losses.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described in the particular recognition methods disclosed in their individual policy statements associated with each item.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*3. Significant accounting policies (continued)

(u) Financial instruments (continued):

Classification and subsequent measurement (continued)

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired, or the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Financial liabilities**Initial recognition and measurement*

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The group's financial liabilities, which include payables and accruals, bank borrowings and lease obligations, due to other related companies and long-term liabilities which are recognised initially at fair value.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in their individual policy statements associated with each item.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently enforceable legal right to offset the recognised amounts and there is intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*3. Significant accounting policies (continued)

(v) 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.

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.

4. Investments

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
Current:		
Amortised cost:		
Fixed deposits	<u>2,132</u>	<u>2,130</u>

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*5. Trade and other receivables

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Trade receivables	1,489,802	1,491,919	1,427,430	1,429,547
Other receivables	<u>348,287</u>	<u>364,105</u>	<u>347,875</u>	<u>363,693</u>
	1,838,089	1,856,024	1,775,305	1,793,240
Less: Allowance for impairment (a)	(<u>891,895</u>)	(<u>1,053,592</u>)	(<u>829,571</u>)	(<u>991,268</u>)
	<u>946,194</u>	<u>802,432</u>	<u>945,734</u>	<u>801,972</u>

(a) Impairment allowance:

Changes in impairment allowance

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Balance as at January 1	1,053,592	707,107	991,268	644,783
Debts recovered	(<u>161,697</u>)	-	(<u>161,697</u>)	-
Increase in allowance [note 19(b)]	<u>-</u>	<u>346,485</u>	<u>-</u>	<u>346,485</u>
Balance as at December 31	<u>891,895</u>	<u>1,053,592</u>	<u>829,571</u>	<u>991,268</u>

6. 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>2021</u>	<u>2020</u>
Dolphin Cove (Negril) Limited:			
10% US\$ loan	(a)	1,534,422	1,545,430
DCTCI Limited:			
3.5% US\$ loan	(b)	2,100,086	2,095,626
Marine Adventure Park Limited			
3.5% US\$ loan	(c)	1,093,706	1,090,806
Dolphin Cove TCI Limited	(d)	5,285	4,550
SB Holdings Limited	(e)	7,240	5,350
Cheshire Hall Limited	(f)	6,490	4,600
Balmoral Dolphins Limited	(g)	6,900	4,800
Too Cool Limited	(h)	<u>7,930</u>	<u>5,200</u>
		<u>4,762,059</u>	<u>4,756,362</u>

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*6. Related party balances and transactions (continued)

(b) (Continued)

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

- (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.
- (b) These balances materially comprise advances for the purchase of property and expenses incurred so far in respect of the proposed developments in the Turks & Caicos Islands [note 9(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 materially comprise advances for the purchase of property and professional fees, interest expenses and other expenses in respect of the expansion of the experience at Marine Adventure Park Limited [note 9(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.
- (d) This balance comprises an advance for professional fees due from Dolphin Cove TCI Limited that is unsecured and interest free.
- (e) This balance comprises an advance for professional fees due from SB Holdings Ltd. that is unsecured and interest free.
- (f) This balance comprises an advance for professional fees due from Cheshire Hall Limited that is unsecured and interest free.
- (g) This balance comprises an advance for professional fees due from Balmoral Dolphins Limited that is unsecured and interest free.
- (h) This balance comprises an advance for professional fees due from Too Cool Limited that is unsecured and interest free.

For advances for professional fees included in (d) to (h) above, the company's intent is not to require repayment within 12 months of the reporting date.

(ii) Due from related companies - current

	<u>The Group and the Company</u>	
	<u>2021</u>	<u>2020</u>
Dolphin Discovery Tortola BVI	-	34,347
Dtraveller Limited	117,116	594,369
Controladora Dolphin S.A. de C.V.	339,029	128,586
Viajero Cibernetico S.A.	<u>61,362</u>	<u>9,989</u>
	<u>517,507</u>	<u>767,291</u>

Amounts due from related companies are interest free, unsecured and repayable on demand.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*6. Related party balances and transactions (continued)

(b) (Continued)

(iii) Due from parent company - current

	<u>The Group and the Company</u>	
	<u>2021</u>	<u>2020</u>
World of Dolphins Inc.	<u>618,200</u>	<u>486,200</u>

This represents shelter fees due from World of Dolphins Inc. in respect of dolphins brought from the British Virgin Islands, and is unsecured, interest free and repayable on demand.

(iv) Due from related company – non-current:

	<u>The Group and the Company</u>	
	<u>2021</u>	<u>2020</u>
Non-current:		
Dolphin Discovery Inc.	<u>1,110,012</u>	<u>1,110,012</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 25 (a)].

(v) Amounts due to other related parties are interest free, unsecured and repayable on demand.

