

Financial Statements of

**CAYMAN TURTLE FARM (1983) LIMITED**

June 30, 2013



## **CAYMAN TURTLE FARM (1983) LIMITED**

### Table of Contents

Statement of Responsibility for the Financial Statements	1
Independent Auditors' Report to the Shareholder and Directors	2-4
Statement of Financial Position	5
Statement of Comprehensive Loss	6
Statement of Changes in Shareholder's Deficit	7
Statement of Cash Flows	8
Notes to Financial Statements	9-34

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## STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by Cayman Turtle Farm (1983) Limited in accordance with the provisions of the *Public Management and Finance Law (2012 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2012 Revision)*.

As Chairman and Managing Director, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Cayman Turtle Farm (1983) Limited.

As Chairman and Managing Director we are responsible for the preparation of Cayman Turtle Farm (1983) Limited's financial statements and for the judgements made in them.

The financial statements fairly present the financial position (except for property, plant, equipment and exhibits, provision for pensions payable and accounts payable and accrued charges), financial performance, changes in shareholder's deficit and cash flows for the financial year ended June 30, 2013.

To the best of our knowledge we represent that these financial statements:

- (a) are completely and reliably reflect the financial transactions of the Cayman Turtle Farm (1983) Limited for the year ended June 30, 2013;
- (b) fairly reflect the financial position as at June 30, 2013 and performance for the year ended June 30, 2013;
- (c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General and its agent has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

BRIAN WIGHT

TIMOTHY P. ADAM

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Chairman  
Cayman Turtle Farm (1983) Limited

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Managing Director  
Cayman Turtle Farm (1983) Limited

Date: October 24, 2013

Date: October 24, 2013

## **Independent Auditors' Report to the Shareholder and Directors**

In accordance with section 60(1)(a)(ii) of the *Public Management and Finance Law (2012 Revision)* we have audited the accompanying financial statements of Cayman Turtle Farm (1983) Limited (the "Company"), which comprise the statement of financial position as at June 30, 2013 and the statements of comprehensive loss, changes in shareholder's deficit and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

This report is prepared for and only for the Shareholder and Directors of the Company in accordance with the terms of an engagement letter dated October 18, 2013 and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(continued)

## **Independent Auditors' Report to the Shareholder and Directors (continued)**

### *Bases for Qualified Opinion*

International Accounting Standard 36: "Impairment of Assets" ("IAS 36") requires management to assess whether there is an indication that the Company's assets may be impaired and, if such indication exists, estimate the recoverable amount of the assets and recognise an impairment loss to the extent that the carrying value exceeds the recoverable amount. Due to the nature, size and complexity of the Company's property, plant, equipment and exhibits, management were unable to determine whether there was any indication of impairment nor determine an estimate of the recoverable amount. We were therefore unable to determine whether any adjustments are required to property, plant, equipment and exhibits recorded on the statement of financial position at June 30, 2013 and any impact on the statement of comprehensive loss for the year then ended.

As described in note 10, the statement of financial position at June 30, 2013 includes a provision for pensions payable of CI\$1,196,000. This provision is based on the June 30, 2012 estimate provided to the Company by the Public Service Pensions Board. In the absence of an actuarial valuation as at June 30, 2013, we were unable to obtain sufficient appropriate audit evidence to form an opinion on the provision for pensions payable in the statement of financial position at June 30, 2013, nor the related change recognised in the statement of comprehensive loss and the related information disclosed in note 10.

During the year ended June 30, 2007 and subsequently, the Cayman Islands Government, the sole shareholder of the Company, paid insurance premium payments on behalf of the Company totalling CI\$5,061,084 which are included in accounts payable and accrued charges at June 30, 2013 (refer note 15). There is no agreed schedule of repayment and it is not possible to estimate when this amount will be repaid due to the financial condition of the Company (see emphasis of matter paragraph below). Under International Financial Reporting Standards, the insurance premium payments are in substance capital contributions as the Company does not have the ability to repay this obligation back to the shareholder. Therefore, in our opinion, the classification of this amount of CI\$5,061,084 as a liability in the statement of financial position at June 30, 2013 is incorrect, and should be reflected as a contribution from the shareholder.

### *Qualified Opinion*

In our opinion, except for the effects of such adjustments, if any, as might have determined to be necessary in respect of the matters discussed in the "Bases for Qualified Opinion" paragraphs above, the financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

(continued)

**Independent Auditors' Report to the Shareholder and Directors (continued)**

*Emphasis of Matter*

We draw attention to note 12 of the financial statements which discloses that the Company is dependent upon the continued financial support of the Government of the Cayman Islands to enable it to meet its obligations as they fall due. Without this ongoing support a material uncertainty exists that casts significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

KPMG


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October 24, 2013

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Alastair Swarbrick, MA (Hons), CPFA  
Auditor General  
October 24, 2013

  
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## CAYMAN TURTLE FARM (1983) LIMITED

### Statement of Financial Position

June 30, 2013

*(expressed in Cayman Islands dollars)*

	Note	2013	2012
<b>Assets</b>			
<b>Current assets</b>			
Bank balances	4	2,119,373	1,103,706
Accounts receivable		328,902	804,470
Prepayments and accrued interest		20,184	43,345
Inventories	5	79,468	106,018
Biological assets	6	1,600,194	1,444,787
		4,148,121	3,502,326
<b>Non-current assets</b>			
Property, plant, equipment and exhibits	7	33,083,499	35,261,768
<b>Total assets</b>	CI\$	<b>37,231,620</b>	<b>38,764,094</b>
<b>Liabilities and shareholder's deficit</b>			
<b>Current liabilities</b>			
Bank overdraft	4	3,616,742	4,214,582
Accounts payable and accrued charges		6,022,064	5,939,427
Interest payable		87,927	98,520
Guaranteed senior notes	8	2,764,440	2,620,800
Bank debt due within 1 year	9	1,715,635	1,649,355
		14,206,808	14,522,684
<b>Non-current liabilities</b>			
Guaranteed senior notes	8	18,675,283	21,347,469
Long term bank debt	9	3,693,827	5,380,758
Provision for pensions payable	10b	1,196,000	1,248,000
Provision for severance payable	10c	29,771	29,771
		23,594,881	28,005,998
<b>Total liabilities</b>		<b>37,801,689</b>	<b>42,528,682</b>
<b>Shareholder's deficit</b>			
Share capital			
- Authorised, issued and fully paid 400,000 shares of \$3 each and 50,000 shares of \$1 each			
		1,250,000	1,250,000
Contributed capital	11	64,782,257	54,103,486
Accumulated loss		(66,602,326)	(59,118,074)
	12	(570,069)	(3,764,588)
<b>Total liabilities and shareholder's deficit</b>	CI\$	<b>37,231,620</b>	<b>38,764,094</b>

