

CAYMAN TURTLE FARM (1983) LIMITED

FINANCIAL STATEMENTS

30 JUNE 2006

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
CAYMAN TURTLE FARM (1983) LIMITED**

We have audited the accompanying financial statements of Cayman Turtle Farm (1983) Limited (the "Company"), which comprise the balance sheet as of 30 June 2006 and the statement of income, statement of trading income - retail operations, statement of trading income - farm operations, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed below, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the auditor's 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, the auditor considers 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 audit opinion.

Basis for Qualified Opinion

1. 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 an indication exists, to estimate the recoverable amount of the assets and to recognize an impairment loss to the extent the recoverable amount exceeds the carrying value. Management has determined that no impairment loss is required to be recognized at 30 June 2006 in respect of those of the Company's assets that are subject to IAS 36 (principally comprising property, plant and equipment). Management were unable to provide us with sufficient, appropriate evidence to support the assumptions underlying their calculations and we were unable to satisfy ourselves as to the reasonableness of such assumptions by performing alternative procedures. Such assumptions are necessarily based upon a significant degree of subjective judgment and, in our opinion, it is reasonably probable that the assumptions used by management with respect to anticipated future net cash flows will prove to be optimistic. Consequently, although it is impracticable for us to meaningfully estimate the amount of impairment loss that would be appropriate in the circumstances, it is also reasonably probable that the amount would be material to the financial statements.
2. As explained in footnote 10(b), the financial statements include a provision for pensions payable of CI\$744,000 and CI\$581,779 at 30 June 2006 and 2005, respectively, based upon information provided to the Company by the Public Service Pensions Board. We have not carried out those procedures we considered necessary to allow us to determine whether these amounts and the related changes in such provisions recognized in the determination of the Company's net loss/net income for the years then ended, and the related information disclosed in Note 10(b) are appropriate in the circumstances.
3. Management were unable to provide us with appropriate evidence to support CI\$191,570 in respect of the marketable products inventories at 30 June 2006, and CI\$107,099 paid to one of the Company's vendors, of which CI\$84,164 has been included in the cost of property, plant and equipment at 30 June 2006 and CI\$22,935 has been included in legal and professional fees in the Statement of Income for the year then ended. We were unable to satisfy ourselves by other audit procedures that such amounts have been appropriately reflected in the financial statements.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary in respect of the matters discussed in the "Basis for Qualified Opinion" paragraphs, the financial statements present fairly, in all material respects, the financial position of the Company as of 30 June 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to the fact that, as discussed in Note 2, the Company is dependent upon the financial support of the Government of the Cayman Islands to enable it to continue as a going concern and to meet its obligations as they fall due.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's shareholder in accordance with the terms of our engagement letter dated 2 November 2007 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



CAYMAN TURTLE FARM (1983) LIMITED

BALANCE SHEET

(Expressed in Cayman Islands dollars)

	<u>2006</u>	<u>30 June</u> <u>2005</u>
ASSETS		
Cash and cash equivalents	773,407	1,448,490
Fixed deposits		
Restricted (Note 4)	-	2,123,512
Unrestricted	92,030	12,873,669
Accounts receivable - trade	63,391	77,934
Hurricane Ivan insurance claim receivable (Note 11)	336,030	1,747,311
Prepayments and other receivables	81,660	313,367
Inventories		
Marketable products	191,570	145,699
Feed and other supplies	11,554	24,168
Biological assets (Note 5)		
Livestock: Secondary herd, at fair value	1,460,362	1,527,182
Breeder herd, at net book value	311,300	228,647
Property, plant and equipment (Note 6)	<u>40,285,243</u>	<u>24,497,391</u>
 Total assets	 <u>\$43,606,547</u>	 <u>\$45,007,370</u>
 LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Accounts payable	622,220	1,308,137
Accruals	1,497,843	357,215
Interest payable - Guaranteed Senior Notes	146,370	146,370
Provision for pensions payable (Note 10)	744,000	581,779
Provision for severance pay (Note 10)	31,190	34,594
Long-term bank debt (Note 9)	3,471,142	670,496
Guaranteed Senior Notes (Note 8)	<u>36,357,966</u>	<u>36,238,041</u>
 Total liabilities	 <u>42,870,731</u>	 <u>39,336,632</u>
 Shareholder's equity		
Share capital (Note 12)	1,250,000	1,250,000
(Accumulated deficit)/Retained earnings	(709,184)	4,225,738
Contributed surplus (Note 7)	<u>195,000</u>	<u>195,000</u>
 Total shareholder's equity	 <u>735,816</u>	 <u>5,670,738</u>
 Total liabilities and shareholder's equity	 <u>\$43,606,547</u>	 <u>\$45,007,370</u>

Approved for issuance on behalf of Cayman Turtle Farm (1983) Limited's Board of Directors by:

Kenneth Hydes

.....)

Joe Parsons) Directors

.....) Date: 2 October 2009

The accompanying notes are an integral part of these financial statements.

CAYMAN TURTLE FARM (1983) LIMITED

STATEMENT OF INCOME

(Expressed in Cayman Islands dollars)

	For the year ended <u>30 June</u>	
	<u>2006</u>	<u>2005</u>
Trading income/(loss) - net		
Retail operations - net (page 5)	1,220,005	1,365,123
Farm operations - net (page 6)	<u>(1,276,660)</u>	<u>(799,309)</u>
Total net trading (loss)/income	<u>(56,655)</u>	<u>565,814</u>
Other operating expenses		
Stationary & postage	33,764	51,276
Depreciation (Note 6)	355,957	76,708
Staff costs	1,396,705	507,983
Net change in provision for severance pay (Note 10)	162,221	-
Legal & professional	72,952	3,470
Freight & duty	15,273	1,147
Maintenance	207,031	35,652
Marketing, travel & entertainment	226,043	14,358
Bank charges	15,377	7,879
Advertising	571,186	290,710
Insurance	658,806	259,205
Audit fees	193,959	42,000
Utility costs – electricity, telephone & water	224,987	81,901
General expenses	576	33,109
Interest expense	298,646	43,991
Loss on disposal of property, plant and equipment	367,257	-
Foreign exchange loss	<u>171,701</u>	<u>82,281</u>
Total other operating expenses	<u>4,972,441</u>	<u>1,531,670</u>
Net operating loss before other income	<u>(5,029,096)</u>	<u>(965,856)</u>
Other income		
Other income	76,510	-
Interest income	17,664	12,561
Net gain on Hurricane Ivan insurance claim (Note 11)	<u>-</u>	<u>1,592,890</u>
	<u>94,174</u>	<u>1,605,451</u>
Net (loss)/income for the year	<u>\$ (4,934,922)</u>	<u>\$ 639,595</u>

The accompanying notes are an integral part of these financial statements.

