

Financial Statements of

**CAYMAN TURTLE CONSERVATION AND
EDUCATION CENTRE LTD.**

for the period ended December 31, 2017

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

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STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by Cayman Turtle Conservation and Education Centre Ltd. in accordance with the provisions of the *Public Management and Finance Law (2018 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2018 Revision)*.

As Chairman and Chief Executive Officer (CEO), we are responsible for establishing; and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Cayman Turtle Conservation and Education Centre Ltd.

As Chairman and CEO we are responsible for the preparation of Cayman Turtle Conservation and Education Centre Ltd.'s financial statements and for the judgements made in them.

The financial statements fairly present the financial position, financial performance, changes in shareholder's equity and cash flows for the financial period ended December 31, 2017.

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

- (a) Completely and reliably reflect the financial transactions of the Cayman Turtle Conservation and Education Centre Ltd. for the period ended December 31, 2017;
- (b) fairly reflect the financial position as at December 31, 2017 and performance for the period ended December 31, 2017;
- (c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

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

BRIAN WIGHT

TIMOTHY ADAM

Chairman
Cayman Turtle Conservation and
Education Centre Ltd.

Chief Executive Officer
Cayman Turtle Conservation and
Education Centre Ltd.

December 18, 2019

December 18, 2019



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Independent Auditors' Report to the Directors

Opinion

In accordance with section 61(1)(a)(i) of the *Public Management and Finance Law (2018 Revision)* we have audited the accompanying financial statements of Cayman Turtle Conservation and Education Centre Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2017, the statements of comprehensive loss, changes in shareholder's equity and cash flows for the period from July 1, 2016 to December 31, 2017, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the period from July 1, 2016 to December 31, 2017 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphases of Matter

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

In addition, we draw attention to note 18 of the financial statements which discloses certain irregularities identified subsequent to year end with regards to cash balances and previous purchases of information technology-related items, which have been corrected in these financial statements. Our opinion is not modified in respect of this matter.



Independent Auditors' Report to the Directors (continued)

Restrictions on Distribution or Use

This report is prepared for the Directors of the Company in accordance with the terms of an engagement letter dated November 21, 2017 and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent Auditors' Report to the Directors (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

December 18, 2019

Auditor General
December 18, 2019



CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Statement of Financial Position

December 31, 2017

(expressed in Cayman Islands dollars)

	Note	2017	2016
Assets			
Current assets			
Cash and cash equivalents	4,14	1,326,277	2,384,216
Accounts receivable	14	400,129	673,569
Prepayments and accrued interest		152,719	314,834
Inventories	5	352,887	138,254
Biological assets	6	1,532,692	1,639,614
		3,764,704	5,150,487
Non-current assets			
Property, plant, equipment and exhibits	7,18	23,372,464	26,883,001
Total assets	CI\$	27,137,168	32,033,488
Liabilities and shareholder's equity			
Current liabilities			
Bank overdraft	4, 14	1,952,733	2,033,584
Accounts payable and accrued expenses		313,546	734,149
Interest payable		32,565	52,521
Notes payable	8, 14	3,501,676	3,247,440
Bank loan	9, 14	-	253,692
		5,800,520	6,321,386
Non-current liabilities			
Long term notes payable	8, 14	4,536,000	9,656,071
Long term bank loan	9, 14	-	1,329,107
Defined benefit pension liability	10b	717,000	1,344,000
Severance pay	10c	55,527	29,772
		5,308,527	12,358,950
Total liabilities		11,109,047	18,680,336
Shareholder's equity			
Share capital			
- Authorised, issued and fully paid 400,000 shares of \$3 each and 50,000 shares of \$1 each			
		1,250,000	1,250,000
Contributed capital	11	112,036,340	98,220,631
Accumulated loss		(97,258,219)	(86,117,479)
		16,028,121	13,353,152
Total liabilities and shareholder's equity	CI\$	27,137,168	32,033,488

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on December 18, 2019

BRIAN WIGHT

Chairman

TIMOTHY ADAM

Chief Executive Officer

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Statement of Comprehensive Loss

For the period from July 1, 2016 to December 31, 2017
(expressed in Cayman Islands dollars)

	Note	18 month period ended Dec 31, 2017	Year ended June 30, 2016
Operations			
Revenue	19	10,022,582	7,336,300
Cost of sales	19	(2,946,419)	(2,187,190)
Change in fair value of biological assets	19	778,445	686,931
Gross profit		7,854,608	5,836,041
Operating expenses	19	(11,680,935)	(7,576,238)
Net operating loss		(3,826,327)	(1,740,197)
Other income	16,19	317,917	511,751
Administrative expenses			
Administration and overheads	19	(5,156,812)	(2,583,819)
Interest and amortization	19	(1,025,976)	(976,898)
Other depreciation expense	19	(760,152)	(489,237)
Research expenses	19	(517,344)	(251,844)
Marketing expenses	19	(799,046)	(376,090)
Defined benefit pension charge	10b,19	(139,000)	(96,000)
Total administrative expenses		(8,398,330)	(4,773,888)
Net loss for the period		CI\$ (11,906,740)	(6,002,334)
Other comprehensive income/(loss)			
Remeasurement of defined benefit pension liability	10b,19	766,000	(291,000)
Comprehensive loss for the period		CI\$ (11,140,740)	(6,293,334)

See accompanying notes to financial statements.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Statement of Changes in Shareholder's Equity

For the period ended December 31, 2017
(expressed in Cayman Islands dollars)