	<u>The Group and the Company</u>	
	<u>2021</u>	<u>2020</u>
Dolphin Discovery Anguilla Limited	-	14,946
Dolphin Cove Cayman Limited	<u>7,356</u>	<u>7,356</u>
	<u>7,356</u>	<u>22,302</u>

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

	<u>The Company</u>	
	<u>2021</u>	<u>2020</u>
Balmoral Dolphins	100	100
Cheshire Hall Limited	100	100
SB Holdings Limited	<u>100</u>	<u>100</u>
	<u>300</u>	<u>300</u>

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*6. Related party balances and transactions (continued)

- (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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Management fees to intermediate holding company	200,172	36,426	200,172	36,426
Interest on lease paid to a subsidiary	-	-	-	107,274
Interest earned from subsidiaries [note 6(b)(i)]	-	-	(154,065)	(253,443)
Gross operating revenue from related companies:				
Dtraveller Limited	(434,232)	(196,582)	(434,232)	(196,582)
Controladora Dolphins S.A. de CV	(22,712)	(8,989)	(22,712)	(8,989)
Viajero Cibernetico S.A.	<u>-</u>	<u>(15,968)</u>	<u>-</u>	<u>(15,968)</u>

- (d) Key management personnel compensation:

	<u>The Group and the Company</u>	
	<u>2021</u>	<u>2020</u>
Directors' emoluments:		
Fees	34,067	23,164
Management	-	-
Key management personnel compensation*	<u>152,337</u>	<u>59,448</u>

*Key management personnel compensation is included in staff costs [note 19(c)].

Directors of the company and entities under their control along with the parent company hold approximately 82% (2020: 82%) of the voting stock units of the company [see also note 1(c)].

7. Inventories

	<u>The Group and the Company</u>	
	<u>2021</u>	<u>2020</u>
Items for resale	217,254	193,373
Dolphin food	<u>44,502</u>	<u>64,667</u>
	<u>261,756</u>	<u>258,040</u>
Inventories charged to direct expenses during the year	<u>406,056</u>	<u>339,957</u>

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*8. 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>2021</u>	<u>2020</u>
Dolphin Cove (Negril) Limited	1,114	1,114
Too Cool Limited	313,125	313,125
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>

9. 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, 2019	17,015,477	933,908	5,038,804	1,250,349	2,557,776	26,796,314
Additions	-	21,322	87,472	98,469	-	207,263
Transfers	-	-	17,557	-	(17,557)	-
December 31, 2020	<u>17,015,477</u>	<u>955,230</u>	<u>5,143,833</u>	<u>1,348,818</u>	<u>2,540,219</u>	<u>27,003,577</u>
Additions	32,462	28,580	139,594	244,142	-	444,778
Disposal	-	-	(1,399)	-	-	(1,399)
December 31, 2021	<u>17,047,939</u>	<u>983,810</u>	<u>5,282,028</u>	<u>1,592,960</u>	<u>2,540,219</u>	<u>27,446,956</u>
Depreciation:						
December 31, 2019	309,781	138,663	3,176,654	958,553	-	4,583,651
Charge for the year	<u>120,773</u>	<u>37,229</u>	<u>444,718</u>	<u>152,136</u>	-	<u>754,856</u>
December 31, 2020	430,554	175,892	3,621,372	1,110,689	-	5,338,507
Charge for the year	121,274	113,740	422,263	126,240	-	783,517
Eliminated on disposal	-	-	(933)	-	-	(933)
December 31, 2021	<u>551,828</u>	<u>289,632</u>	<u>4,042,702</u>	<u>1,236,929</u>	-	<u>6,121,091</u>
Net book values:						
December 31, 2021	<u>16,496,111</u>	<u>694,178</u>	<u>1,239,326</u>	<u>356,031</u>	<u>2,540,219</u>	<u>21,325,865</u>
December 31, 2020	<u>16,584,923</u>	<u>779,338</u>	<u>1,522,461</u>	<u>238,129</u>	<u>2,540,219</u>	<u>21,665,070</u>

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*9. Property, plant and equipment (continued)

	<u>The Company</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, 2019	6,439,478	1,139,981	4,738,199	1,210,246	42,924	13,570,828
Additions	<u>-</u>	<u>21,322</u>	<u>87,251</u>	<u>98,469</u>	<u>-</u>	<u>207,042</u>
December 31, 2020	6,439,478	1,161,303	4,825,450	1,308,715	42,924	13,777,870
Additions	32,462	28,580	138,693	244,142	-	443,877
Disposal	<u>-</u>	<u>-</u>	<u>(1,399)</u>	<u>-</u>	<u>-</u>	<u>(1,399)</u>
December 31, 2021	<u>6,471,940</u>	<u>1,189,883</u>	<u>4,962,744</u>	<u>1,552,857</u>	<u>42,924</u>	<u>14,220,348</u>
Depreciation:						
December 31, 2019	81,237	138,663	2,939,729	907,859	-	4,067,488
Charge for the year	<u>81,246</u>	<u>37,229</u>	<u>416,367</u>	<u>152,136</u>	<u>-</u>	<u>686,978</u>
December 31, 2020	162,483	175,892	3,356,096	1,059,995	-	4,754,466
Charge for the year	81,747	113,740	393,911	126,240	-	715,638
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>(933)</u>	<u>-</u>	<u>-</u>	<u>(933)</u>
December 31, 2021	<u>244,230</u>	<u>289,632</u>	<u>3,749,074</u>	<u>1,186,235</u>	<u>-</u>	<u>5,469,171</u>
Net book values:						
December 31, 2021	<u>6,227,710</u>	<u>900,251</u>	<u>1,213,670</u>	<u>366,622</u>	<u>42,924</u>	<u>8,751,177</u>
December 31, 2020	<u>6,276,995</u>	<u>985,411</u>	<u>1,469,354</u>	<u>248,720</u>	<u>42,924</u>	<u>9,023,404</u>

- (a) The group's and company's land and buildings were revalued as at December 31, 2018 on an open market basis by Property Consultants Limited (an independent firm of registered real estate agents, appraisers, auctioneers and consultants) of Kingston, Jamaica. The directors have determined that the estimated market value of the 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)].