CAYMAN TURTLE FARM (1983) LIMITED

STATEMENT OF TRADING INCOME - RETAIL OPERATIONS

(Expressed in Cayman Islands dollars)

	<u>2006</u>	<u>For the year ended 30 June</u>	<u>2005</u>
Income			
Retail tours	1,426,329		1,290,928
Retail merchandise sales	1,673,405		1,396,838
Food and beverage sales	<u>256,089</u>		<u>-</u>
 Total income - retail operations	 <u>3,355,823</u>		 <u>2,687,766</u>
 Expenses			
Retail merchandise (inventory) - cost	832,220		684,046
Staff costs	834,084		472,465
Maintenance	211,953		39,998
Travel and Entertainment	17,153		1,383
Bank charges	20,137		15,477
Insurance	78,326		45,145
Utility costs - electricity	111,655		22,246
Depreciation (Note 6)	<u>30,290</u>		<u>41,883</u>
 Total expenses - retail operations	 <u>2,135,818</u>		 <u>1,322,643</u>
 Net trading income - retail operations	 <u>\$ 1,220,005</u>		 <u>\$ 1,365,123</u>

The accompanying notes are an integral part of these financial statements.

CAYMAN TURTLE FARM (1983) LIMITED

STATEMENT OF TRADING INCOME - FARM OPERATIONS

(Expressed in Cayman Islands dollars)

	2006	For the year ended <u>30 June</u>	2005
Income			
Wholesale sales	562,165		511,998
Change in biological assets – breeder herd (Note 5)	82,653		57,681
Change in biological assets – secondary herd (Note 5)	(66,820)		175,124
Turtle release program	<u>1,421</u>		<u>5,145</u>
 Total income - farm operations	 <u>579,419</u>		 <u>749,948</u>
 Expenses			
Processing and packaging costs	121,828		128,681
Depreciation (Note 6)	374,871		358,460
Staff costs	321,759		292,556
Maintenance and sundry costs	293,554		122,091
Utility costs - electricity	320,275		245,865
Turtle feed	374,853		343,595
Other operating expenses	24,222		17,919
Insurance	22,392		20,423
Bad debt write off	-		12,754
Travel and entertainment	<u>2,325</u>		<u>6,913</u>
 Total expenses - farm operations	 <u>1,856,079</u>		 <u>1,549,257</u>
 Net trading loss - farm operations	 <u>\$(1,276,660)</u>		 <u>\$(799,309)</u>

The accompanying notes are an integral part of these financial statements.

CAYMAN TURTLE FARM (1983) LIMITED

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

(Expressed in Cayman Islands dollars)

	<u>Share capital</u>	<u>Contributed surplus</u>	<u>(Accumulated deficit)/Retained earnings</u>	<u>Total</u>
Balance at 30 June 2004	1,250,000	195,000	3,586,143	5,031,143
Net income for the year	<u>-</u>	<u>-</u>	<u>639,595</u>	<u>639,595</u>
Balance at 30 June 2005	1,250,000	195,000	4,225,738	5,670,738
Net loss for the year	<u>-</u>	<u>-</u>	<u>(4,934,922)</u>	<u>(4,934,922)</u>
Balance at 30 June 2006	<u>\$ 1,250,000</u>	<u>\$ 195,000</u>	<u>\$(709,184)</u>	<u>\$ 735,816</u>

The accompanying notes are an integral part of these financial statements.

CAYMAN TURTLE FARM (1983) LIMITED

STATEMENT OF CASH FLOWS

(Expressed in Cayman Islands dollars)

	For the year ended <u>30 June</u>	
	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Net (loss)/income for the year	(4,934,922)	639,595
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation (Note 6)	761,118	477,260
Loss on disposal of property, plant and equipment	367,257	14,103
Appreciation of breeder herd - net	(82,653)	(57,681)
Amortisation of borrowing/transaction costs	119,925	113,731
Change in:		
Accounts receivable - trade	14,543	(13,356)
Hurricane Ivan insurance claim receivable	1,411,281	(1,747,311)
Prepayments and other receivables	231,707	(297,042)
Inventories	(33,257)	(43,217)
Biological assets - secondary herd	66,820	(175,124)
Accounts payable	(685,917)	496,873
Accruals	1,140,628	334,353
Provision for pensions payable	162,221	(12,823)
Provision for severance pay liability	(3,404)	(3,403)
Net cash used in operating activities	(1,464,653)	(274,042)
Cash flows from investing activities		
Purchases of property, plant and equipment	(16,916,227)	(16,033,884)
Decrease in fixed deposits		
- Restricted	2,123,512	1,508,127
- Unrestricted	<u>12,781,639</u>	<u>15,311,408</u>
Net cash (used in)/provided by investing activities	(2,011,076)	<u>785,651</u>
Cash flows from financing activities		
Repayments of long-term bank debt	(55,354)	(66,657)
Proceeds from issuance of new long-term bank debt	<u>2,856,000</u>	<u>-</u>
Net cash generated by/(used in) financing activities	<u>2,800,646</u>	(66,657)
(Decrease)/increase in cash and cash equivalents	(675,083)	444,952
Cash and cash equivalents at beginning of year	<u>1,448,490</u>	<u>1,003,538</u>
Cash and cash equivalents at end of year	<u>\$ 773,407</u>	<u>\$ 1,448,490</u>
Supplementary information:		
Interest paid (including amounts capitalised as borrowing costs)	\$ 1,905,793	\$ 1,871,079
Interest received (including amounts netted with borrowing cost)	\$ 250,192	\$ 244,564

The accompanying notes are an integral part of these financial statements.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2006

(Expressed in Cayman Islands dollars)

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, arising from the implementation of a worldwide ban on the export of turtle products a number of years ago, the Company shifted its primary objective to operating as a tourist attraction, including a gift shop. 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 the sea turtles within the waters of the Cayman Islands.