*See accompanying notes to financial statements.*

Approved on behalf of the Board of Directors on October 24, 2013

BRIAN WIGHT

Chairman

TIMOTHY P. ADAM

Managing Director

## CAYMAN TURTLE FARM (1983) LIMITED

### Statement of Comprehensive Loss

For the year ended June 30, 2013  
(expressed in Cayman Islands dollars)

	Note	2013	2012
<b>Operations</b>			
Revenue		5,673,980	5,275,870
Cost of sales		(1,527,820)	(1,379,604)
Change in fair value of biological assets		453,226	82,103
Gross profit		4,599,386	3,978,369
Direct expenses		(7,269,817)	(7,154,379)
Net operating loss		(2,670,431)	(3,176,010)
Rental and other income	17	248,840	252,899
<b>Administrative expenses</b>			
Administration and overheads		(2,596,244)	(2,338,603)
Interest and amortisation		(1,647,873)	(1,851,068)
Other depreciation expense		(322,179)	(348,863)
Research expenses		(266,638)	(258,310)
Marketing expenses		(281,727)	(188,539)
Net change in defined benefit liability	10b	52,000	(226,000)
Total administrative expenses		(5,062,661)	(5,211,383)
<b>Net loss for the year</b>	12	CI\$ (7,484,252)	(8,134,494)

See accompanying notes to financial statements.



## CAYMAN TURTLE FARM (1983) LIMITED

### Statement of Changes in Shareholder's Deficit

For the year ended June 30, 2013  
(expressed in Cayman Islands dollars)

		Share capital	Contributed capital (Note 11)	Accumulated loss	Total
<b>Balance at June 30, 2011</b>	CI\$	1,250,000	44,434,068	(50,983,580)	(5,299,512)
Capital contribution from shareholder		0	9,669,418	0	9,669,418
Net loss for the year		0	0	(8,134,494)	(8,134,494)
<b>Balance at June 30, 2012</b>	CI\$	1,250,000	54,103,486	(59,118,074)	(3,764,588)
Capital contribution from shareholder		0	10,678,771	0	10,678,771
Net loss for the year		0	0	(7,484,252)	(7,484,252)
<b>Balance at June 30, 2013</b>	CI\$	1,250,000	64,782,257	(66,602,326)	(570,069)

*See accompanying notes to financial statements.*

## CAYMAN TURTLE FARM (1983) LIMITED

### Statement of Cash Flows

For the year ended June 30, 2013

(expressed in Cayman Islands dollars)

	Note	2013	2012
<b>Cash flows from operating activities</b>			
Net loss for the year		(7,484,252)	(8,134,494)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of property, plant, equipment and exhibits		2,721,314	2,813,997
(Increase)/decrease in breeder herd valuation	6	(42,565)	81,175
Amortisation of transaction costs	8	92,254	103,031
Changes in:			
Decrease/(increase) in accounts receivable		475,568	(128,143)
Decrease/(increase) in prepayments and accrued interest		23,161	(8,134)
Decrease/(increase) in inventories		26,550	(13,050)
(Increase)/decrease in biological assets	6	(112,842)	178,630
Decrease in interest payable		(10,593)	(10,035)
Increase in accounts payable and accrued charges		82,637	414,257
(Decrease)/increase in provision for pensions payable	10b	(52,000)	226,000
Net cash used in operating activities		(4,280,768)	(4,476,766)
<b>Cash flows from investing activities</b>			
Additions to property, plant, equipment and exhibits	7	(543,045)	(391,954)
Net cash used in investing activities		(543,045)	(391,954)
<b>Cash flows from financing activities</b>			
Long term bank debt paid		(1,620,651)	(1,650,764)
Repayment of guaranteed senior notes	8	(2,620,800)	(2,483,041)
Capital contributions from shareholder	11	10,678,771	9,669,418
Net cash from financing activities		6,437,320	5,535,613
<b>Net increase in cash and cash equivalents</b>		<b>1,613,507</b>	<b>666,893</b>
Cash and cash equivalents at beginning of year		(3,110,876)	(3,777,769)
<b>Cash and cash equivalents at end of year</b>	4	<b>CI\$ (1,497,369)</b>	<b>(3,110,876)</b>
<b>Supplementary information:</b>			
Interest paid	CI\$	1,584,908	1,748,037
Interest received	CI\$	0	61

See accompanying notes to financial statements.

# CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements

June 30, 2013

*(expressed in Cayman Islands dollars)*

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## 1. Incorporation and activity

Cayman Turtle Farm (1983) Limited (the "Company") is incorporated in the Cayman Islands and is 100% owned by the Government of the Cayman Islands (the "Government"). Initially, the sole operation of the Company was rearing green sea turtles under controlled farm conditions. However, due to the world-wide ban on the export of turtle products, the Company shifted its primary objective to the operation of a tourist attraction, including a gift shop, restaurant and bar. The production of turtle meat and related products is limited to that necessary to meet local demand within the Cayman Islands. The secondary objective is the conservation and re-population of sea turtles within the waters of the Cayman Islands and in the wider Caribbean.

The Company's address is 786 North West Point, West Bay, Grand Cayman. The Company had a staff complement of 84 and 90 in 2013 and 2012, respectively.

The Company's operations consist of a marine park and related developments on a 23.5 acre site located in West Bay, Grand Cayman. The marine park (the "Park") includes a turtle interactive area, educational pavilion, hatchery and science laboratory, fresh water pool, saltwater snorkel lagoon, predator tank, crocodile marsh, nature trail, aviary, shopping bazaar, restaurant and bar.

See Note 12 for discussion of matters relating to the ability of the Company to continue as a going concern.

## 2. Accounting policies

### *Basis of preparation*

These financial statements are prepared under the historical cost convention, modified by the valuation of biological assets at fair value, and in accordance with International Financial Reporting Standards ("IFRS"). As outlined in Note 12, the continued existence of the Company is contingent on the ongoing support from the Company's shareholder and the maintenance of the credit facilities provided by the Company's bankers. As management consider that this support will be ongoing and there are no indications which suggest otherwise, management consider the preparation of the financial statements under the going concern assumption to be appropriate.

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements, relate to management's assessment of whether an impairment provision is required in respect of property, plant, equipment and exhibits (Note 7), the valuation of biological assets (Note 6) and the provisions for pensions payable and severance payable (Note 10). Unless otherwise disclosed, these financial statements are presented in Cayman Islands dollars ("CIS\$").