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*9. Property, plant and equipment (continued)

(a) (continued)

The surplus arising on revaluation is included in capital reserves for the group and company (note 17).

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p><i>Market based approach:</i> The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution.</p> <p>The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past.</p> <p>However as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.</p>	<ul style="list-style-type: none"> • Details of the sales of comparable properties. • Conditions influencing the sale of the comparable properties. • Comparability adjustment. 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Sale value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

- (b) Land and buildings include land at a valuation of \$12,656,000 (2020: \$12,656,000) for the group and \$3,180,000 (2020: \$3,180,000) for the company.
- (c) Capital work-in-progress includes professional fee paid to attorney for review of proposal with Reserve Eco Tankah SA of CV [see note 6(b)(i)(b) and (c)].
- (d) Effective March 3, 2021 a subsidiary, Dolphin Cove (Negril) Limited, granted to Reserve Investments Limited an option, for one year renewable for a further period of one year, to purchase on terms the property on which the Marine Park at Lucea is located for the purpose of constructing a hotel thereon. The option money is US\$100,000 and a further sum of US\$100,000 will be payable if the option period is extended for a further year. Dolphin Cove Limited has retained the right to continue to operate its Marine Park in the hotel and would be adequately compensated should the park at Lucea need to be closed for any reason during construction, in the event the option is exercised. Management and Directors believe that the option is not likely to be exercised within twelve months of the reporting date.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*10. Leases

The company leases land from Dolphin Cove (Negril) Limited and Santa Maria Limited for tourist attraction activities which were previously classified as operating leases under IAS 17.

The Dolphin Cove (Negril) Limited lease commenced in January 2014 and after an initial period to October 2014 has four subsequent five year options to renew. For the lease computations it has been assumed that the option to renew will be exercised.

The Santa Maria Limited lease commenced in January 2017 and expires in December 2026.

Information about leases for which the group and company are lessees is presented below:

(a) Right-of-use assets

	<u>Property</u>	
	<u>The Group</u>	<u>The Company</u>
Balance at January 1, 2019	755,763	2,272,984
Depreciation charge for the year	(94,470)	(190,295)
Balance at December 31, 2019	661,293	2,082,689
Depreciation charge for the year	(94,471)	(190,295)
Balance at December 31, 2020	566,822	1,892,394
Depreciation charge for the year	(94,471)	(190,295)
Balance at December 31, 2021	<u>472,351</u>	<u>1,702,099</u>

(b) Lease liabilities

Lease liabilities are payable as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Less than one year	135,960	132,000	312,948	308,988
One to five years	585,870	568,806	1,293,822	1,276,758
More than five years	-	<u>153,024</u>	<u>1,386,406</u>	<u>1,716,418</u>
Total undiscounted lease liabilities at December 31	721,830	853,830	2,993,176	3,302,164
Less: Interest on lease liabilities	(109,317)	(152,296)	(842,813)	(988,397)
	<u>612,513</u>	<u>701,534</u>	<u>2,150,363</u>	<u>2,313,767</u>
Lease liabilities included in the statement of financial position at December 31, as follows:				
Current	99,063	89,021	178,428	163,404
Non-current	<u>513,450</u>	<u>612,513</u>	<u>1,971,935</u>	<u>2,150,363</u>
	<u>612,513</u>	<u>701,534</u>	<u>2,150,363</u>	<u>2,313,767</u>

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*10. Leases (continued)

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
(c) Amounts recognised in profit or loss				
Interest on lease liabilities	42,979	48,360	145,584	155,634
Other income - rent concession	<u>(89,650)</u>	<u>(73,500)</u>	<u>(89,650)</u>	<u>(73,500)</u>
(d) Amounts recognised in the statement of cash flows				
Interest on lease liabilities	42,979	48,360	145,584	155,634
Other income - rent concession	89,650	73,500	89,650	73,500
Lease payment	<u>629</u>	<u>4,140</u>	<u>73,754</u>	<u>73,854</u>

11. Live assets

	<u>The Group</u>		
	<u>Dolphins</u>	<u>Other animals</u>	<u>Total</u>
At cost:			
December 31, 2019	7,573,386	232,461	7,805,847
Additions	55,146	942	56,088
Disposal	<u>(220,000)</u>	<u>-</u>	<u>(220,000)</u>
December 31, 2020	7,408,532	233,403	7,641,935
Additions	76,593	3,541	80,134
Disposal	<u>(11,664)</u>	<u>-</u>	<u>(11,664)</u>
December 31, 2021	<u>7,473,461</u>	<u>236,944</u>	<u>7,710,405</u>
Amortisation:			
December 31, 2019	3,322,541	182,043	3,504,584
Charge for the year	259,512	15,004	274,516
Eliminated on disposal	<u>(138,810)</u>	<u>-</u>	<u>(138,810)</u>
December 31, 2020	3,443,243	197,047	3,640,290
Charge for the year	<u>253,067</u>	<u>15,531</u>	<u>268,598</u>
December 31, 2021	<u>3,696,310</u>	<u>212,578</u>	<u>3,908,888</u>
Net book values:			
December 31, 2021	<u>3,777,151</u>	<u>24,366</u>	<u>3,801,517</u>
December 31, 2020	<u>3,965,289</u>	<u>36,356</u>	<u>4,001,645</u>

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*11. Live assets (continued)