The Company's address is 825 North West Point, West Bay, Grand Cayman. As at 30 June 2006, the Company had a staff complement of 82 (30 June 2005: 40).

During the year ended 30 June 2004, the Company commenced a major development called The Boatswain's Beach Project (the "Project"). The Project consists of a marine park and related developments on a 23.5 acre site located in West Bay, Grand Cayman. The Company's facilities remained open during the construction of the Project. The marine park includes a shopping bazaar, a turtle interactive area, educational pavilion, hatchery and science laboratory, fresh water pool, saltwater snorkel lagoon, predator tank, a crocodile marsh, a nature trail and aviary. Phase I of the Project, representing the Turtle Farm, was opened to the public in September 2005. Phase II of the project, representing The Boatswain's Beach, was opened to the public in November 2006. The financing of the Project is discussed in Notes 2, 8 and 9 below.

See Note 2 for discussion of matters relating to the ability of the Company to continue as a going concern.

2. Going concern

Historically, the Company has been able to realize its assets and discharge its liabilities in the normal course of business. However, cost overruns in the overall cost of the Project, delays in completing the Project, lower than projected visitor numbers and spend, and operating costs in excess of those budgeted, have given rise to significant business risks that cast uncertainty on the Company's ability to continue as a going concern.

The matters described above have resulted in significant operational losses to the Company during the year ended 30 June 2006 and through the date of approval of these financial statements. 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 interest free loans from Government. Furthermore, operational results subsequent to 30 June 2006 indicate that the Company continues to generate significant losses from operations and experience cash flow difficulties.

In September 2006, the Company further sought and was granted support for Project and operational funding from Government through way of a Government guarantee for US\$8.8 million. This funding was completed in September 2006 by way of a loan facility from Cayman National Bank ("CNB").

However, the funds advanced under the US\$8.8 million funding facility proved insufficient and the Company has since sought direct support from Government to fund ongoing operations, to enable the Company to meet its liabilities and to continue as a going concern. This additional support from Government was provided in the form of both interest free loans and equity injections. Total funds approved by Government subsequent to 30 June 2006 are shown below.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2006

(Expressed in Cayman Islands dollars)

2. Going concern (continued)

Facility Type	Appropriation Law reference	Amounts approved	Amounts advanced
Interest free loan	LM 6 (FY 2007)	6,862,284	6,862,264
Interest free loan	LM 6 (FY 2008)	<u>939,000</u>	<u>919,867</u>
Total interest free loans, approved and advanced		<u>7,801,284</u>	<u>7,782,131</u>
Equity Injection	EI 49 (FY 2008)	8,565,489	8,561,233
Equity Injection	EI 49 (FY 2009)	8,064,000	8,064,000
Equity Injection	EI 49 (FY2010)	<u>3,000,000</u>	<u>420,000</u>
Total equity injections, approved and advanced		<u>19,629,489</u>	<u>17,045,233</u>
Total funding, approved and advanced from Government		<u>\$27,430,773</u>	<u>\$24,827,364</u>

In addition, the Government also approved a further US\$5.4 million of funding to be covered by a letter of undertaking. Upon completion of funding arrangements with a financial institution, US\$2.6 million is immediately repayable to Government. The Company was able to secure an overdraft facility with FirstCaribbean International Bank (Cayman) Limited for an amount of US\$5.4 million. As of the date of approval of these financial statements, the Government has not sought repayment of the US\$2.6 million.

In May 2009, the Company also obtained a new variable rate loan from FirstCaribbean International Bank (Cayman) Limited for US\$2.8 million to assist with ongoing working capital requirements and other operational expenditures, secured on the basis of an unconditional guarantee from Government. The term of this loan is for 2 years, renewable at the lenders discretion.

During the year ended 30 June 2006, and subsequently, the Company reviewed and increased the admission prices to the park in light of the substantial increase in the facilities available to the public, and in order to improve the cash flow and financial position of the Company. Management will continue to review the admission prices going forward to maximise the number of visitors to the farm. Management is of the view that the revised pricing structure for visitors will contribute positively to the cash flows and financial position of the Company to enable it to meet its on-going obligations as they fall due.

In the absence of the ongoing support of Government, the Company would likely experience significant difficulties in continuing its operations as a going concern, and consequently may be unable to realize its assets and discharge its liabilities in the normal course of business (Note 13). Management believes that the continued financial support of Government will be adequate to allow the Company to continue as a going concern.

3. Accounting policies

Basis of preparation: These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), under the historical cost convention modified by the valuation of biological assets at fair value. As outlined in Note 2 above, 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 this basis of preparation to be appropriate.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2006

(Expressed in Cayman Islands dollars)

3. Accounting policies (continued)

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 disclosures 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 judgement 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 and equipment (Note 6), the provision for pensions payable (Note 10) and the valuations attributed to both the secondary and breeder herds (Note 5).

A) Amendment to published standards effective in the year ending 30 June 2006:

The Company has adopted the new and revised standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the IASB that are relevant to the Company's operations and effective for annual reporting periods beginning on 1 July 2005. The adoption of these new and revised standards and interpretations during the year ended 30 June 2006 did not have any significant impact on the Company's financial statements, or result in any changes to the Company's accounting policies, other than increased disclosures.

B) Relevant standards and amendments issued prior to 30 June 2006 but not effective until future periods:

As at the date of approval of these financial statements, certain standards and interpretations were in issue but not yet effective. Management anticipates that the adoption of these new standards and interpretations in the related future periods will have no material financial impact on the financial statements of the Company.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

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 trading income - farm operations.

Biological assets - Breeder herd: It is management's policy to differentiate between turtles which were acquired from the wild and which management will not slaughter but will release at the end of their breeding lives, and farm-bred turtles which may be slaughtered once they reach the end of their breeding lives. Mature turtles (i.e. those that have reached breeding age) which were acquired from the wild are depreciated on a straight-line basis over their estimated breeding lives of twenty years. Mature farm-bred turtles have an estimated residual value which exceeds cost and, consequently, are not depreciated after attaining their residual value. Those turtles which have not reached maturity are not depreciated.