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 2. Accounting policies (continued)

*New and revised standards and interpretations that are not yet effective:*

Certain new, revised and amended standards and interpretations came into effect during the current financial year. There was no material impact on the financial statements as a result of those amendments.

At the date of authorisation of the financial statements the following new relevant standards, amendments to standards and interpretations, which were in issue, are not yet effective. Those standards and interpretations are effective for the accounting periods beginning on, or after the indicated dates:

- *Amendment to IAS 32 Financial Instruments: Presentation* (effective January 1, 2014). The standard clarifies that an entity currently has a legal enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all the counterparts. In addition, it clarifies that gross settlement is equivalent to net settlement if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.
- IFRS 9, *Financial Instruments (2010)*, which is effective for annual reporting periods beginning on or after January 1, 2015, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It also includes guidance on classification and measurement of financial liabilities designated as at fair value through profit or loss and incorporates certain existing requirements of IAS 39, *Financial Instruments: Recognition and Measurement*, on the recognition and de-recognition of financial assets and financial liabilities.
- IFRS 13, *Fair Value Measurement*, which is effective for annual reporting periods beginning on or after January 1, 2013, defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value, or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 2. Accounting policies (continued)

*New and revised standards and interpretations that are not yet effective (continued):*

- Improvements to IFRS 2009 - 2010 cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2013. The main amendments applicable to the company are as follows:
  - IAS 1 *Presentation of Financial Statements* is amended to clarify that only one comparative period, which is the preceding period, is required for a complete set of financial statements. IAS 1 requires the presentation of an opening statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification. IAS 1 has been amended to clarify that (a) the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in that statement of financial position; (b) except for the disclosures required under IAS 8, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented.
  - IAS 16 *Property, Plant and Equipment* is amended to clarify that the definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether spare parts, standby equipment and servicing equipment should be accounted for under the standard. If these items do not meet the definition, then they are accounted for using IAS 2 *Inventories*.
- IFRS 10 *Consolidated Financial Statements* (effective January 1, 2013) supersedes IAS 27 *Consolidated and Separate Financial Statements* and provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities. The consolidation procedures are carried forward from IAS 27 (2008).

The Company is assessing the impact, if any, that the new, revised and amended standards may have on its financial statements in future years when they become effective.

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 2. Accounting policies (continued)

The significant accounting policies adopted in the preparation of these financial statements are:

#### *Cash and cash equivalents*

For the purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, balances with banks (including overdrafts) on demand and at short notice, and short-term highly liquid investments with original maturity dates of less than 90 days.

#### *Accounts receivable*

Accounts receivable comprise receivables from customers and contributions from the Government (a related party), and are reduced by any allowance for doubtful accounts where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

#### *Biological assets - Secondary herd*

The secondary herd, which is reared for slaughter, is valued at fair value, calculated using market prices and expected yields of each type of product based on historical data. Changes in the carrying amount attributable to physical change in such biological assets and changes attributable to price change are recognised as income or expense in the statement of comprehensive loss.

#### *Biological assets - Breeder herd*

It is management's policy to differentiate between turtles which were acquired from the wild and will be released at the end of their breeding lives, and farm bred turtles which may be slaughtered at the end of their breeding lives. Mature turtles (i.e. those that have reached breeding age) acquired from the wild have been fully depreciated over their useful lives of 20 years and have a zero carrying value. Mature farm-bred turtles have an estimated net realisable value that exceeds cost and are not depreciated.

The breeder herd is valued using the direct costs of maintaining the farm-bred turtles which are allocated between the mature turtles and those that have not yet reached maturity.

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 2. Accounting policies (continued)

#### *Property, plant, equipment and exhibits*

Property, plant, equipment and exhibits are recorded at cost and, with the exception of land which is not depreciated, are depreciated using the straight line method over their estimated useful lives as follows:

Buildings and lagoons	10 - 20 years
Plant and equipment	4 - 10 years
Motor vehicles	3 - 4 years
Furniture and office equipment	4 - 5 years
Exhibits	6 years
Computer hardware and software	3 years

The estimated useful lives, residual values and depreciation method are reviewed at year-end and the effect of any changes in the estimate is accounted for on a prospective basis.

Cost comprises the purchase price of an asset plus any directly attributable costs of bringing the asset to working condition for its intended use such as import duties, site preparation, initial delivery and handling cost, installation cost and professional fees (e.g. architects and engineers). Certain borrowing costs are also included in the cost basis of the related asset; see “borrowing costs” below. Costs of improvements are included in the cost of the applicable asset.

New and redeveloped assets are not depreciated until the assets are placed into service. Capitalised cost includes direct labor and benefits for employees specifically identified with the project. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Repairs and maintenance are charged to production or overhead expenses in the statement of comprehensive loss as incurred.

Donated assets are recorded at their estimated fair value at the date of receipt.

Exhibits represent the cost of various marine life, including acquisition costs, contained within the salt water lagoons at the park. Management estimate that the total life of these marine life to be approximately 10-12 years. As the Company has acquired these marine life at a mature stage in their life cycle, management have assumed that the remaining useful life for the exhibits from the date of acquisition to be approximately 6 years.

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 2. Accounting policies (continued)

#### *Financial assets and liabilities*

##### *(i) Classification*

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, or to exchange financial instruments with another enterprise under conditions that are potentially favorable or an equity instrument of another enterprise. A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

##### *(ii) Recognition*

The Company recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in financial liabilities measured at amortised cost are recognised in the statement of comprehensive loss.

Financial assets comprise cash and cash equivalents, accounts receivable and prepayments and accrued interest. Financial liabilities comprise as bank overdraft, accounts payable, guaranteed senior notes, long term bank debt and the provisions for pensions payable and severance payable. Management determines the classification of its financial assets and liabilities at initial recognition.

##### *(iii) Measurement*

Financial instruments are measured initially at cost, including transaction costs. For financial assets acquired, cost is the fair value of the consideration given, while for financial liabilities cost is the fair value of consideration received.

Financial assets classified as loans and receivables and financial liabilities measured at amortised cost are carried at amortised cost using the effective interest rate method, less impairment losses, if any, for financial assets.

##### *(iv) Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred all the risks and rewards of ownership. A financial liability is derecognised when it is discharged, cancelled or expires.

##### *(v) Offsetting*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis. At June 30, 2013 and 2012, there were no assets or liabilities reported on a net basis.



## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 2. Accounting policies (continued)

#### *Financial assets and liabilities (continued)*

##### *(vi) Impairment*

A financial asset is impaired if there is objective evidence indicating that one or more events have had a negative effect on the estimated future cash flows of that asset. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. All impairment losses are recognised in the statement of comprehensive loss.

At June 30, 2013 and 2012, no impairment loss was recognised in the financial statements.

##### *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition or development of an asset which takes a substantial period of time to ready it for its intended use are capitalised and included as part of the cost of the asset. Such costs include interest, the amortisation of discounts or premiums on issue, and amortisation of transaction costs associated with the arrangement of the borrowings. To the extent funds borrowed for the acquisition or development of a specific asset are invested on a temporary basis, the interest income is netted with the related borrowing costs to determine the amount of borrowing costs eligible for capitalisation. Capitalisation ceases when the related asset, or completed part thereof, is effectively ready for use. All other borrowing costs are expensed in the statement of comprehensive loss during the period in which they are incurred.

##### *Employee benefits*

###### *(a) Defined contribution pension plan*

The Company's contributions are charged to the statement of comprehensive loss in the period to which the contributions relate (Note 10(a)).

###### *(b) Defined benefit plan*

Pension costs are recognised based upon the results of periodic actuarial assessments conducted in respect of the Cayman Islands Public Service Pension Plan. The cost of providing pensions is charged to the statement of comprehensive loss so as to spread the regular cost over the service lives of employees. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised over the average remaining service lives of employees. Changes in the estimate of the amount required to fund past service pension benefits are recognised immediately when advised to the Company.

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 2. Accounting policies (continued)

#### *Employee benefits (continued)*

##### *(c) Severance benefits for long-serving retired employees*

Employees with over 25 years of service at retirement are entitled to an additional benefits package comprising a cash payment and payment of medical insurance premiums for a specified period. The costs of the benefits are accrued over the period of employment based on estimated valuations of these obligations determined by the Board of Directors.

#### *Foreign currencies*

The Company's transactions occur in United States dollars ("US\$") and Cayman Islands dollars ("CI\$"). The Company translates US\$ transactions into CI\$ using a fixed rate of US\$1.00 to CI\$0.84.

#### *Notes issued*

The Guaranteed Senior Notes (the "Notes") were initially recognised at "cost", being the issue proceeds net of transaction costs incurred. The liability is subsequently stated at amortised cost and the difference between the net proceeds of the issue of the Notes and the principal amount of the Notes is amortised over the term to the maturity of the Notes using the effective yield method and accounted for in accordance with the accounting policy described under "borrowing costs". Transaction costs include those incremental fees, commissions and payments to agents and advisors that are directly attributable to the Notes issuance.

#### *Inventories of marketable products*

Farm produced marketable products are valued at net realisable value.

Products purchased for resale and food and beverage are valued at the lower of cost on the first in, first out basis, and estimated net realisable value.

#### *Inventories of feeds and other supplies*

Feed and other supplies are valued using the weighted average cost basis.

#### *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of returns, rebates and discounts. The Company sells merchandise and turtle meat and charges admission fees to customers for entry to the farm. Sales of goods or services are recognised when the Company sells a product to the customer or the customer is admitted to the farm. Retail sales are usually in cash or by credit card.

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 3. Fair value of financial instruments

Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market price if one exists.

The carrying value reflected in the financial statements for cash and cash equivalents, accounts receivable, prepayments and accrued interest, bank overdraft and accounts payable are assumed to approximate to their fair values due to their short-term nature. Long-term liabilities are carried at their contracted settlement value. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.

### 4. Cash and cash equivalents

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	2013	2012
Current accounts	2,119,373	1,103,706
Bank overdraft	(3,616,742)	(4,214,582)
	CI\$ (1,497,369)	(3,110,876)

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At June 30, 2013, the limit on the overdraft facility was CI\$4,583,333 (2012: CI\$4,583,333) at an interest rate of 5%. The Government, by way of letter of undertaking, guarantees overdraft facilities up to CI\$4,200,000 (2012: CI\$4,200,000).

### 5. Inventories

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	2013	2012
Marketable products	57,596	60,966
Food and beverage	13,815	22,484
Feeds and other supplies	8,057	22,568
	CI\$ 79,468	106,018

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## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

### 6. Biological assets

	2013	2012
Livestock, at fair values:		
Secondary herd	1,008,261	895,419
Breeder herd	591,933	549,368
	CI\$ 1,600,194	1,444,787

The movements in the carrying value of the secondary herd are outlined as follows:

	2013	2012
Carrying value at beginning of year	895,419	1,074,049
Change attributable to differences in fair values	(78,650)	241,562
Biological transformation	489,310	(78,283)
Sales, at year end fair values	(297,818)	(341,909)
Net change in biological assets included in income	112,842	(178,630)
Carrying value at end of year	CI\$ 1,008,261	895,419

Biological transformation comprises the net effect of births, deaths and other losses, and growth within the secondary herd, measured at year-end fair values. Due to the continuing limitations surrounding the market for the products of the secondary herd, shells are valued at CI\$Nil.

In July 2012, one of the tanks used for the secondary herd lost all its water due to the effects of a mechanical breakdown and as a result there were 299 turtle mortalities with a value of CI\$97,883. The Company made and received an insurance claim for this loss.

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 6. Biological assets (continued)

The movements in the net book value of the breeder herd are outlined as follows:

	2013	2012
Carrying value at beginning of year	549,368	630,543
Net increase/(decrease) during the year	42,565	(81,175)
	CI\$ 591,933	549,368

Net additions during the year comprise the costs attributable to new breeders added, weight gained during the year, less mortalities. During the years ended June 30, 2013 and 2012 no new breeders were added to the herd and no turtles were transferred to the secondary herd. As of June 30, 2013 there was CI\$500,000 insurance coverage associated with the livestock.