	<u>The Company</u>		
	<u>Dolphins</u>	<u>Other animals</u>	<u>Total</u>
At cost:			
December 31, 2019	7,573,386	227,284	7,800,670
Additions	55,146	942	56,088
Disposal	(220,000)	-	(220,000)
December 31, 2020	7,408,532	228,226	7,636,758
Additions	76,593	3,541	80,134
Disposal	(11,664)	-	(11,664)
December 31, 2021	<u>7,473,461</u>	<u>231,767</u>	<u>7,705,228</u>
Amortisation:			
December 31, 2019	3,322,453	179,757	3,502,210
Charge for the year	259,512	14,658	274,170
Eliminated on disposal	(138,810)	-	(138,810)
December 31, 2020	3,443,155	194,415	3,637,570
Charge for the year	<u>253,067</u>	<u>15,186</u>	<u>268,253</u>
December 31, 2021	<u>3,696,222</u>	<u>209,601</u>	<u>3,905,823</u>
Net book values:			
December 31, 2021	<u>3,777,239</u>	<u>22,166</u>	<u>3,799,405</u>
December 31, 2020	<u>3,965,377</u>	<u>33,811</u>	<u>3,999,188</u>

During the year, management reviewed the estimated useful life of its dolphins and determined that the estimated useful life span of dolphins during production remains at thirty years.

12. Bank overdraft

- (a) 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 includes credit balances in the amount of \$95,798 (2020: \$94,742) 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\$1.4 million (2020: J\$1.4 million) on behalf of the company in favor of the Commissioner of Customs.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*12. Bank overdraft (continued)

(b) In 2020, the group obtained an overdraft facility during the year from Sagicor Bank Jamaica Limited for an authorised amount of J\$140 million, to be drawn down over 12 months. During the year, an additional amount of J\$116 million was obtained resulting in a total overdraft facility of J\$256 million. The overdraft facility bears interest at a rate of 8.75% per annum, calculated daily on the outstanding balance and is payable monthly in arrears. As at the reporting date, J\$37.5 million was drawn. The facility is secured as follows:

- First demand debenture over the fixed and floating assets of the company, stamped to cover J\$140 million.
- Unlimited corporate guarantee of Too Cool Limited supported by a first legal mortgage over the Ocho Rios properties stamped to cover J\$140 million.
- First legal mortgage over the Ocho Rios properties owned by the company stamped to cover J\$140 million.
- Second demand debenture over the fixed and floating assets of Dolphin Cove Limited, stamped to cover J\$140 million supported by:
 - Collateral demand second legal mortgage stamped collateral to the above debenture for J\$116 million over the Ocho Rios property in the name of Too Cool Limited.
 - Collateral demand second legal mortgage stamped collateral to the above debenture for J\$116 million over the Ocho Rios property in the name of Dolphin Cove Limited.

13. Accounts payable

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Trade payables	490,093	721,868	490,093	695,505
Statutory deductions	63,017	25,466	63,017	25,466
Accruals	441,423	420,726	435,123	420,726
Other payables	<u>376,822</u>	<u>422,390</u>	<u>348,043</u>	<u>381,359</u>
	<u>1,371,355</u>	<u>1,590,450</u>	<u>1,336,276</u>	<u>1,523,056</u>

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*14. Deferred tax liability

Deferred tax is attributable to the following:

	<u>The Group</u>				
	Balance at Dec 31, <u>2019</u>	Recognised <u>in income</u> (note 21)	Balance at Dec 31, <u>2020</u>	Recognised <u>in income</u> (note 21)	Balance at Dec 31, <u>2021</u>
Accounts receivable	78,129	127,721	205,850	38,516	244,366
Property, plant and equipment	456,301	(57,189)	399,112	17,263	416,375
Live assets	830,312	(41,717)	788,595	(3,106)	785,489
Accounts payable	(17,892)	2,502	(15,390)	(9,161)	(24,551)
Leases, net	(29,470)	(4,208)	(33,678)	20,893	(12,785)
Tax losses carried forward	-	<u>(340,020)</u>	<u>(340,020)</u>	<u>258,884</u>	<u>(81,136)</u>
	<u>1,317,380</u>	<u>(312,911)</u>	<u>1,004,469</u>	<u>323,289</u>	<u>1,327,758</u>

	<u>The Company</u>				
	Balance at Dec 31, <u>2019</u>	Recognised <u>in income</u> (note 21)	Balance at Dec 31, <u>2020</u>	Recognised <u>in income</u> (note 21)	Balance at Dec 31, <u>2021</u>
Accounts receivable	78,129	127,721	205,850	38,516	244,366
Property, plant and equipment	456,301	(57,189)	399,112	17,263	416,375
Live assets	830,312	(41,717)	788,595	(3,106)	785,489
Accounts payable	(17,892)	2,502	(15,390)	(9,161)	(24,551)
Leases, net	(94,608)	(10,735)	(105,343)	34,128	(71,215)
Tax losses carried forward	-	<u>(340,020)</u>	<u>(340,020)</u>	<u>258,884</u>	<u>(81,136)</u>
	<u>1,252,242</u>	<u>(319,438)</u>	<u>932,804</u>	<u>336,524</u>	<u>1,269,328</u>

15. Long-term liabilities

	<u>The Group and the Company</u>	
	<u>2021</u>	<u>2020</u>
Long-term loan:		
Sagicor Bank Jamaica Limited loan:		
Loan J\$1,556,925 (2020: J\$2,917,041)	13,000	17,215
Less: Current portion	(5,374)	(5,374)
	<u>7,626</u>	<u>11,841</u>

This represents a loan of J\$3,495,000 financed by Sagicor Bank in December 2018. The loan is for a period of 60 months and bears interest at a rate of 7.5% per annum. The loan is repayable in equal monthly instalments of J\$70,033 which comprises principal and interest. The loan is secured by a mortgage bill of sale over a certain motor vehicle purchased by the company.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*16. Share capital

	<u>The Group and the Company</u>	
	<u>2021</u>	<u>2020</u>
Authorised:		
432,426,376 ordinary shares of no par value		
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	<u>(247,164)</u>	<u>(247,164)</u>
	<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.