The direct costs of maintaining the breeder herd are allocated between the mature turtles and those that have not yet reached maturity. The costs allocated to the mature turtles, together with the depreciation of these turtles, are expensed in the statement of trading income - farms operations. The costs allocated to those turtles which have not yet reached maturity are capitalised into the value of the breeder herd.

Allocation of expenses: Operating expenses are allocated to the functional trading accounts based on actual usage, specific identification or by judgmental allocation, as appropriate.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2006

(Expressed in Cayman Islands dollars)

3. Accounting policies (continued)

Inventories of marketable products: Farm produced marketable products are valued at net realisable value.

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

Inventories of feed and other supplies: Feed and other supplies are valued using the weighted average cost basis.

Property, plant and equipment: Property, plant and equipment 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	10 - 20 years
Plant and equipment	4 - 10 years
Motor vehicles	3 years
Furniture and office equipment	4 - 5 years
Exhibits	6 years

Cost comprises the purchase price of an asset and 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).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amounts. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of income.

New and redeveloped assets are not depreciated until the assets are placed into service (such assets are classified under "Construction in Progress" in the table in Note 6). Capitalized cost includes direct labour and benefits for employees specifically identified with the project.

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

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

Notes issued: The liability under the Guaranteed Senior Notes (the "Notes") is initially recognized at "cost", being the issue proceeds net of transaction costs incurred (as defined below). The liability is subsequently stated at amortized cost and the difference between the net proceeds of the issue of the Notes and the principal amount of the Notes is amortized 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" below.

Transaction costs include those incremental fees, commissions and payments to agents and advisors that are directly attributable to the Notes issuance. Costs associated with feasibility studies related to possible financing alternatives and with any abandoned financing options are expensed in the period incurred.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2006

(Expressed in Cayman Islands dollars)

3. Accounting policies (continued)

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 period in which they are incurred.

Interest income and expense: Interest income and expense are recorded on the accrual basis using the effective interest method in the statement of income. However, 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.

Cash and cash equivalents: Cash and cash equivalents comprise cash on hand and balances with banks on demand and at short notice. Cash and cash equivalents do not include fixed deposits (both restricted and unrestricted) which have original maturities of up to 3 months.

Accounts receivable: Accounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the statement of income.

Foreign currency translation:

(a) **Functional and presentation currency:** The functional currency of the Company is the United States dollars. These financial statements are presented in Cayman Islands dollars as this is the currency of the environment in which the Company operates in.

The Company translates its United States dollars into Cayman Islands dollars at a fixed rate of CI\$0.84 to US\$1.00.

(b) **Transactions and balances:** Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2006

(Expressed in Cayman Islands dollars)

3. Accounting policies (continued)

Employee benefits:

(a) **Defined contribution pension plans:** The Company's contributions are charged to the statement of income in the period to which the contributions relate (Note 10(a)).

(b) **Defined benefit plans:** Pension costs are recognized 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 income 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 recognized immediately when advised to the Company.

As more fully explained in Note 10(b), when the Company lacks sufficient information to allow it to apply the defined benefit plan accounting described in the immediately preceding paragraph, it accounts for its participation in a defined benefit plan as if it were a participation in a defined contribution plan.

(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 (Note 10(c)).

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.

4. Restricted fixed deposits

As at 30 June 2006, the Company held no restricted fixed deposits. As at 30 June 2005, \$1,871,512 was held at Wells Fargo Bank Northwest, N.A. ("Wells Fargo") in a segregated account intended to be used solely for payment of interest on the Notes (Note 8) and \$252,000 of cash deposit at CNB was pledged in respect of a Customs Bond.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2006

(Expressed in Cayman Islands dollars)

5. Biological assets

Secondary herd:

Movements in the carrying value of the secondary herd were as follows:

	<u>2006</u>	<u>30 June</u> <u>2005</u>
Carrying value, at beginning of year	<u>1,527,182</u>	<u>1,352,058</u>
Change attributable to differences in fair values	(111,323)	174,582
Biological transformation	466,919	377,310
Sales, at year end fair values	(422,416)	(376,768)
Net change in biological assets included in income	(66,820)	<u>175,124</u>
Carrying value, at end of year	<u>\$ 1,460,362</u>	<u>\$ 1,527,182</u>

Biological transformation comprises the net effect of births, deaths and other losses, and growth within the secondary herd, measured at period end fair values.

As at 30 June 2006 and 2005, due to the continuing limitations surrounding the market for the products of the secondary herd (Note 1), the Company's inventory of shells continue to be valued at \$Nil (2005: \$Nil).

Breeder herd:

Movements in the net book value of the breeder herd were as follows:

	<u>2006</u>	<u>30 June</u> <u>2005</u>
Net book value, at beginning of year	<u>228,647</u>	<u>170,966</u>
Mortalities during the year	(500)	(500)
Additions and growth during the year	<u>83,153</u>	<u>58,181</u>
Net change in biological assets included in income	<u>82,653</u>	<u>57,681</u>
Net book value, at end of year	<u>\$ 311,300</u>	<u>\$ 228,647</u>

Additions during the year comprise the costs attributable to new breeders added and weight gained during the year (Note 3). During the year ended 30 June 2006, 41 (2005: Nil) new breeders were added to the herd.

As of 30 June 2006 and 2005, livestock inventory was not insured against loss due to the unavailability of commercial coverage for livestock losses.