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

(expressed in Cayman Islands dollars)

### 7. Property, plant, equipment and exhibits

	Land	Buildings and lagoons	Plant and equipment	Motor vehicles	Furniture and office equipment	Exhibits	Computer hardware & software	Total
<b>Cost:</b>								
As at June 30, 2012	1,251,349	48,644,431	1,302,157	263,636	1,115,882	672,787	319,887	53,570,129
Additions	0	47,921	370,904	12,293	8,956	0	102,971	543,045
As at June 30, 2013	1,251,349	48,692,352	1,673,061	275,929	1,124,838	672,787	422,858	54,113,174
<b>Accumulated depreciation:</b>								
As at June 30, 2012	0	15,117,816	1,063,719	246,619	1,085,068	599,069	196,070	18,308,361
Depreciation	0	2,435,524	159,786	6,143	13,812	64,502	41,547	2,721,314
As at June 30, 2013	0	17,553,340	1,223,505	252,762	1,098,880	663,571	237,617	21,029,675
<b>Net book value:</b>								
As at June 30, 2013	CI\$ 1,251,349	31,139,012	449,556	23,167	25,958	9,216	185,241	33,083,499
As at June 30, 2012	CI\$ 1,251,349	33,526,615	238,438	17,017	30,814	73,718	123,817	35,261,768

In 2004, the Company received land from its shareholder by way of donation with a fair value at that date of CI\$195,000. This donation is reflected in these financial statements.

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

### 8. Guaranteed senior notes

Pursuant to a confidential placement memorandum, the Company issued Notes in the amount of US\$44,600,000 (equivalent to CI\$37,464,000) primarily for the purpose of funding the Park.

The Notes were issued at par and were placed by William Blair & Company, L.L.C. (the "Placement Agent") with third party institutional investors. The Notes are guaranteed by the Government up to an amount of CI\$36,600,000. The Notes mature on March 1, 2019 and bear interest at a fixed rate of 4.85% per annum, payable quarterly in arrears. Quarterly payments commenced on June 2, 2004. The first 9 quarterly payments were interest only, and quarterly payments of principal and interest commenced on September 1, 2006. The principal amount of the Notes will amortise quarterly to an approximate final principal payment of US\$5,400,000 (CI\$4,536,000) due on March 1, 2019.

The anticipated principal repayment schedule is as follows:

	2013	2012
Due within 1 year	2,764,440	2,620,800
Due between 2 and 5 years	12,670,560	12,007,800
Due in more than 5 years	6,320,160	9,747,360
	CI\$ 21,755,160	24,375,960

The Company has the right to prepay all or a portion of the Notes after March 12, 2005 (being the first anniversary of the closing date) at an amount equal to the remaining mandatory principal and interest payments discounted by the lesser of (i) the coupon on the Notes or (ii) 50 basis points over the yield on the U.S. Treasury obligation having a maturity equal to the then remaining life of the Notes. The Company did not exercise its right to prepay the Notes as at June 30, 2013.

Movements in the carrying value of the Notes, which is inclusive of unamortised transaction costs, in the year to June 30, 2013 and 2012 are:

	2013	2012
Carrying value at beginning of year	23,968,269	26,348,279
Repaid during the year	(2,620,800)	(2,483,041)
Amortisation of transaction costs for the year	92,254	103,031
Carrying value at end of year	CI\$ 21,439,723	23,968,269

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 8. Guaranteed senior notes (continued)

At June 30, 2013, unamortised transaction costs amounted to CI\$315,437 (2012: CI\$407,691). During the year ended June 30, 2013 amortised transaction costs of CI\$92,254 (2012: CI\$103,031) were charged to the statement of comprehensive loss as part of interest and amortisation. The effective yield on the Notes, after taking into account the coupon rate and amortisation of costs, is approximately 5.3%.

### 9. Bank debt

On March 26, 2006, the Company obtained a loan facility ("Facility 1") from Cayman National Bank to assist the Company with budget shortfalls relating to the Park which is guaranteed by the Government. The terms of this loan are as follows:

On demand, repayable at blended monthly payments of principal and interest of US\$37,196 (CI\$31,245) over a term of 118 months.

Total loan facility available to the Company	US\$	3,400,000
Equivalent to	CI\$	2,856,000
Balance outstanding at June 30, 2013	CI\$	1,169,562
Balance outstanding at June 30, 2012	CI\$	1,457,555

On November 7, 2006, the Company obtained a loan facility ("Facility 2") from Cayman National Bank to assist the Company with budget shortfalls relating to the Park which is guaranteed by the Government. The terms of this loan are as follows:

On demand, repayable at blended monthly payments of principal and interest of US\$130,340 (CI\$109,486) over a term of 10 years.

Total loan facility available to the Company	US\$	10,400,000
Equivalent to	CI\$	8,736,000
Balance outstanding at June 30, 2013	CI\$	2,331,782
Balance outstanding at June 30, 2012	CI\$	3,535,297

On May 21, 2009, the Company obtained a loan facility ("Facility 3") from First Caribbean International Bank to assist the Company with operating cashflow shortfalls. The facility is fully guaranteed by the Government. The terms of this loan are as follows:

During the availability period (May 21, 2009 to October 30, 2009) the facility was carried on an interest only basis, payable monthly in arrears. Subsequent to this availability period, the facility will be repaid in blended principal and interest monthly installments of US\$22,000 (CI\$18,480) commencing on November 30, 2009 for a period of 15 years.

Total loan facility available to Company	US\$	2,800,000
Equivalent to	CI\$	2,352,000
Balance outstanding at June 30, 2013	CI\$	1,908,118
Balance outstanding at June 30, 2012	CI\$	2,037,261



## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 9. Bank debt (continued)

The Government by way of letter of undertaking guarantees the loan facilities for US\$14,800,000 (CI\$12,432,000). Facilities 1 and 2 bear interest between 0.5% and 1.0% above US Dollar prime rate, reset monthly. Facility 3 bears interest at 3.75% above the 90-day London Interbank offer rate (LIBOR). The effective rate at June 30, 2013 is between 3.75% and 4.23% (2012: between 3.75% and 4.21%).

The combined anticipated repayment schedule is:

	2013	2012
Due within 1 year	1,715,635	1,649,355
Due between 2 and 5 years	2,525,400	4,042,959
Due in more than 5 years	1,168,427	1,337,799
	CI\$ 5,409,462	7,030,113
Current portion	1,715,635	1,649,355
Long term portion	3,693,827	5,380,758
	CI\$ 5,409,462	7,030,113

### 10. Provision for pensions payable and severance payable

The Company and its employees participate in the Cayman Islands Public Service Pension Plan (the "Plan") on both a defined contribution and defined benefit basis as explained below:

#### a) *Defined contribution plan*

For employees enrolled in the defined contribution plan, the Company and the employee each contribute 6% of the employee's salary or wage each year. During the year ended June 30, 2013 contributions of CI\$192,720 (2012: CI\$187,214) were made by the Company and included in the statement of comprehensive loss.