17. Capital reserves

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revaluation surplus arising on (note 9)				
Land	9,647,532	9,647,532	2,793,543	2,793,543
Buildings	<u>2,625,624</u>	<u>2,625,624</u>	<u>1,906,977</u>	<u>1,906,977</u>
	12,273,156	12,273,156	4,700,520	4,700,520
Deferred tax arising on revalued buildings	(476,744)	(476,744)	(476,744)	(476,744)
Surplus on revaluation of dolphins	660,000	660,000	660,000	660,000
Deferred tax on revaluation of dolphins	<u>(165,000)</u>	<u>(165,000)</u>	<u>(165,000)</u>	<u>(165,000)</u>
	<u>12,291,412</u>	<u>12,291,412</u>	<u>4,718,776</u>	<u>4,718,776</u>

18. 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, 2021

*(Expressed in United States dollar, unless otherwise stated)*19. Disclosure of expenses and other income

(a) Direct cost of sales:

	<u>The Group and the Company</u>	
	<u>2021</u>	<u>2020</u>
Direct cost of programmes (i)	524,199	498,246
Direct cost of ancillary services (ii)	<u>364,003</u>	<u>283,835</u>
	<u>888,202</u>	<u>782,081</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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Repairs and maintenance	95,331	59,304	95,331	59,304
Staff costs (c)	1,922,829	1,948,783	1,922,829	1,948,783
Advertising, marketing and promotion	126,777	291,292	126,777	291,292
Guest transportation and tour charge	383,232	355,327	383,232	355,327
Travel and entertainment	29,833	26,435	29,833	26,435
Legal and professional fees	65,859	66,121	54,774	61,188
Rental, utilities and office expenses	224,498	243,288	224,498	243,537
Insurance	125,302	118,066	114,855	107,836
Security	82,188	156,008	82,188	156,008
Management fees	200,172	36,426	200,172	36,426
Depreciation and amortisation	1,146,586	1,123,843	1,174,186	1,151,443
Auditors' remuneration	70,774	82,096	64,474	63,696
Cleaning and sanitation	48,422	47,876	48,422	47,876
Bad debt (recovered)/expense	(159,015)	346,485	(159,015)	346,485
Write-off of related party receivables	98,348	-	98,348	-
Donation and subscription	1,040	3,972	1,040	3,972
Other	<u>276,566</u>	<u>192,778</u>	<u>275,009</u>	<u>138,332</u>
	<u>4,738,742</u>	<u>5,098,100</u>	<u>4,736,953</u>	<u>5,037,940</u>

(c) Staff costs:

	<u>The Group and the Company</u>	
	<u>2021</u>	<u>2020</u>
Salaries and wages	1,283,792	1,140,363
Payroll taxes	179,629	151,119
Commission	249,004	93,778
Other benefits	144,077	81,523
Redundancy	<u>66,327</u>	<u>482,000</u>
	<u>1,922,829</u>	<u>1,948,783</u>

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*19. Disclosure of expenses and other income (continued)

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
(d) Other income:				
Option on real estate	-	100,000	-	100,000
Dolphin maintenance fee	120,000	180,000	120,000	180,000
Lease concession income	89,650	73,500	89,650	73,500
Other	<u>37,087</u>	<u>13,795</u>	<u>3,102</u>	<u>13,795</u>
	<u>246,737</u>	<u>367,295</u>	<u>212,752</u>	<u>367,295</u>

20. Finance income/(costs)

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
(a) Finance income:				
Net foreign exchange gains	218,233	50,921	218,233	50,921
Interest income	<u>453</u>	<u>861</u>	<u>154,518</u>	<u>254,304</u>
	<u>218,686</u>	<u>51,782</u>	<u>372,751</u>	<u>305,225</u>
(b) Finance costs:				
Interest expense	(91,638)	(20,212)	(91,638)	(20,212)
Bank charges	(46,790)	(41,309)	(46,790)	(41,309)
Credit card charges	(51,826)	(25,182)	(51,826)	(25,182)
Net foreign exchange losses	(215,978)	(34,803)	(215,978)	(34,803)
Interest on leases	(42,979)	(48,360)	(145,584)	(155,634)
	<u>(449,211)</u>	<u>(169,866)</u>	<u>(551,816)</u>	<u>(277,140)</u>

21. Taxation

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
(a) Income tax charge:				
(i) Current tax at 25%	182,921	-	182,921	-
Adjustment in respect of prior year	-	7,692	-	7,692
(ii) Deferred taxation:				
Origination of temporary differences (note 14)	<u>323,289</u>	<u>(312,911)</u>	<u>336,524</u>	<u>(319,438)</u>
	<u>506,210</u>	<u>(305,219)</u>	<u>519,445</u>	<u>(311,746)</u>

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*21. Taxation (continued)