Management's estimates for the fair value of the breeder herd is in excess of the cost recorded based on their assessments of the numbers of expected annual hatchlings into the future, the fertility profile of existing turtles, and other facts and circumstances in relation to the turtle environment.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

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6. Property, plant and equipment

Property, plant and equipment comprise:

As of 30 June 2006:

	<u>Land</u>	<u>Construction in Progress</u>	<u>Buildings</u>	<u>Plant & Equipment</u>	<u>Motor Vehicles</u>	<u>Furniture & Office Equipment</u>	<u>Exhibits</u>	<u>Total</u>
Cost								
As at 30 June 2005	1,251,349	19,909,013	1,875,384	2,869,868	180,081	399,832	-	26,485,527
Transfers	-	(7,004,808)	6,432,014	231,284		341,510	-	-
Disposals		(57,403)	(518,722)	(330,200)	(46,244)	(361,200)		(1,313,769)
Additions	<u>-</u>	<u>15,875,426</u>	<u>-</u>	<u>187,610</u>	<u>26,425</u>	<u>537,877</u>	<u>288,891</u>	<u>16,916,229</u>
As at 30 June 2006	<u>1,251,349</u>	<u>28,722,228</u>	<u>7,788,676</u>	<u>2,958,562</u>	<u>160,262</u>	<u>918,019</u>	<u>288,891</u>	<u>42,087,987</u>
Accumulated Depreciation								
As at 30 June 2005	-	-	745,126	803,211	80,931	358,868	-	1,988,136
Disposals	-	-	(308,296)	(234,854)	(23,852)	(379,508)	-	(946,510)
Charge for the period	<u>-</u>	<u>-</u>	<u>324,358</u>	<u>184,483</u>	<u>49,307</u>	<u>198,958</u>	<u>4,012</u>	<u>761,118</u>
As at 30 June 2006	<u>-</u>	<u>-</u>	<u>761,188</u>	<u>752,840</u>	<u>106,386</u>	<u>178,318</u>	<u>4,012</u>	<u>1,802,744</u>
Net Book Value								
As at 30 June 2006	<u>\$ 1,251,349</u>	<u>\$28,722,228</u>	<u>\$ 7,027,488</u>	<u>\$ 2,205,722</u>	<u>\$ 53,876</u>	<u>\$ 739,701</u>	<u>\$ 284,879</u>	<u>\$40,285,243</u>
As at 30 June 2005	<u>\$ 1,251,349</u>	<u>\$19,909,013</u>	<u>\$ 1,130,258</u>	<u>\$ 2,066,657</u>	<u>\$ 99,150</u>	<u>\$ 40,964</u>	<u>\$ -</u>	<u>\$24,497,391</u>

Subsequent to year end, during July 2006, Exhibits with a value of \$71,939 comprising six sharks and certain fishes died due to a problem with their life support system. Included in Exhibits at the year end 30 June 2006 are approximately \$55,000 of direct costs associated with these sharks and fish. The value of these lost sharks and fish will be recorded as a loss in the statement of income during the year ended 30 June 2007.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2006

(Expressed in Cayman Islands dollars)

6. Property, plant and equipment (continued)

As of 30 June 2005:

	<u>Land</u>	<u>Construction in Progress</u>	<u>Buildings</u>	<u>Plant & Equipment</u>	<u>Motor Vehicles</u>	<u>Furniture & Office Equipment</u>	<u>Total</u>
Cost							
As at 30 June 2004	1,072,799	4,245,802	1,933,682	2,902,065	113,316	396,969	10,664,633
Disposals	-	-	(75,175)	(123,712)	(14,103)	-	(212,990)
Additions	<u>178,550</u>	<u>15,663,211</u>	<u>16,877</u>	<u>91,515</u>	<u>80,868</u>	<u>2,863</u>	<u>16,033,884</u>
As at 30 June 2005	<u>1,251,349</u>	<u>19,909,013</u>	<u>1,875,384</u>	<u>2,869,868</u>	<u>180,081</u>	<u>399,832</u>	<u>26,485,527</u>
Accumulated Depreciation							
As at 30 June 2004	-	-	723,429	645,128	51,577	289,629	1,709,763
Disposals	-	-	(75,175)	(123,712)	-	-	(198,887)
Charge for the period	-	-	<u>96,872</u>	<u>281,795</u>	<u>29,354</u>	<u>69,239</u>	<u>477,260</u>
As at 30 June 2005	-	-	<u>745,126</u>	<u>803,211</u>	<u>80,931</u>	<u>358,868</u>	<u>1,988,136</u>
Net Book Value							
As at 30 June 2005	<u>\$ 1,251,349</u>	<u>\$19,909,013</u>	<u>\$ 1,130,258</u>	<u>\$ 2,066,657</u>	<u>\$ 99,150</u>	<u>\$ 40,964</u>	<u>\$24,497,391</u>
As at 30 June 2004	<u>\$ 1,072,799</u>	<u>\$4,245,802</u>	<u>\$ 1,210,253</u>	<u>\$ 2,256,937</u>	<u>\$ 61,739</u>	<u>\$ 107,340</u>	<u>\$8,954,870</u>

Disposals for the year ended 30 June 2005 include assets lost due to Hurricane Ivan (Note 11).

At 30 June 2006 and 2005, the "Construction in Progress" caption includes the property, plant and equipment related to Project discussed in Note 1, directly attributable architects, project management and other similar professional fees and expenses and certain borrowing cost directly related to the issue of the Notes (Note 8). The borrowing cost capitalized in the year under the accounting policies explained in Note 3 comprises:

	<u>2006</u>	<u>2005</u>
Gross capitalised interest paid, including accrued interest	1,607,148	2,208,838
Interest income earned	(232,528)	(381,740)
Amortisation of borrowing/transaction costs	<u>106,195</u>	<u>113,731</u>
	<u>\$ 1,480,815</u>	<u>\$ 1,940,829</u>

Certain of the Company's land have charges registered on them in connection with a loan from CNB (Note 9).

7. Contributed surplus

During the year ended 30 June 2004, the Company's shareholder donated land with a value of \$195,000 to the Company. This donation was recorded as an addition to Land within Property, plant and equipment and a credit to Contributed Surplus on the balance sheet during that year.

As outlined in Note 2, subsequent to year end, the Company received two equity injections from the shareholder (Note 2). These equity injections will be accounted for as a contributed surplus in future periods in which they are received.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2006

(Expressed in Cayman Islands dollars)

8. Guaranteed Senior Notes

During the year ended 30 June 2004, pursuant to a confidential placement memorandum, the Company issued Guaranteed Senior Notes (the "Notes") in the amount of US\$44,600,000 (equivalent to CI\$37,464,000) primarily for the purpose of funding The Boatswain's Beach Project.

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. The Notes mature on 1 March 2019 and bear interest at a fixed rate of 4.85% per annum, payable quarterly in arrears. Quarterly payments commenced on 2 June 2004. The first 9 quarterly payments are interest only and quarterly payments of principal and interest payments commenced on 1 September 2006. The principal amount of the Notes will then amortize quarterly to an approximate final principal payment of US\$5,400,000 (\$4,536,000) due 1 March 2019.