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

### 10. Provision for pensions payable and severance payable (continued)

#### b) *Defined benefit plan*

Employees who served with the Company prior to January 1, 2000 are enrolled in the defined benefit program. Contributions towards benefits accruing in respect of current service (i.e. for the period since the employee was enrolled in the plan) are funded at rates periodically advised to the Company by the Pensions Board and are recognised as an expense in the period incurred. The Company is also required to make payments to the plan to fund benefits accruing in respect of past service (the "past service funding liability"). This past service funding liability, which is generally equivalent to the actuarially determined present value of the defined benefit obligations less the value of the assets available to meet such obligations, is calculated periodically by the Plan actuaries and advised to the Company by the Pensions Board. The Company recognises changes in the past service funding liability, adjusted for funding payments made, as an expense or gain in the period in which such changes are incurred. In the absence of formal notification from the Pensions Board, the Company has no reliable way to quantify its liability to the Plan in respect of unfunded past service benefits.

The most recent actuarial valuation was performed as of June 30, 2012 and the results, which was advised to the Company by the Public Service Pension Board ("PSPB") in August 2013 indicated a Plan deficit attributable to the Company of CI\$1,196,000.

	2013	2012
Provision at beginning of year	1,248,000	1,022,000
Pension expense	(52,000)	226,000
Provision at end of year	CI\$ 1,196,000	1,248,000

Reconciliation of funded status:

	2013 CI\$000's	2012 CI\$000's
Company's share of Defined benefit obligation	1,693	1,584
Fair value of Plan assets	(985)	(984)
Funded status	708	600
Unrecognised actuarial gain	488	648
Defined benefit liability	1,196	1,248

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

### 10. Provision for pensions payable and severance payable (continued)

#### b) *Defined benefit plan (continued)*

Movement in defined benefit obligations during the year:

	2013	2012
	CI\$000's	CI\$000's
Defined benefit obligation at beginning of year	1,584	2,187
Current service cost - 2010	0	110
Current service cost - 2012/2011	60	78
Interest cost - 2010	0	125
Interest cost - 2012/2011	87	104
Contributions paid into the plan - 2010	0	45
Contributions paid into the plan - 2012/2011	106	24
Net actuarial loss/(gain) - 2010	0	(148)
Net actuarial loss/(gain) - 2012/2011	144	(403)
Transfers between other participating entities - 2010	0	(435)
Transfers between other participating entities - 2012/2011	(288)	(103)
Defined benefit obligation at end of year	1,693	1,584

Movement in fair value of plan assets during the year:

	2013	2012
	CI\$000's	CI\$000's
Fair value of plan assets as beginning of year	984	1,047
Employer contributions - 2010	0	53
Employer contributions - 2012/2011	127	23
Plan participant contributions - 2010	0	45
Plan participant contributions - 2012/2011	106	24
Transfers between other participating entities - 2010	0	(435)
Transfers between other participating entities - 2012/2011	(288)	(103)
Expected return on assets net of expense - 2010	0	64
Expected return on assets net of expense - 2012/2011	60	52
Asset gain - 2010	0	66
Asset (loss)/gain - 2012/2011	(4)	148
Fair value of plan assets at end of year	985	984

## **CAYMAN TURTLE FARM (1983) LIMITED**

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### **10. Provision for pensions payable and severance payable (continued)**

#### *b) Defined benefit plan (continued)*

As required by IAS 19 the Projected Unit Credit has been used as the Cost Method. Assumptions regarding future mortality rates are based on the published Standard US Mortality Rates. The retirement age is completion of age 57 and 10 years service.

#### *c) Severance payable*

In 1997 the Board of Directors approved a severance pay package entitling employees with over 25 years of service to a cash payment on retirement and payment of their health insurance premiums after retirement for a period to be determined by the Board of Directors. There are no eligible employees at June 30, 2013 and the total liability of the Company in respect of past service benefits for retired employees is approximately CI\$29,771 (2012: CI\$29,771).

### **11. Contributed capital**

During the year ended June 30, 2013, the Government made an equity injection of CI\$10,678,771 (2012: CI\$9,669,418) which related to the Appropriation Law.

### **12. Going concern**

Historically, the Company has been able to realise its assets and discharge its liabilities in the normal course of business. However, cost overruns of the development of the Park, lower than projected visitor numbers and operating costs in excess of initial budgets, have given rise to significant business risks that cast uncertainty over the Company's ability to continue as a going concern.

The matters described above have resulted in significant operational losses to the Company since the financial year ended June 30, 2006. These conditions have resulted in the Company being unable to discharge its obligations as they fall due in the ordinary course of business without recourse to lending facilities from the Company's bankers (which were only obtained through a guarantee from the Company's shareholder, the Government), or by means of equity injections from the Government. Furthermore, operational results subsequent to June 30, 2013 indicate that the Company continues to generate significant losses from operations and experience cash flow difficulties. The Board of Directors has been working to design and implement a number of other cost-saving measures as well as increasing profitability by exploring new revenue streams.

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 12. Going concern (continued)

The Government continues to provide financial support to the Company in the form of further equity injections. The total funds approved by Government subsequent to June 30, 2013 are shown below:

Facility type	Appropriation law reference	Amounts approved	Amounts received
Equity injection	EI 49 (FY 2014)	10,290,000	2,500,000
Total funding, approved and advanced from Government	CI\$	10,290,000	2,500,000

### 13. Taxation

The Government does not currently levy taxes on income or capital gains, consequently no tax liability or expense is recorded in these financial statements.

### 14. Financial risk management

The Company's activities expose it to various types of risk that are associated with the financial instruments and markets in which it operates. The Company's Board of Directors have overall responsibility for the establishment and oversight of its risk management framework. The Company's risk management policies are established to identify and analyse the risks, set appropriate risk limits and controls and to monitor risks and adherence to limits. The most important types of financial risk to which the Company is exposed to are credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of these risks and the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

#### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. To mitigate this risk, the Company has adopted a policy of dealing only with counterparties which it believes to be credit worthy. Financial assets which potentially subject the Company to credit risk consist principally of cash and cash equivalents and trade receivables.

The main credit risk to the Company is the potential loss that would be incurred if the counterparty to the bank balances or accounts receivable fail to discharge their obligations to repay. Most of the Company's sales transactions are on a cash basis, which limits the credit risk relating to accounts receivable. Further, cash and cash equivalents are placed with two financial institutions in the Cayman Islands which management consider to be of good standing. The Company has no other significant credit risk.

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 14. Financial risk management (continued)

The maximum exposure to credit risk for financial assets at the reporting date without taking account of any collateral held or other credit related enhancements and based on the net carrying amounts as reported in the statement of financial position, is:

	2013	2012
Cash and cash equivalents	2,119,373	1,103,706
Accounts receivable	328,902	804,470
	CI\$ 2,448,275	1,908,176

As at June 30, 2013, a provision for doubtful receivables of CI\$60,243 has been made against accounts receivable (2012: CI\$45,274).

