

CAYMAN TURTLE FARM (1983) LIMITED

FINANCIAL STATEMENTS

30 JUNE 2005

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER 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 2005 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

As explained in footnote 7(b), the financial statements at 30 June 2005 include a provision of CI\$1,305,779 for past service pension benefits. This provision is based upon an actuarial valuation conducted several years ago and the results of the most recent actuarial valuation, as of 1 January 2005, indicates an unfunded liability of CI\$496,241 at that date, although such lower amounts is based on valuation which the Public Service Pension Board has advised management is not suitable for reporting under IAS 19. We have not been able to carry out the necessary procedures to allow us to assess the Company's liability for the past service pension benefits at 30 June 2005 and, accordingly, we are unable to determine whether the amount recorded in the financial statements is a reasonable estimate of the Company's liability for such benefits at 30 June 2005.

Qualified Opinion

In our opinion, except for the adjustments, if any, as might have been determined to be necessary in respect of the matter discussed in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as of 30 June 2005, 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 12, 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.

PricewaterhouseCoopers

13 August 2007

CAYMAN TURTLE FARM (1983) LIMITED

STATEMENT OF INCOME

(Expressed in Cayman Islands dollars)

	For the year ended <u>30 June</u>	
	<u>2005</u>	<u>2004</u>
Trading income - net		
Retail operations - net (page 5)	1,365,123	1,969,114
Farm operations - net (page 6)	(849,351)	(743,450)
Total net trading income	515,772	1,225,664
Other operating income/(expense)		
Investment income	12,561	9,014
Administration and overheads	(990,624)	(755,978)
Research expenses	(198,701)	(173,855)
Marketing expenses	(47,284)	(122,962)
Interest expense	(43,991)	(39,416)
Realised loss on sale of investments	_____ -	(11,960)
Total net operating (loss)/income	(752,267)	130,507
Other income/(expense)		
Other borrowing costs (Note 9)	-	(1,343,989)
Net insurance claim recovery (Note 8)	<u>1,592,890</u>	_____ -
Net income/(loss) for the year	<u>\$ 840,623</u>	<u>\$(1,213,482)</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)

		For the year ended <u>30 June</u>	
	<u>2005</u>		<u>2004</u>
Income			
Retail tours	1,290,928		1,678,968
Retail merchandise sales	1,396,838		1,805,797
Cost of sales	(633,196)		(818,122)
Gross trading income - retail operations	<u>2,054,570</u>		<u>2,666,643</u>
Expenses			
Retail operating expenses	<u>689,447</u>		<u>697,529</u>
Net trading income - retail operations	<u>\$ 1,365,123</u>		<u>\$ 1,969,114</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)

	For the year ended <u>30 June</u>	
	<u>2005</u>	<u>2004</u>
Income		
Wholesale sales	511,998	484,431
Change in biological assets - secondary herd (Notes 2 and 3)	175,124	253,358
Change in biological assets - breeders (Note 3)	7,639	-
Turtle release program	<u>5,145</u>	<u>-</u>
 Total income - farm operations	 <u>699,906</u>	 <u>737,789</u>
 Expenses		
Processing and packaging costs	130,978	129,480
Farm operating expense		
Depreciation	356,163	348,424
Staff costs	292,556	300,974
Maintenance	122,091	136,218
Electricity	245,865	257,286
Feed and other operating expenses	361,514	285,857
Insurance	20,423	23,000
Bad debt expense	12,754	-
Travel & entertainment	<u>6,913</u>	<u>-</u>
 Total expenses - farm operations	 <u>1,549,257</u>	 <u>1,481,239</u>
 Net trading loss - farm operations	 \$(<u>849,351</u>)	 \$(<u>743,450</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>Revaluation reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 30 June 2003	1,250,000	-	(19,863)	4,143,984	5,374,121
Net loss for the year	-	-	-	(1,213,482)	(1,213,482)
Donated assets (Note 2 and 4)	-	195,000	-	-	195,000
Unrealised gain on investments prior to sale on 21 November 2003	-	-	7,903	-	7,903
Realised loss on sale of investments transferred to statement of income	<u>-</u>	<u>-</u>	<u>11,960</u>	<u>-</u>	<u>11,960</u>
Balance at 30 June 2004	1,250,000	195,000	-	2,930,502	4,375,502
Net income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>840,623</u>	<u>840,623</u>
Balance at 30 June 2005	<u>\$ 1,250,000</u>	<u>\$ 195,000</u>	<u>\$ -</u>	<u>\$ 3,771,125</u>	<u>\$ 5,216,125</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)