The anticipated repayment schedule as of 30 June 2006 is:

	<u>2006</u>	<u>30 June</u> <u>2005</u>
Due within one year	2,271,772	174,630
Due between 2 and 5 years	13,375,424	12,678,587
Due in more than 5 years	<u>28,778,174</u>	<u>31,746,783</u>
	US\$ <u>44,425,370</u>	US\$ <u>44,600,000</u>
	CI\$ <u>37,317,310</u>	CI\$ <u>37,464,000</u>

Wells Fargo is appointed to receive payments on the Notes from the Company and acts as paying agent for the interest and principal. To secure the Company's obligation for interest payments, US\$4,800,880 (equivalent to \$4,032,739) of the issuance proceeds was deposited in a segregated account with Wells Fargo, to be used only to meet the Company's obligations under the Notes. As of 30 June 2006 the balance in this segregated account was \$Nil (2005: \$1,871,512) (Note 4).

The Company has the right to prepay all or a portion of the Notes after 12 March 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 US Treasury obligation having a maturity equal to the then remaining life of the Notes.

Movements in the carrying value of the Notes in the year to 30 June were:

	<u>2006</u>	<u>2005</u>
Carrying value at beginning of year	36,238,041	36,124,310
Add: Amortization of transaction costs in the period to 30 June	<u>119,925</u>	<u>113,731</u>
Carrying value at end of year	<u>\$36,357,966</u>	<u>\$36,238,041</u>

Unamortized transaction cost amounted to \$1,106,034 at 30 June 2006 (2005: \$1,225,959). \$106,195 (2005: \$113,731) of the transaction costs amortized in the year ended 30 June 2006 has been included in capitalized borrowing costs and added to the cost of the Project (Note 6). During the years ending 30 June 2006 and 2005, the effective yield on the Notes, after taking into account the coupon rate and amortisation of costs, is approximately 5.3385%.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2006

(Expressed in Cayman Islands dollars)

9. Long-term bank debt

The Company has two loan facilities and an overdraft facility with CNB as at 30 June 2006 (2005: one).

Facility 1:

On 30 October 2002 the Company obtained a loan facility from CNB for the redevelopment of certain buildings and other structures damaged by Hurricane Michelle which occurred on 4 November 2001.

	<u>2006</u>	<u>30 June</u> <u>2005</u>
On demand, meanwhile repayable at US\$10,977 per month over a term of 10 years	<u>1,000,000</u>	<u>1,000,000</u>
Total loan facility available to the Company	US\$ <u>1,000,000</u>	US\$ <u>1,000,000</u>
Equivalent to	CIS <u>840,000</u>	CIS <u>840,000</u>

The loan facility is for a period of 10 years and bears a floating rate of interest set at US dollar prime rate + 1%, reset monthly. The effective rate at 30 June 2006 was 8.19% (2005: 6.25%).

The loan facility is secured by (1) a floating debenture over the Company's assets to cover US\$1,500,000 and (2) first legal charge over certain land and buildings to cover US\$1,500,000 (Note 6).

Under the terms of the financing agreement with CNB, which includes both loan facilities and the overdraft, the Company is required to provide audited financial statements to CNB within 90 days of the year end. The Company has not fulfilled this requirement of the loan agreement for the financial years ending 30 June 2006 and 30 June 2005. As of the date of approval of these financial statements, no adverse action was taken against the Company by CNB arising from failure to comply with this covenant.

Facility 2:

During the year ended 30 June 2006, the Company negotiated a loan facility of US\$3,400,000 from CNB which is secured by a guarantee from the Government. On 28 June 2006, this loan was fully drawn down. The proceeds of this loan are to assist with budget shortfalls in connection with the redevelopment.

On demand, meanwhile repayable at US\$37,196 per month over a term of 10 years	<u>3,400,000</u>
Total loan facility available to the Company	US\$ <u>3,400,000</u>
Equivalent to	CIS <u>2,856,000</u>

The loan facility is for a period of 10 years and bears a floating interest rate of US dollar prime rate +1%, reset monthly. The effective interest rate on this loan for the year ended 30 June 2006 was 8.50%.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2006

(Expressed in Cayman Islands dollars)

9. Long-term bank debt (continued)

Overdraft:

During the year ended 30 June 2006, the Company negotiated an overdraft facility of US\$1,600,000 from CNB, which is secured by a guarantee from the Government. As at 30 June 2006, the overdraft facility was not drawn down. The purpose of this overdraft facility is to provide assistance with operational capital requirements.

The overdraft facility bears a floating interest rate of US dollar prime rate +1%, reset monthly. The overdraft will, *inter alia*, be repayable on demand and subject to review from time to time by CNB.

The combined anticipated principal repayment schedule for both loans facilities are as follows:

	<u>2006</u>	<u>30 June</u> <u>2005</u>
Due within one year	578,076	131,724
Due between 2 and 5 years	1,734,228	395,172
Due in more than 5 years	<u>1,820,007</u>	<u>271,314</u>
	US\$ <u>4,132,311</u>	US\$ <u>798,210</u>
Equivalent to	CI\$ <u>3,471,142</u>	CI\$ <u>670,496</u>

10. Pension costs and severance pay

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 in (a) and (b) below. The Plan is a multi-employer plan administered by the Public Service Pensions Board ("the Pensions Board").

- a) **Defined contribution program:** the Company and the employee each contribute 6% of the employee's salary or wage each year. Contributions of \$129,749 relating to the year ended 30 June 2006 (2005: \$55,890) were made by the Company and included in the determination of operating income. The Company has no obligation to make contributions to the Plan in excess of its 6% share.
- b) **Defined benefit program:** Employees who served with the Company prior to 1 January 1990 are enrolled in the Plan's defined benefit program. Prior to 30 June 2006, the Company did not have sufficient information with respect to the Company's proportionate share of the Plan's assets and liabilities, and the annual changes therein, to enable the Company to use defined benefit plan accounting as prescribed by International Accounting Standard 19: "Employee Benefits" ("IAS 19"). Therefore, the Company follows an allowable option in IAS 19 and accounts for its participation in the Plan's defined benefit program as if it were a participation in a defined contribution plan.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2006

(Expressed in Cayman Islands dollars)

10. Pension costs and severance pay (continued)

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 recognized as an expense in the period incurred. The Company is also obligated to make payments into 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 recognizes 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 advised to it. 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.