No collateral is required from the Company's debtors.

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to predict and manage the Company's expected cash outflows. Management monitors rolling forecasts of the cash and cash equivalents on the basis of expected cash outflows. Furthermore, throughout the year and subsequent to the year end, the Company has relied significantly on the support from the Government, as Shareholder, to provide funds in the form of bank guarantees and equity injections. The ability of the Company to meet its obligations is dependent on the ongoing financial support provided by the Government (Notes 11 and 12).

As at June 30, 2013, accounts payable, accruals and interest payable are all due within 3 months of the statement of financial position date. The repayment dates on the Guaranteed Senior Notes and bank debt are as described in Notes 8 and 9 above.

#### ***Market risk***

Market risk is the risk that changes in interest rates, foreign exchange rates or equity and commodity prices will affect the positions held by the Company making them less valuable or more onerous. The Company's activities expose it to financial market fluctuations. Market risk includes interest rate risk, price risk and currency risk.

#### ***Interest rate risk***

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

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

### 14. Financial risk management (continued)

#### *Interest rate risk (continued)*

Bank debt is subject to interest rate risk. As outlined in Note 9, the bank debt attracts variable interest rates based on market interest rates which are reset monthly. Management does not consider there to be an interest rate risk on cash and cash equivalents as it is due on demand. As outlined in Note 8 above, the Notes were issued at fixed rates of interest and therefore management does not consider there to be any interest rate risk on the Notes.

As at June 30, 2013, the interest rate profile of the Company's interest-bearing financial instruments was:

	2013	2012
<b>Fixed rate instruments</b>		
Financial liabilities	(21,439,723)	(23,968,269)
	CI\$ (21,439,723)	(23,968,269)
	2013	2012
<b>Variable rate instruments</b>		
Financial assets	2,119,373	1,103,706
Financial liabilities	(9,026,204)	(11,244,695)
	CI\$ (6,906,831)	(10,140,989)

The nature of the Company's exposures to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the prior year. Subsequent to June 30, 2013 the market interest rates have remained static and the Company has therefore not experienced any adverse effects as a result of interest rate risk.

#### *Price risk*

Price risk is the risk that factors specific to individual securities or their issuer or factors affecting all securities traded in the market will fluctuate. The Company does not hold securities as at June 30, 2013 and 2012 and as such is not exposed to price risk.

#### *Currency risk*

As substantially all transactions are denominated in Cayman Island dollars, the Company is not significantly exposed to currency risk due to the Cayman Islands dollar being fixed to the United States dollar. The nature of the Company's exposure to currency risk has not changed significantly from the prior year.

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 15. Related party transactions and key management remuneration

As outlined in Note 1, the Company is wholly owned by the Government. The Company engages with other entities and bodies which are related to the Government in the ordinary course of business, at arm's length.

All of the activities with other Government entities and related parties are conducted at an arm's length basis other than those relating to the significant financial support from the Shareholder as described in Note 11.

As at June 30, 2013, included in accounts payable and accrued charges are amounts due to the Government of CI\$5,061,084 (2012: CI\$5,061,084). As at June 30, 2013, there were no amounts due from the Government (2012: CI\$500,000).

There were no loans made to key management at June 30, 2013. Total remuneration paid to 6 personnel considered to be key management during the years ended June 30, 2013 and 2012 was:

	Salaries CI\$	Incentive pay CI\$	Pension and health insurance CI\$	Other CI\$	Total CI\$
<b>2013</b>	494,677	30,805	46,107	13,747	585,336
<b>2012</b>	400,189	35,486	27,286	9,396	472,357

Members of the Board of Directors are voluntary and do not receive salaries for services rendered, however, all Directors not employed by the Government receive an amount of CI\$200 for each board meeting attended. The total remuneration paid to the Board of Directors was CI\$12,293 (2012: CI\$11,883).



## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 16. Contingencies

*(a) Breach of contract claim*

During September 2011, a tour operator raised a potential breach of contract claim against the Company. The claim is for an amount of CI\$90,450 (US\$107,679) and relates to the wholesale admission price the Company had charged the tour operator from December 2008. Legal representatives are waiting for further documentation and are unable to advise on the merits of this claim. Management considers that the claim is without merit therefore no provision has been raised in the financial statements as at June 30, 2013.

*(b) Construction claim*

During the year ended June 30, 2006 the Company was involved in a dispute with one of the contractors for the Park. The contractor filed a claim under the terms of the contract for costs of CI\$530,000 associated with their structural concrete contract. The Company made a counter claim for the reimbursement of an account payment of CI\$221,044 made to the contractor. There has been no further development of this claim and as at June 30, 2013 management considers it difficult to make any assessment of outcome with any degree of certainty.

*(c) Discharge permit*

The nature of the operations of the Company requires it to obtain a discharge permit from the Water Authority of the Cayman Islands (the "Water Authority") in order to discharge waste water from the turtle tanks into the ocean. During the years ended June 30, 2008 and 2007 the Company did not hold such a discharge permit and was therefore not compliant with the environmental laws of the Cayman Islands. A permit was granted on October 1, 2008 for a period of two years. The failure of the Company to comply with the environmental laws prior to October 1, 2008 has left the Company exposed to possible litigation and the imposition of fines. As of the date these financial statements were available to be issued there has been no legal action initiated against the Company nor any fines levied.

The two year permit granted (as above) required the Company to reduce its effluent discharge by 50% by July 1, 2009. The Company engaged external consultants who were recommended to the Company to assist in complying with the terms of the permit and the relevant laws, however, as of July 1, 2009 and through the date that these financial statements were available to be approved the Company has not met the 50% reduction criteria.

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

*(expressed in Cayman Islands dollars)*

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### 16. Contingencies (continued)

#### *(c) Discharge permit (continued)*

The Company has not been able to meet the effluent reduction goals of the permit due to cutbacks and cost constraints preventing the Company from making the required capital investment to install a system appropriate to meet these requirements. In addition, management has looked further into the system design that the external consultant has proposed and management now considers some aspects of that design would not be appropriate as its possible adverse impact on air quality in the community could be much more noticeable and objectionable than the status quo which has been running for several years. The Company was required to renew the permit subsequent to the expiration of the previous permit on September 30, 2010, and an application for renewal has been submitted. As part of the application process the permit was publicly advertised. The Company continues to work cooperatively with the Water Authority doing frequent measurement of the effluent discharge, and is also considering alternative techniques to reduce the potential environmental impact of its effluent discharge.