(b) Reconciliation of actual tax:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Profit/(loss) before taxation	<u>2,017,636</u>	<u>(1,433,993)</u>	<u>2,036,900</u>	<u>(1,227,664)</u>
Computed "expected" tax charge at the company's statutory rate of 25%	504,409	(358,498)	509,225	(306,916)
Tax effect of differences between treatment for financial statement and taxation purposes:				
Disallowed items and other adjustments, net	1,801	45,587	10,220	(12,522)
Adjustment in respect of prior year	<u>-</u>	<u>7,692</u>	<u>-</u>	<u>7,692</u>
Actual tax expense/(credit) recognised in profit for the year	<u>506,210</u>	<u>(305,219)</u>	<u>519,445</u>	<u>(311,746)</u>

- (c) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on December 21, 2010. Consequently, the company was 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 remissions</u>
2011 to 2015	100% of standard rates
2016 to 2020	50% of standard rates

- (d) 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)].
- (e) Dolphin Cove TCI Limited and DCTCI Limited are not required to pay income tax in the Turks & Caicos Islands.
- (f) At December 31, 2021, unutilised tax losses available for set-off against future taxable profits, subject to agreement by the Commissioner General, Tax Administration Jamaica, amounted to approximately J\$42 million (2020: J\$197 million) for the company and J\$124 million (2020: J\$277 million) for the group. Tax losses may be carried forward indefinitely; however, the maximum amount that can be utilised in any one year is restricted to 50% of chargeable income for that year.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*21. Taxation (continued)

- (g) At December 31, 2021, a deferred tax asset of approximately J\$3.1 million (2020: J\$4.8 million) relating to available tax losses and timing differences has not been recognised by Dolphin Cove (Negril) Limited as management considers that the financial and operational strategies initiated to utilise the benefits of the deferred tax asset are still to be initiated.

22. Earnings per stock unit

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

	<u>2021</u>	<u>2020</u>
Profit/(loss) for the year attributable to stockholders of the company	<u>1,511,426</u>	<u>(1,128,774)</u>
Weighted average number of ordinary stock units held during the year	<u>392,426,376</u>	<u>392,426,376</u>
Earnings/(loss) per stock unit (expressed in ¢ per share)	<u>0.39</u>	<u>(0.29)</u>

23. Dividends

	<u>The Group and the Company</u>	
	<u>2021</u>	<u>2020</u>
	<u>Dividends paid</u>	<u>Dividends paid</u>
Interim dividend of J\$0.40 per share was declared on November 19, 2021 (2020: J\$0.30 on March 30, 2020)	<u>999,843</u>	<u>865,052</u>

24. 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 customers.

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.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*24. Segment information (continued)

Financial information related to the operating segment results for the year ended December 31, 2021, 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, 2021 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.

25. Commitments and contingencies

(a) Capital commitments:

At December 31, 2021, 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 (2020: \$3,500,000) for which a 40% deposit has been made [see note 6(b)(iv)].

(b) Contingent liabilities:

(i) During 2019, Tax Administration Jamaica (TAJ) commenced a General Consumption Tax (GCT) audit for the period January 1, 2014 to July 31, 2019. The audit resumed during the prior year and a Notice of Assessment (Notice) dated June 22, 2020 was issued to the company imposing additional GCT liability of J\$130,596,112 and penalties and interest of J\$18,363,591 and J\$122,431,860, respectively. The company subsequent to discussions with, and information provided to its tax advisors, submitted a letter to TAJ, dated December 9, 2020, detailing the grounds of objection to the Notice. Several meetings were held between management and TAJ along with its tax advisors and additional documents were submitted to and reviewed by TAJ. TAJ issued a Closing Conference Memorandum dated September 24, 2021, outlining the matters discussed with the company and explanations provided for the adjustments made. A Notice of Decision dated October 25, 2021 was also issued imposing a revised GCT liability of J\$91,797,670 assessed on the company. Subsequently, on January 12, 2022, the company filed an appeal to The Commissioner General of TAJ detailing the reasons for the appeal made. At the date of approval of these financial statements, the resolution process and the final outcome is still pending. No provision has been made in these financial statements in relation to this matter, as management is of the opinion that it has adequate grounds for appeal based on advice from its attorneys.

(ii) There are threatened claims against the company in respect of injuries sustained by guests and employees. The potential liability in the opinion of the company's attorney is approximately J\$4,100,000. The company is challenging the claims and has not made any provisions in the financial statements.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*26. Financial instruments (continued)

(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 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 that are appropriately licensed and regulated ; 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 5 (2020: 5) major customers for the group and the company who in respect of trade receivables.

As at December 31, 2021, amounts receivable from these customers aggregated \$984,937 (2020: \$978,840) for the group and the company. These represent 62% (2020: 66%) of trade receivables for the group and 60% (2020: 68%) for the company.

Expected credit loss assessment for trade receivables

The group uses an allowance matrix to measure expected credit loss (ECLs) of trade receivables. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward looking information.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*26. Financial instruments (continued)

(a) Financial risk management (continued):

(i) Credit risk (continued):

Expected credit loss assessment for trade receivables (continued)

Loss rates are calculated based on the probability of a receivable progressing through successive stages of delinquency to write-off, current conditions and the economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables.