Subsequent to year end, in March 2008, the Company was provided with a new actuarial valuation report (dated 14 March 2008) for the year ended 30 June 2006. The actuarial valuation was performed by the Pensions Board.

The following information has been extracted from the 14 March 2008 report in respect of the defined benefit program of the Plan as at 30 June 2006.

Movements in the “Provision for pensions payable” comprise:

	<u>2006</u>	<u>30 June</u> <u>2005</u>
Provision at beginning of year	<u>581,779</u>	<u>594,602</u>
Opening balance adjustment, in respect of year ending 30 June 2005*	70,221	-
Pension expense for the year	172,000	-
Less: Payments made during the year	(80,000)	(12,823)
Net change in provision for severance pay	<u>162,221</u>	(12,823)
Provision at end of year	<u>\$ 744,000</u>	<u>\$ 581,779</u>

* This opening balance adjustment of \$70,221 as at 1 July 2005 represents an adjustment to the provision for pensions payable as at 1 July 2005 as reported in the actuarial report dated 14 March 2008.

Reconciliation of funded status:

	<u>30 June</u> <u>2006</u>
	\$'000
Company's share of	
Defined benefit obligation	1,725
Fair value of Plan assets	(1,014)
Funded status	711
Unrecognised past service cost	-
Unrecognised actuarial gains	<u>33</u>
Defined benefit liability	<u>\$ 744</u>

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2006

(Expressed in Cayman Islands dollars)

10. Pension costs and severance pay (continued)

Components of the pension expense for the year:

	<u>30 June</u> <u>2006</u>
	\$'000
Current service costs	125
Interest cost	95
Expected return on assets net of expense	(59)
Recognition of net loss	<u>11</u>
Pension expense	\$ <u>172</u>

Movement in defined benefit obligations during the year:

	<u>30 June</u> <u>2006</u>
	\$'000
Defined benefit obligation at beginning of year	1,824
Current service cost	125
Interest cost	95
Plan participant contributions	54
Net actuarial gain	(373)
Defined benefit obligation at end of year	\$ <u>1,725</u>

Movement in fair value of scheme assets during the year:

	<u>30 June</u> <u>2006</u>
	\$'000
Fair value of scheme assets at beginning of year	814
Employer contributions	80
Plan participant contributions	54
Expected return on assets net of expense	59
Asset gain	<u>7</u>
Fair value of scheme assets at end of year	\$ <u>1,014</u>

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2006

(Expressed in Cayman Islands dollars)

10. Pension costs and severance pay (continued)

The distribution of the Plan assets at 30 June 2006 is as follows:

	<u>30 June 2006</u>
Global Equities	58.7%
Bonds	37.0%
Other	3.7%
Cash	<u>0.6%</u>
	<u>100.0%</u>

The principal actuarial assumptions are as follows:

	<u>30 June 2006</u>
A. Cost Method -	Projected Unit Credit
B. Economic Assumptions	
1. Discount Rate	6.25%
2. Expected long-term rate of return (net of Expense)	7.00%
3. Salary Increase	4.00%
4. Future Pension Increases	2.50%
5. Expected remaining working lives (years)	13.3
C. Other Assumptions	
6. Mortality -	
	Standard U.S. mortality rates
7. Retirement Age	Completion of age 57 and 10 years of service
D. Asset Valuation	Fair (Market) Value

Comparative disclosures for the year ended 30 June 2005 are not available.

- c) 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 30 June 2006 (2005: Nil) and the total liability of the Company in respect of past service benefits for retired employees is approximately \$31,190 (2005: \$34,594).

11. Hurricane impact

On 12 September 2004, the Cayman Islands were hit by Hurricane Ivan. Extensive damage was caused by this Hurricane including damage to the Company's assets and loss of earnings. As a result, the Company filed an insurance claim totalling approximately \$2,700,000 in respect of property and equipment damage, loss of inventories of marketable products, feed and other supplies, and loss of profits from business interruption. The total ultimately received by the Company was \$1,847,311, of which \$336,030 (2005: \$1,747,311) was outstanding at the balance sheet date. Management anticipate that additional recoveries are unlikely and, therefore, any amounts collected in respect of the remaining unsettled balance of the claim, if any, will only be recognized when receipt becomes certain.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2006

(Expressed in Cayman Islands dollars)

11. Hurricane impact (continued)

The insurance settlement as recorded in the statement of income in the year ended 30 June 2005 arising from the claim has been recorded net of the net book value of fixed assets, livestock, feed and all supplies lost or destroyed.

Insurance settlement	
Funds received between 12 September 2005 to 30 June 2005	100,000
Funds received between 1 July 2005 to 30 June 2006	1,411,281
Funds received between 1 July 2006 to 2 August 2006	<u>336,030</u>
Total proceeds from claim	1,847,311
Less: Net book value of assets destroyed	(254,421)
Net gain on Hurricane Ivan insurance claim	<u>\$ 1,592,890</u>

12. Share capital

	Year ended	
	<u>30 June</u>	
	<u>2006</u>	<u>2005</u>
Authorized:		
400,000 Ordinary Shares of \$3.00 each	1,200,000	1,200,000
50,000 Ordinary Shares of \$1.00 each	<u>50,000</u>	<u>50,000</u>
Total authorized	<u>\$ 1,250,000</u>	<u>\$ 1,250,000</u>
Issued and Fully Paid:		
400,000 Ordinary Shares of \$3.00 each	1,200,000	1,200,000
50,000 Ordinary Shares of \$1.00 each	<u>50,000</u>	<u>50,000</u>
Total issued	<u>\$ 1,250,000</u>	<u>\$ 1,250,000</u>

13. Financial instruments - risks

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk.

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 creditworthy. Financial assets which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, fixed deposits, trade receivables and amounts due from insurer in respect of Hurricane Ivan.