	2005	For the year ended <u>30 June</u> 2004
Cash flows from operating activities		
Net income/(loss)	840,623	(1,213,482)
Adjustments to reconcile net loss to net cash used in operating activities:		
Reinvested dividends and rolled-over interest on marketable securities	-	(7,995)
Unrealised foreign exchange loss/(gain)	-	10,000
Realised loss on sale of investments	-	11,960
Depreciation of fixed assets	477,260	472,189
Write off of fixed assets	14,103	-
Appreciation of breeder herd - net	(7,639)	(98,296)
Amortisation of borrowing/transaction cost	113,731	-
Change in:		
- Accounts receivable	(13,356)	22,832
- Insurance claim	(1,747,311)	-
- Prepaid expenses and accrued interest	(4,972)	5,124
- Inventories	(43,217)	(12,077)
- Biological assets - secondary herd	(175,124)	(253,358)
- Accounts payable and accrued charges	1,054,104	701,756
- Pension liability	(12,823)	(51,422)
- Severance pay liability	(3,403)	(3,286)
Net cash provided by/(used in) operating activities	<u>491,976</u>	(416,055)
Cash flows from investing activities		
Proceeds from sale of investments	-	191,433
Purchases of fixed assets	(16,799,902)	(3,580,361)
(Increase)/decrease in fixed deposits		
Restricted	1,508,127	(3,631,639)
Unrestricted	<u>15,311,408</u>	<u>(28,185,077)</u>
Net cash provided by/(used in) from investing activities	<u>19,633</u>	(35,205,644)
Cash flows from financing activities		
Increase in capitalization of guaranteed senior notes	-	37,464,000
Payment of transaction cost for guaranteed senior notes	-	(1,378,465)
Proceeds from long-term bank debt	-	844,879
Repayments of long-term bank debt	(66,657)	(1,336,111)
Net cash (used in)/provided by financing activities	(66,657)	<u>35,594,303</u>
Increase (decrease) in cash and cash equivalents	444,952	(27,396)
Cash and cash equivalents at beginning of year	<u>1,003,538</u>	<u>1,030,934</u>
Cash and cash equivalents at end of year	<u>\$ 1,448,490</u>	<u>\$ 1,003,538</u>
Supplementary information:		
Interest paid (including amounts capitalised as borrowing costs - see Note 2)	<u>\$ 1,871,079</u>	<u>\$ 526,260</u>
Interest received (including amounts netted with borrowing cost)	<u>\$ 244,564</u>	<u>\$ 18,557</u>

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

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2005

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"). The sole operation of the Company is rearing green sea turtles under controlled farm conditions. However, due to the current worldwide ban on the export of turtle products, the primary objective of the Company is to provide 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. At 30 June 2005, the Company had a staff complement of 40 (30 June 2004: 37).

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 to-be-built marine park and related developments on a 23.5 acre site located in West Bay, Grand Cayman. The majority of the site was previously owned by the Company. The Company's other facilities will remain open during the construction of the Project. The marine park will include 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 5 & 6 below.

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

2. Accounting policies

These financial statements have been prepared under the historical cost convention, modified by the valuation of biological assets and investments at fair value, and in accordance with International Financial Reporting Standards ("IFRS"). 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 Company has not adopted early any new and revised IFRS standards which are effective for periods beginning on or after January 1, 2005. The following new and revised IFRS standards will be effective for the Company on 1 July 2005.

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 21 (revised 2003)	The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised 2003)	Related Party Disclosures
IAS 32 (revised 2003)	Financial Instruments: Disclosure and Presentation
IAS 39 (revised 2003)	Financial Instruments: Recognition and Measurement

Management do not anticipate that the adoption of these standards will have a material impact on the financial statements presentation.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2005

2. Accounting policies (continued)

The significant accounting policies are:

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 included as expenses 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.

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

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. 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; (such assets are classified under "Construction in Progress" in the table in Note 4).