### 17. Operating leases

The Company leases an area of 46,400 square feet to Dolphin Discovery for the operations of a dolphin park. The Company entered into a 5 year lease agreement on November 21, 2003 with 3 options to renew for additional periods of 5 years each. This lease is a non-cancellable operating lease and the expected future incoming cash flows associated with this lease are as follows:

Within one year	201,600
Between one year and five years	806,400
Later than five years	0

### 18. Subsequent events

All subsequent events have been disclosed in the notes to the financial statements and management is not aware of any other material subsequent events requiring disclosure as of the date that these financial statements were available to be issued.

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

(expressed in Cayman Islands dollars)

### 19. Schedule of income and expenses

	Retail operations	Farm operations	Sub-total	Admin and overheads	Research expenses	Marketing Expenses	Other	2013 Total
<b>Income</b>								
Retail tours	3,625,010	0	3,625,010	0	0	0	0	3,625,010
Food and beverage	838,726	0	838,726	0	0	0	0	838,726
Retail merchandise sales	776,736	0	776,736	0	0	0	0	776,736
Change in fair value of biological assets	0	453,226	453,226	0	0	0	0	453,226
Wholesale sales	0	401,373	401,373	0	0	0	0	401,373
Turtle release program	0	32,135	32,135	0	0	0	0	32,135
Cost of sales	(1,230,002)	(297,818)	(1,527,820)	0	0	0	0	(1,527,820)
Gross profit	4,010,470	588,916	4,599,386	0	0	0	0	4,599,386
<b>Rental and other income</b>	0	0	0	0	0	0	248,840	248,840
<b>Expenses</b>								
Personnel expense	(1,033,805)	(1,123,048)	(2,156,853)	(1,256,535)	(230,572)	(51,152)	0	(3,695,112)
Depreciation expense	(1,625,378)	(773,757)	(2,399,135)	0	0	0	(322,179)	(2,721,314)
Utility expense	(256,381)	(1,193,031)	(1,449,412)	(254,168)	0	0	0	(1,703,580)
Interest and amortisation	0	0	0	0	0	0	(1,647,873)	(1,647,873)
Maintenance costs	(98,495)	(490,137)	(588,632)	(156,140)	(3,937)	0	0	(748,709)
Feed and other operating expenses	3,189	(545,291)	(542,102)	0	0	0	0	(542,102)
Insurance expense	(60,620)	(6,122)	(66,742)	(379,223)	0	0	0	(445,965)
Professional fees	0	0	0	(241,789)	0	0	0	(241,789)
Other expenses	0	0	0	(93,297)	(32,129)	(87,811)	0	(213,237)
Advertising	0	0	0	0	0	(142,764)	0	(142,764)
Telephone	0	0	0	(115,074)	0	0	0	(115,074)
Bank fees	0	0	0	(70,874)	0	0	0	(70,874)
Retail operating expense	(66,941)	0	(66,941)	0	0	0	0	(66,941)
Travel and entertainment	0	0	0	(29,144)	0	0	0	(29,144)
Defined benefit liability – profit/loss	0	0	0	0	0	0	52,000	52,000
Total expenses	(3,138,431)	(4,131,386)	(7,269,817)	(2,596,244)	(266,638)	(281,727)	(1,918,052)	(12,332,478)
<b>Net profit/(loss)</b>	CI\$ 872,039	(3,542,470)	(2,670,431)	(2,596,244)	(266,638)	(281,727)	(1,669,212)	(7,484,252)

## CAYMAN TURTLE FARM (1983) LIMITED

Notes to Financial Statements (continued)

June 30, 2013

(expressed in Cayman Islands dollars)

### 19. Schedule of income and expenses

	Retail operations	Farm operations	Sub-total	Admin and overheads	Research expenses	Marketing Expenses	Other	2012 Total
<b>Income</b>								
Retail tours	3,352,649	0	3,352,649	0	0	0	0	3,352,649
Food and beverage	782,928	0	782,928	0	0	0	0	782,928
Retail merchandise sales	682,834	0	682,834	0	0	0	0	682,834
Wholesale sales	0	438,453	438,453	0	0	0	0	438,453
Change in fair value of biological assets	0	82,103	82,103	0	0	0	0	82,103
Turtle release program	0	19,006	19,006	0	0	0	0	19,006
Cost of sales	(1,037,695)	(341,909)	(1,379,604)	0	0	0	0	(1,379,604)
Gross profit	3,780,716	197,653	3,978,369	0	0	0	0	3,978,369
<b>Rental and other income</b>	0	0	0	0	0	0	252,899	252,899
<b>Expenses</b>								
Personnel expense	(1,039,856)	(1,193,415)	(2,233,271)	(1,085,685)	(205,924)	(50,561)	0	(3,575,441)
Depreciation expense	(1,653,288)	(811,846)	(2,465,134)	0	0	0	(348,863)	(2,813,997)
Interest and amortisation	0	0	0	0	0	0	(1,851,068)	(1,851,068)
Utility expense	(251,505)	(1,235,145)	(1,486,650)	(244,950)	0	0	0	(1,731,600)
Maintenance costs	(101,819)	(327,760)	(429,579)	(91,590)	(4,940)	0	0	(526,109)
Insurance expense	(58,556)	(16,865)	(75,421)	(422,936)	0	0	0	(498,357)
Feed and other operating expenses	0	(387,026)	(387,026)	0	0	0	0	(387,026)
Defined benefit liability – profit/loss	0	0	0	0	0	0	(226,000)	(226,000)
Professional fees	0	0	0	(215,422)	0	0	0	(215,422)
Other expenses	0	0	0	(87,904)	(47,446)	(13,200)	0	(148,550)
Advertising	0	0	0	0	0	(124,347)	0	(124,347)
Telephone	0	0	0	(90,762)	0	0	0	(90,762)
Retail operating expense	(77,298)	0	(77,298)	0	0	0	0	(77,298)
Bank fees	0	0	0	(63,203)	0	0	0	(63,203)
Travel and entertainment	0	0	0	(36,151)	0	(431)	0	(36,582)
Total expenses	(3,182,322)	(3,972,057)	(7,154,379)	(2,338,603)	(258,310)	(188,539)	(2,425,931)	(12,365,762)
<b>Net profit/(loss)</b>	CI\$ 598,394	(3,774,404)	(3,176,010)	(2,338,603)	(258,310)	(188,539)	(2,173,032)	(8,134,494)