The main credit risk to the Company is the potential loss that would be incurred if the counterparty to the bank balances or trade receivables failed to discharge their obligations to repay. All bank balances are placed with three financial institutions, two located in the Cayman Islands (CNB and FirstCaribbean International Bank (Cayman) Limited), and the other (Wells Fargo) located in the United States which management considers to be of good standing. The Company has no other significant concentrations of credit risk.

CAYMAN TURTLE FARM (1983) LIMITED

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13. Financial instruments – risks (continued)

As at 30 June 2006 and 2005, no provision for doubtful receivables has been made as none of these assets are past due nor impaired and management consider all amounts to be recoverable in full.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. No collateral is required from the Company's debtors.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when 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 predict and manage the Company's expected cash outflows. Due to the dynamic nature of the underlying businesses, the Company maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Company's liquidity reserve (comprising the undrawn borrowing facility (Note 9) and cash and cash equivalents (Note 4)) on the basis of expected cash flows. Furthermore, subsequent to year end, the Company has relied significantly on the support from Government, as shareholder, to provide funds in the form of bank guarantees, equity injections, and interest free loans. The ability of the Company to meet its obligations is heavily dependent on the ongoing financial support provided by Government (Note 2).

As at 30 June 2006 and 2005, accounts payable, accruals and interest payable are all due within 3 months of the balance sheet dates.

The repayment dates on the long-term bank debt and Notes are as shown in Notes 8 and 9 above.

Interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its cash and cash equivalents and fixed deposits held with financial institutions, the long term bank debt and the Notes. The cash and cash equivalents include amounts placed with banks which are due on demand and so management consider that interest rate risk exposure is non-existent. The fixed deposits are placed at prevailing rates for periods less than three months to mitigate any such risk. As outlined in Note 9 above, the long term bank debt bears floating rates of interest which are reset monthly; consequently the Company is exposed to cash flow interest rate risk when market rates move.

As outlined Note 8 above, as the Notes were issued at fixed rates there is no cash flow interest rate risk. However, the Company is exposed to a fair value interest rate risk should the market for similar secured instruments vary.

14. Financial instruments – fair values

At 30 June 2006 and 2005 the carrying amounts of cash and cash equivalents, fixed deposits, accounts receivables, Hurricane Ivan insurance claim receivable, accounts payable and accruals and interest payable due approximated their fair values due to their short term maturities. The carrying value of the long-term bank debt approximates their fair value as they are priced at floating rates of interest which re-price on a monthly basis. In the opinion of management, the carrying amount of the Notes approximated their fair value as of 30 June 2006 and 2005.

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15. Commitments

Subsequent to 30 June 2006, the Company had capital expenditure of approximately \$8m in relation to acquisition of property, plant and equipment for the Project.

16. Contingencies

The Company is in a dispute with one of the contractors for the Project. The contractor has filed a claim under section 19 of the contract for \$530,000 for extra cost associated with their structural concrete contract. The Company has made a counter claim for reimbursement of "an on account payment" made to the contractor of \$221,044. The "on account payment" to the contractor is included in property, plant and equipment under the caption "Construction in Progress". As of the date of approval of these financial statements, the outcome of this dispute could not be reasonably estimated with any degree of certainty.

17. Discharge permit

The operations of the Company are such that it requires a discharge permit from the Water Authority of the Cayman Islands (the "Water Authority") in order to discharge waste water from turtle tanks into the environment. During the years ended 30 June 2006 and 2005, the Company did not hold such a discharge permit and was therefore not compliant with the environmental laws of the Cayman Islands.

Subsequent to year end, management initiated the process to obtain a discharge permit. After a period of collaboration with the Water Authority to resolve the matter, a permit was granted on 1 October 2008. The failure of the Company to comply with the various environmental laws left the Company exposed to possible litigation and the imposition of fines through possible court action. As at the date of approval of these financial statements, no legal action had been initiated against the Company or fines levied. The permit issued is for a period of two years from the date of grant, subject to various terms and conditions. Among those terms and conditions is a requirement that the Company reduce its effluent discharge by 50% by 1 July 2009. The Company engaged external consultants to ensure compliance with the terms of the permit and the relevant laws. However, as of 1 July 2009 and through the date of approval of these financial statements, the Company did not meet the 50% reduction criteria. The Company continues to work with Water Authority to remedy this situation.

18. Planning permit

Arising from the development of the Project, the Company is required to hold planning permits (or Certificates of Occupancy ("CO")) from the Planning Department. However, as at 30 June 2006, the Company did not hold any of the required CO's from the Planning Department. These planning permits were required to be obtained under the Planning law of the Cayman Islands for, *inter alia*, authorization of electrical utility power connection. All CO's should have been handed over to the Company post construction by the building construction management team, however this did not come to pass.

Subsequent to year end, management has engaged various building contractors, structural engineers and electricians to work on the matter with a view of obtaining the required permits to ensure compliance with the regulations. As of the date of approval of these financial statements, management has successfully obtained a number of the permit required and is proactively working with the Building Control Unit of the Planning Department to resolve the status of the remaining permits. To date, no known litigation or other negative enforcement action has been initiated by the Planning Department against the Company as a result of the failure to comply with the regulations.

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19. Related party transactions & 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.

All of the activities with other government entities, and related parties have been conducted at an arms length basis other than those relating to the significant financial support from the Shareholder as described in Note 2.

During the year ended 30 June 2004, the Company was granted a duty exemption of 50% on all materials imported by the Company for the Project up to a total value of \$1.8 million from the Government. In accordance with the relevant IFRS pronouncement, no account was taken of this exemption in the amounts included in these financial statements.

Total remuneration earned by key management during the year was \$404,273 (2005: \$396,523).

All of the members of the Board of Directors are voluntary and do not receive any remuneration or benefits for services rendered.

20. Taxation

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

21. Comparative figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

22. Subsequent events

Subsequent events are as disclosed in Notes 2, 6, 7, 15, 16 and 17 of these financial statements.

23. Operating Leases

In November 2003 the Cayman Turtle Farm agreed to lease an area of 46,400 sq feet to Dolphin Discovery for construction of a dolphin park. The lease is a non-cancellable operating lease and receipts, which commenced in July 2006, are expected to be received as follows:

Not later than one year	CIS 200,000
Later than one year and not later than 5 years	CIS 960,000
Later than five years	CIS Nil