<u>Age buckets</u>	<u>Weighted average loss rate</u> %	2021				<u>Credit impaired</u>
		<u>The Group</u>		<u>The Company</u>		
		<u>Gross carrying amount</u> \$	<u>Impairment loss allowance</u> \$	<u>Gross carrying amount</u> \$	<u>Impairment loss allowance</u> \$	
Current (not past due)	10.18	671,991	54,900	671,943	54,900	No
31-60 days	33.20	67,875	68,481	67,875	68,481	No
61-90 days	61.84	24,737	43,315	24,737	43,315	No
Over 90 days	100.00	<u>725,199</u>	<u>725,199</u>	<u>662,875</u>	<u>662,875</u>	Yes
		<u>1,489,802</u>	<u>891,895</u>	<u>1,427,430</u>	<u>829,571</u>	
		2020				
<u>Age buckets</u>	<u>Weighted average loss rate</u> %	<u>The Group</u>		<u>The Company</u>		<u>Credit impaired</u>
		<u>Gross carrying amount</u> \$	<u>Impairment loss allowance</u> \$	<u>Gross carrying amount</u> \$	<u>Impairment loss allowance</u> \$	
		Current (not past due)	8.78	445,320	39,107	
31-60 days	61.44	77,652	47,705	77,652	47,705	No
61-90 days	94.30	37,991	35,824	37,943	35,824	No
Over 90 days	100.00	<u>930,956</u>	<u>930,956</u>	<u>868,632</u>	<u>868,632</u>	Yes
		<u>1,491,919</u>	<u>1,053,592</u>	<u>1,429,547</u>	<u>991,268</u>	

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*26. Financial instruments (continued)

(a) Financial risk management (continued):

(i) Credit risk (continued):

Due from related parties

These amounts are currently interest-free with no fixed repayment terms and some are repayable on demand. The group assesses each related entity's ability to pay if payment is demanded as at the reporting date. The expected credit losses are calculated on this basis. No impairment allowance was recognized as at December 31, 2021 and 2020.

(ii) Market risk:

Market risk is the risk that the fair value or 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 or cash flows 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 amounts due from subsidiaries, cash and cash equivalents and investments. Interest-bearing financial liabilities are mainly represented by loans, lease liabilities and bank overdrafts.

Financial instruments subject to interest are as follows:

	<u>Carrying amount</u>			
	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Fixed rate instruments:				
Financial assets	2,132	2,130	4,849,108	4,728,342
Financial liabilities	(1,521,721)	(990,598)	(2,980,206)	(2,602,830)
	<u>(1,519,589)</u>	<u>(988,468)</u>	<u>1,868,902</u>	<u>2,125,512</u>
Variable rate instruments:				
Financial assets	2,375,663	354,348	2,375,663	354,348
Financial liabilities	(107,804)	(94,742)	(107,804)	(94,742)
	<u>2,267,859</u>	<u>259,606</u>	<u>2,267,859</u>	<u>259,606</u>

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*26. Financial instruments (continued)

(a) Financial risk management (continued):

(ii) Market risk (continued):

- Interest rate risk (continued):

Cash flow sensitivity analysis for variable rate instruments

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

	<u>The Group and the Company</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Increase</u> 100bp	<u>Decrease</u> 100bp	<u>Increase</u> 100bp	<u>Decrease</u> 100bp
Effect on profit or loss	<u>22,679</u>	<u>(22,679)</u>	<u>2,596</u>	<u>(2,596)</u>

This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020.

Fair value sensitivity analysis for fixed rate instruments

The group does not account for any financial instrument at fair value. Therefore, a change in interest rates at the reporting date would not affect the carrying value of group's financial instruments.

- Foreign currency risk:

Foreign currency risk is the risk that the value or cash flows 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 United States dollar (\$). The principal foreign currency exposure of the group is denominated in Jamaica dollars (J\$).

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*26. Financial instruments (continued)

(a) Financial risk management (continued):

(ii) Market risk (continued):

- Foreign currency risk:

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

	<u>The Group and Company</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	98,145	1,005,542
Accounts receivable	34,750,552	26,008,605
Bank overdrafts	(153,581,792)	(49,955,055)
Accounts payable	(119,123,590)	(90,921,220)
Long-term loans	(1,989,946)	(2,251,403)
	J\$(<u>239,846,631</u>)	(<u>116,113,531</u>)
US\$ equivalent	(<u>1,567,011</u>)	(<u>824,846</u>)

Exchange rates of the United States dollar to the Jamaican dollar were as follows:

At December 31, 2021: US\$1 to J\$153.06

At December 31, 2020: US\$1 to J\$140.77

Sensitivity analysis

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

	<u>Increase/(decrease) in profit or loss for the year</u>	
	<u>The Group and Company</u>	
	<u>2021</u>	<u>2020</u>
6% (2020: 6%) strengthening of the US\$ against the J\$	<u>94,021</u>	<u>49,491</u>
2% (2020: 2%) weakening of the US\$ against the J\$	(<u>31,340</u>)	(<u>16,497</u>)

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2020.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*26. Financial instruments (continued)

(a) Financial risk management (continued):

(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, or 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 credit available (see note 12).