Repairs and maintenance are charged to production or overhead expenses as incurred. Donated assets are recorded at their estimated fair value at the date of receipt.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2005

2. Accounting policies (continued)

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.

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.

Investment income: Term deposit interest is included as investment income in the statement of income on an effective interest method. 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 consists of cash on hand, balances with banks on demand and at short notice, and short-term highly liquid investments. Fixed deposits held at Wells Fargo Bank Northwest in a segregated account are intended to be used solely for payment of interest on the Notes (Note 5) and \$252,000 of cash pledged at Cayman National Bank in respect of a Customs Bond are reported in the balance sheet as “Restricted cash” and are excluded from “Cash and cash equivalents” as reported in the statement of cash flows.

Accounts receivable: Accounts receivable comprise receivables from customers and is reduced by any allowance for doubtful accounts.

Foreign currencies: These financial statements are presented in CI\$. The Company’s transactions occur in US\$ and CI\$ and the Company records US\$ transactions in to CI\$ using a rate of US\$1.00 to CI\$0.84.

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 7(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.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2005

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. (Note 7(c)).

3. Biological assets

Movements in the carrying value of the secondary herd were:

	<u>2005</u>	<u>30 June</u> <u>2004</u>
Carrying value brought forward	<u>1,352,058</u>	<u>1,098,700</u>
Change attributable to differences in fair values	174,582	77,735
Biological transformation	377,310	529,752
Sales, at year end fair values	(<u>376,768</u>)	(<u>354,129</u>)
Net change in biological assets included in income	<u>175,124</u>	<u>253,358</u>
Carrying value carried forward	<u>\$ 1,527,182</u>	<u>\$ 1,352,058</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.

Due to the continuing limitations surrounding the market for the products of the secondary herd (see Note 1), shells continue to be valued at nil.

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

	<u>2005</u>	<u>30 June</u> <u>2004</u>
Net book value brought forward	170,966	72,670
Mortalities during the year	(500)	(600)
Additions during the year	<u>8,139</u>	<u>98,896</u>
Net book value carried forward	<u>\$ 178,605</u>	<u>\$ 170,966</u>

Additions during the year comprise the costs attributable to new breeders added and weight gained during the year (see Note 2). No new breeders were added during the year ended 30 June 2005 (year ended 30 June 2004: 70).

As of 30 June 2005, there was no insurance associated with the livestock due to the unavailability of commercial coverage for livestock losses.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2005

4. Property, plant and equipment

Property, plant and equipment comprise:

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	4,314,161	1,933,682	2,902,065	113,316	396,969	10,732,992
Disposals	-	-	(75,175)	(123,712)	(14,103)	-	(212,990)
Additions	<u>178,550</u>	<u>16,429,229</u>	<u>16,877</u>	<u>91,515</u>	<u>80,868</u>	<u>2,863</u>	<u>16,799,902</u>
As at 30 June 2005	<u>1,251,349</u>	<u>20,743,390</u>	<u>1,875,384</u>	<u>2,869,868</u>	<u>180,081</u>	<u>399,832</u>	<u>27,319,904</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>-</u>	<u>-</u>	<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>-</u>	<u>-</u>	<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>\$20,743,390</u>	<u>\$ 1,130,258</u>	<u>\$ 2,066,657</u>	<u>\$ 99,150</u>	<u>\$ 40,964</u>	<u>\$25,331,768</u>

As of 30 June 2004:

	<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 2003	877,799	649,140	2,002,519	2,945,736	51,463	375,039	6,901,696
Disposals	-	-	(68,837)	(43,671)	-	(16,702)	(129,210)
Additions	<u>195,000</u>	<u>3,665,021</u>	<u>-</u>	<u>-</u>	<u>61,853</u>	<u>38,632</u>	<u>3,960,506</u>
As at 30 June 2004	<u>1,072,799</u>	<u>4,314,161</u>	<u>1,933,682</u>	<u>2,902,065</u>	<u>113,316</u>	<u>396,969</u>	<u>10,732,992</u>
Accumulated Depreciation							
As at 30 June 2003	-	-	694,456	409,522	34,288	228,518	1,366,784
Disposals	-	-	(68,837)	(43,671)	-	(16,702)	(129,210)
Charge for the period	<u>-</u>	<u>-</u>	<u>97,810</u>	<u>279,277</u>	<u>17,289</u>	<u>77,813</u>	<u>472,189</u>
As at 30 June 2004	<u>-</u>	<u>-</u>	<u>723,429</u>	<u>645,128</u>	<u>51,577</u>	<u>289,629</u>	<u>1,709,763</u>
Net Book Value							
As at 30 June 2004	<u>\$ 1,072,799</u>	<u>\$ 4,314,161</u>	<u>\$ 1,210,253</u>	<u>\$ 2,256,937</u>	<u>\$ 61,739</u>	<u>\$ 107,340</u>	<u>\$ 9,023,229</u>

Disposals for the year ended 30 June 2005 include assets lost due to Hurricane Ivan (see Note 8). The depreciation charge for the year ending 30 June 2005 was \$477,260 (year ended 30 June 2004: \$472,189).

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2005

4. Property, plant and equipment (continued)

At 30 June 2005 and 2004 the “Construction in Progress” caption includes the property, plant and equipment related to The Boatswain’s Beach 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 Guaranteed Senior Notes (see Note 5). The borrowing cost capitalized in the year/period under the accounting policies explained in Note 2 comprises:

	<u>2005</u>	<u>2004</u>
Net capitalised interest paid, including accrued interest	1,827,098	623,671
Amortisation of borrowing/transaction cost	<u>113,731</u>	<u>38,775</u>
Carried forward	CI\$ <u>1,940,829</u>	CI\$ <u>662,446</u>

At 30 June 2004, additions to Land comprises donated land from the Company’s shareholder which is reflected in these financial statements as contributed surplus and is valued as explained in Note 2.

During the year ended 30 June 2004, the Company received from the Cayman Islands Government a duty exemption of \$1.8 million. In accordance with the relevant IFRS pronouncement, no account was taken of this exemption in the amounts included in these financial statements.

5. Guaranteed senior notes

Pursuant to a confidential placement memorandum, the Company has 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 “Project”), to pay capitalized interest and to meet the cost of issuance of the Notes.

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 Cayman Islands 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 will commence 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 due 1 March 2019.

The anticipated repayment schedule as of 30 June 2005 is:

	<u>2005</u>	<u>30 June</u> <u>2004</u>
Due within one year	174,630	-
Due between 2 and 5 years	12,678,587	9,822,000
Due in more than 5 years	<u>31,746,783</u>	<u>34,778,000</u>
	US\$ <u>44,600,000</u>	US\$ <u>44,600,000</u>
	CI\$ <u>37,464,000</u>	CI\$ <u>37,464,000</u>

Wells Fargo Bank Northwest, N.A. (“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 CI\$4,032,739) of the issuance proceeds was deposited in a segregated account with Wells Fargo and may be used only to meet the Company’s obligations under the Notes.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2005

5. Guaranteed senior notes (continued)

As of 30 June 2005 the balance in this segregated account was US\$2,227,991 (equivalent to CI\$1,871,512), (2004: US\$4,323,380 (equivalent to CI\$3,631,639)).

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 (expressed in CI dollars) of the Notes in the year to 30 June were:

	<u>2005</u>	<u>2004</u>
Carrying value at beginning of year	36,124,310	-
Gross proceeds of issue: 12 March 2004	-	37,464,000
Less: Gross transaction costs		
Placement and fiscal agent fees	-	(1,003,855)
Commitment fee	-	(210,000)
Other legal & professional fees	<u>-</u>	<u>(164,610)</u>
Total gross transaction costs	-	(1,378,465)
Add: Amortization of transaction costs in the period to 30 June	<u>113,731</u>	<u>38,775</u>
Carrying value at end of year	<u>\$36,238,041</u>	<u>\$36,124,310</u>

Unamortized transaction cost amounted to \$1,225,959 at 30 June 2005 (2004: \$1,339,690). \$113,731 (2004: \$38,775) of the transaction costs amortized in the year ended 30 June 2005 has been included in capitalized borrowing costs and added to the cost of the Project (see Note 4). The effective yield on the Notes, after taking into account the coupon rate and amortisation of costs, is approximately 5.3385%.

6. Long-term bank debt

On 30 October 2002 the Company obtained a loan facility from Cayman National Bank for the redevelopment of certain buildings and other structures damaged by Hurricane Michelle.