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					
	2021					
	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 -years
Bank overdrafts	1,110,702	1,217,505	1,217,505	-	-	-
Accounts payable	1,371,355	1,371,355	1,371,355	-	-	-
Due to other related parties	7,356	7,356	7,356	-	-	-
Long-term liabilities	13,000	13,816	5,502	8,314		
Lease liabilities	<u>612,513</u>	<u>721,830</u>	<u>135,960</u>	<u>140,039</u>	<u>445,831</u>	<u>-</u>
Total financial liabilities	<u>3,114,926</u>	<u>3,331,862</u>	<u>2,737,678</u>	<u>148,353</u>	<u>445,831</u>	<u>-</u>
	The Group					
	2020					
	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 -years
Bank overdrafts	366,591	376,800	376,800	-	-	-
Accounts payable	1,590,450	1,590,450	1,590,450	-	-	-
Due to other related companies	22,302	22,302	22,302	-	-	-
Long-term liabilities	17,215	17,910	5,970	5,970	5,970	-
Lease liabilities	<u>701,534</u>	<u>853,830</u>	<u>132,000</u>	<u>135,960</u>	<u>432,846</u>	<u>153,024</u>
Total financial liabilities	<u>2,698,092</u>	<u>2,861,292</u>	<u>2,127,522</u>	<u>141,930</u>	<u>438,816</u>	<u>153,024</u>

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021

*(Expressed in United States dollar, unless otherwise stated)*26. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Liquidity risk (continued):

	The Company					
	2021					
	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 -years
Bank overdrafts	1,110,702	1,217,505	1,217,505	-	-	-
Accounts payable	1,336,276	1,336,276	1,336,276	-	-	-
Due to subsidiaries	300	300	300	-	-	-
Due to other related companies	7,356	7,356	7,356	-	-	-
Long-term liabilities	13,000	13,816	5,502	8,314	-	-
Lease liabilities	<u>2,150,363</u>	<u>2,993,176</u>	<u>312,948</u>	<u>317,027</u>	<u>976,795</u>	<u>1,386,406</u>
Total financial liabilities	<u>4,617,997</u>	<u>5,568,429</u>	<u>2,879,887</u>	<u>325,341</u>	<u>976,795</u>	<u>1,386,406</u>
	The Company					
	2020					
	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 -years
Bank overdrafts	366,591	376,800	376,800	-	-	-
Accounts payable	1,523,056	1,523,056	1,523,056	-	-	-
Due to subsidiaries	300	300	300	-	-	-
Due to other related companies	22,302	22,302	22,302	-	-	-
Long-term liabilities	17,215	17,910	5,970	5,970	5,970	-
Lease liabilities	<u>2,313,767</u>	<u>3,302,164</u>	<u>308,988</u>	<u>312,948</u>	<u>963,810</u>	<u>1,716,418</u>
Total financial liabilities	<u>4,243,231</u>	<u>5,242,532</u>	<u>2,237,416</u>	<u>318,918</u>	<u>969,780</u>	<u>1,716,418</u>

(iv) 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.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*26. Financial instruments (continued)

(b) Fair values:

The following methods and assumptions have been used:

- (i) The fair value of cash and cash equivalents, investments, accounts receivable and accounts payable is assumed to approximate their carrying value 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 due.
- (iii) The carrying value of lease liabilities and long-term loans approximates the fair value as these obligations are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of market rates for similar instruments.

27. Impact of COVID-19

In order to arrive at the position on going concern in preparing these financial statements [see note 2(c)], management has performed various assessments and stress testing of its business plans of the company and the group under multiple scenarios. During the current reporting period ended December 31, 2021, as tourism started picking up, the company and the group experienced significant increases in sales, improved earnings and operating cash flows when compared to the prior year. Management notes that these factors indicate a gradual return to normalcy of the group's operations.

In response to the impact of the pandemic on the group's operations and the industry, during the current reporting period management has continued to adopt certain measures implemented in the prior year to contain costs and to manage cash-flows. These measures included suspension of certain staff benefits, suspension of planned capital expenditures that can be deferred and reduction of overhead costs.

The company and the group have been able to meet its obligation to its suppliers and employees and have implemented strategic plans to continue the operations despite the impact of the pandemic.

In March 2021, Sagicor Bank Jamaica Limited approved additional overdraft facilities totaling J\$116M increasing the facility to J\$256M. The purpose of the facilities was to provide working capital support (and therefore additional liquidity) for the group.

Management notes that globally, governments and worldwide tourism institutions are committed to restoring the capacity of the tourism industry in the shortest possible time, while ensuring the safety protocols. On that basis, management is of the view that the company and the group is adequately prepared for what it believes, will be a full recovery of the tourism industry (most likely by calendar year 2024).

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)

Year ended December 31, 2021*(Expressed in United States dollar, unless otherwise stated)*27. Impact of COVID-19 (continued)

As at the date of approval of these financial statements, the ultimate impact of the pandemic on the company and the group remains unknown as it is uncertain how long it will take to fully control the virus and return to normalcy. Nonetheless, the Jamaican economy has started to recover from the effects of the pandemic, which includes additional flights to the island. Tourist arrival has been increasing and the group has seen increased passenger/guest sales for the current year. As indicated in note 2(c) and this note, the company and the Group should be able to withstand shocks in sales as a result of its liquidity position.

As explained in note 2(c), management continues to have a reasonable expectation that the company and the group have adequate resources to continue operating over, at least, the next twelve months from the reporting date.

28. Subsequent event

Management continues to monitor the ongoing situation in relation to the Ukraine conflict which has escalated subsequent to period end on 24 February 2022. Eastern Europe is not a key market for Jamaica's tourism sector. Nonetheless, related impact on energy and food prices may impact people's disposable income. Whilst there is still uncertainty of the implications of these events and conditions over the global economy's recover from COVID-19, given the good financial results reported in 2021, management believes that the Company and the Group are in a position to withstand such economic shocks.