The loan facility and terms are as follows:

	<u>2005</u>	<u>30 June</u> <u>2004</u>
Facility 1		
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	CI\$ <u>840,000</u>	CI\$ <u>840,000</u>

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2005

6. Long-term bank debt (continued)

The loan facilities bears interest at 1% above US dollar prime rate, reset monthly. The effective rate at 30 June 2005 was 6.25%. The loan facility is secured by (1) a floating debenture over the Company assets to cover US\$1,500,000; (2) first legal charge over land and buildings to cover US\$1,500,000 and; (3) assignment of any future lease agreements.

The anticipated repayment schedule is:

	<u>2005</u>	<u>30 June</u> <u>2004</u>
Due within one year	131,724	131,724
Due between 2 and 5 years	395,172	395,172
Due in more than 5 years	<u>271,314</u>	<u>350,667</u>
	US\$ <u>798,210</u>	US\$ <u>877,563</u>
Equivalent to	CI\$ <u>670,496</u>	CI\$ <u>737,153</u>

On 18 December 2003, the Company obtained a new bridge loan from Cayman National Bank in the amount of \$2,200,000. The bridge loan bore interest at 1% above US dollar prime rate (effectively 5% per annum at 18 December 2003) and was guaranteed by the Cayman Islands Government. During the year ended June 30, 2004, the Company drew down CI\$844,879 from the bridge loan, all of which was repaid with accrued interest on 24 March 2004.

7. 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:

- a) For employees enrolled in the defined contribution program, the Company and the employee each contribute 6% of the employee's salary or wage each year. Contributions of \$58,590 relating to the year ended 30 June 2005 (2004: \$55,890) were made by the Company and included in the determination of operating income.
- b) Employees who served with the Company prior to 1 January 1990 are enrolled in the defined benefit program. Contributions towards benefits accruing in respect of current service (ie for the period since the employee was enrolled in the plan) are funded and recognized as an expense on the same basis as for the defined contribution plan. The liability for the funding required to meet benefits accruing in respect of past service is provided for based on the periodic actuarial valuation of such liability conducted on behalf of the Plan and advised to the Company. The most recent actuarial valuation was performed as of 1 January 2005 and the results, which was advised to the Company by the Public Service Pension Board ("PSPB") in March 2007 indicated a Plan deficit attributable to the Company of CI\$496,241. However, in communicating such results the PSPB advised the Company that the results of the valuation were not suitable for reporting under IAS 19. As a result, the liability recognized at 30 June 2005 is based on the actuarial valuation performed as of 1 January 2002, pending further investigation by management.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2005

7. Pension costs and severance pay (continued)

Movements in the liability for past service comprise:

	<u>2005</u>	<u>30 June</u> <u>2004</u>
Provisions at beginning of year	1,318,602	1,370,024
Payments made during the year	(12,823)	(51,422)
Provision at end of year	<u>\$ 1,305,779</u>	<u>\$ 1,318,602</u>

- 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 2005 (2004: Nil) and the total liability of the Company in respect of past service benefits for retired employees is approximately \$34,594 (2004: \$37,997).

8. Hurricane impact

The Company's operations were adversely affected by Hurricane Ivan in September 2004. The Company filed an insurance claim totalling approximately CI\$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.

A total amount of CI\$1,747,311 had been received by the Company as of the date of approval of these financial statements and this amount has been recognized as a receivable at 30 June 2005 and as income for the year then ended. The insurance claim presented on the statement of income represents the gross claim proceeds expected to be recovered by the Company net of the net book value of fixed assets, livestock, feed and all supplies lost or destroyed by Hurricane Ivan. 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.

9. Other borrowing costs

Prior to entering into contracts for the construction and financing of the Project, the Company incurred various costs related to, amongst other things, feasibility and economic impact studies, professional advice regarding various financing alternatives, and intermediaries' fees related to identifying participants in such alternatives. None of these costs meet the criteria established in IFRS for classification as either part of the cost associated with the related asset or borrowing costs associated with the eventual source of financing (i.e. the Notes issue discussed in Note 5). Such costs have been expensed in the period incurred in accordance with the Company's accounting policies (as more fully explained in Note 2).

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

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9. Other borrowing costs (continued)

The amounts included as “other borrowing costs” in the Statement of Income for the year ended 30 June 2004 comprises:

Abandoned financing alternatives:

- Financing fees	58,359
- Intermediary and financial consulting	1,161,687
- Legal fees	<u>76,870</u>

Total abandoned financing alternatives	1,296,916
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Feasibility and other studies	42,000
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Other	<u>5,073</u>
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CIS 1,343,989

10. Financial instruments and risks

Credit risk

Financial assets which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, fixed deposits (including “restricted cash”) and trade receivables. The Company’s cash and fixed deposit are placed with well established financial institutions. Cash equivalents include investments in high grade commercial paper.

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 equivalents and fixed deposits held with financial institutions and the Guaranteed Senior Notes. The cash equivalents are invested at short-term market interest rates and fixed deposit are placed at prevailing rates for periods generally not exceeding three months. The Guaranteed Senior Notes were issued at fixed rates (see Note 5).

Fair values

At 30 June 2005 and 2004 the carrying amounts of cash and cash equivalents, fixed deposits, trade receivables and payables, and the long-term bank debt approximated their fair values. The carrying amount of the Guaranteed Senior Notes approximated their fair value of \$38,021,124 as of 30 June 2005 primarily because there were no significant changes in prevailing market interest rates or in the credit rating of the Cayman Islands Government (the guarantor of the Notes) since issue.

11. Commitments

At 30 June 2005 the Company had on going committed construction contracts totalling \$14,265,993 of which approximately \$7,013,793 was outstanding at that date.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2005

12. Going concern considerations

Historically, the Company has been able to realize its assets and discharge its liabilities in the normal course of business. However, as a consequence of year-end conditions, this has given rise to business risks that cast uncertainty on the Company's ability to continue as a going concern. The principal conditions and/or events giving rise to this doubt are net operational losses incurred of \$752,267 (excluding the net insurance claim recovery (note 8)) for the year ended 30 June 2005 and projected significant net operational losses for each of the next two years. In addition, this is compounded by the Company's projected significant cost over-runs on the Project due to project delays, budget impacts and changes in its business model. These conditions and events are expected to create cash flow difficulties and the Company may not be able to discharge its liabilities in the normal course of business. The Notes are guaranteed by Government and the Company has requested the assistance of Government for their support in securing additional funding of US\$10.5 million to complete the Project and offset the operational cash flow deficit.

Subsequent to the year end, in March 2006 the Board of Directors requested and received a Government Guarantee for US\$5.0 million of additional funding, of which US\$3.4 million was for Project capital and US\$1.6 million for operational capital. This funding was completed in May 2006 through a loan facility from Cayman National Bank.

In September 2006, the Company further sought and was granted support for Project and operational capital 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.

In March 2007, the Company again requested the assistance of Government in order to meet continued shortfalls resulting from lower than projected operational revenues. Arising from this, Government advanced US\$1.1 million by way of an interest free loan repayable 5 years after the date on which the park becomes fully operational. The Government also approved provision of funds on an interest free basis to a total of US\$2.6m to be drawn down as needed by the Company. As at July 03, 2007, a total of US\$1.1m had been so drawn down. Further, the Government also approved US\$5.4 million of funding to be covered by a letter of undertaking. Upon completion of funding arrangements with a financial institution, the total funds advanced (under the US\$2.6m arrangement) are immediately repayable to Government.

During 2006 and 2007, the Company reviewed and increased the admission prices to the park in the light of the substantial increase in the facilities available to the public, and in order to improve the cashflow and financial position of the Company. Management will continue to review the admission prices going forward. Management are 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 light of the delayed opening of the park and continuing Project based budget implications, the Government provided the funds to enable the Company to re-pay the four scheduled Note repayments on 01 September 2006, 01 December 2006, 01 March 2007 and 01 June 2007. The total value of these funds advanced is US\$4.8 million. Further, the Government has committed to providing the funds (an amount of US\$1.1 million) for the loan note repayment scheduled for 01 September 2007. These funds are being provided to the Company on an interest free basis, repayable 5 years after the date on which the park becomes fully operational.

Management believe that the continued financial support of Government will be adequate to allow the Company to continue as a going concern.

CAYMAN TURTLE FARM (1983) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2005

13. 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 3 July 2007, the outcome of this dispute could not be reasonably estimated with any degree of certainty.