		Share capital	Contributed capital (Note 11)	Accumulated loss	Total
Balance at June 30, 2015	CI\$	1,250,000	89,217,882	(79,824,145)	10,643,737
Capital contribution from shareholder		-	9,002,749	-	9,002,749
Net loss for the year		-	-	(6,002,334)	(6,002,334)
Other comprehensive loss for the year		-	-	(291,000)	(291,000)
Balance at June 30, 2016	CI\$	1,250,000	98,220,631	(86,117,479)	13,353,152
Capital contribution from shareholder		-	13,815,709	-	13,815,709
Net loss for the period		-	-	(11,906,740)	(11,906,740)
Other comprehensive income for the period		-	-	766,000	766,000
Balance at December 31, 2017	CI\$	1,250,000	112,036,340	(97,258,219)	16,028,121

See accompanying notes to financial statements.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Statement of Cash Flows

For the period ended December 31, 2017
(expressed in Cayman Islands dollars)

	Note	18 month period ended Dec 31, 2017	Year ended June 30, 2016
Cash flows from operating activities			
Net loss for the period		(11,906,740)	(6,002,334)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of property, plant, equipment and exhibits	7,19	4,536,757	2,928,767
Loss on disposal of items or property, plant and equipment	7,19	125,411	-
Movement in breeder herd valuation	6	11,396	(2,867)
Movement in secondary herd valuation	6	95,526	(135,434)
Amortisation of transaction costs	8	72,459	65,777
Changes in:			
Decrease/(increase) in accounts receivable		273,440	(255,590)
Decrease/(increase) in prepayments and accrued interest		162,115	(256,014)
(Increase)/decrease in inventories		(214,633)	13,849
Decrease in interest payable		(19,956)	(12,442)
(Decrease)/increase in accounts payable and accrued expenses		(420,603)	386
Increase in defined benefit pension liability	10b	139,000	96,000
Increase in severance pay liability		25,755	1
Net cash used in operating activities		(7,120,073)	(3,559,901)
Cash flows from investing activities			
Purchase of property, plant, equipment and exhibits	7	(1,151,631)	(689,503)
Net cash used in investing activities		(1,151,631)	(689,503)
Cash flows from financing activities			
Bank loan repaid		(1,582,799)	(507,743)
Repayment of notes	8	(4,938,294)	(3,078,600)
Capital contributions from shareholder	11	13,815,709	9,002,749
Net cash generated from financing activities		7,294,616	5,416,406
Net (decrease)/increase in cash and cash equivalents		(977,088)	1,167,002
Cash and cash equivalents at beginning of period		350,632	(816,370)
Cash and cash equivalents at end of period	4	CI\$ (626,456)	350,632
Supplementary information:			
Interest paid	CI\$	1,045,926	989,340

See accompanying notes to financial statements.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements

December 31, 2017

(expressed in Cayman Islands dollars)

1. Incorporation and activity

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

The Company's address is 786 Northwest Point Road, West Bay, Grand Cayman. The Company had a staff complement of 101 and 92 in 2017 and 2016, respectively.

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

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

2. Accounting policies

Basis of preparation

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

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements, relate to management's assessment of whether an impairment provision is required in respect of property, plant, equipment and exhibits (Note 7), the valuation of biological assets (Note 6), the allowance for doubtful accounts against accounts receivable (Note 14), and the provisions for pensions payable and severance pay (Note 10). Unless otherwise disclosed, these financial statements are presented in Cayman Islands dollars (CI\$).

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

2. Accounting policies (continued)

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

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

The following new relevant accounting standards, amendments to standards and interpretations, were in issue, but not yet effective for the current reporting period. Those accounting standards and interpretations are effective for the accounting periods beginning on, or after the indicated dates:

- IFRS 15, *Revenue from contracts with Customers*, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.
- IFRS 9, *Financial Instruments*, published on 12 November 2009, as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.
- IFRS 16, *Leases*, is effective for annual periods beginning on or after January 1, 2019, and supercedes IAS 17, IFRIC 4, SIC-15, and SIC-27. IFRS 16 introduces a single lessee lease model, replacing the operating and finance lease classification. It also sets out the principles for recognition, measurement, presentation and disclosure of leases to ensure that lessees and lessors provide relevant information on the effect that the leases have on the financial statements.

Management is currently in the process of evaluating the potential effect of the above standards on the financial statements. The effect of the impact of the adoption of the standards has not yet been determined.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

2. Accounting policies (continued)

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

Cash and cash equivalents

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

Accounts receivable

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

Biological assets - Secondary herd

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

Biological assets - Breeder herd

It is management's policy to differentiate between turtles which were acquired from the wild and will be released at the end of their breeding lives, and farm bred turtles which may be slaughtered at the end of their breeding lives. Mature turtles (i.e. those that have reached breeding age) acquired from the wild have no carrying value.

The remainder of the breeder herd is valued at fair value, calculated using market prices and expected yields of each type of product based on historical data.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

2. Accounting policies (continued)

Property, plant, equipment and exhibits

Property, plant, equipment and exhibits is stated at historical cost less accumulated depreciation. With the exception of land which is not depreciated, items of property, plant and equipment and exhibits are depreciated using the straight line method over their estimated useful lives as follows:

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

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

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

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

As stated in Note 7, due to irregularities in purchases of information technology items, CI\$434,999 was reclassified from the Non-Current Assets on the Statement of Financial Position to Administration and Overheads expenses in the Statement of Comprehensive Loss for the period ended December 31, 2017.

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

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

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

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

2. Accounting policies (continued)

Financial assets and liabilities

(i) Classification

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

(ii) Recognition

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

Financial assets comprise cash and cash equivalents, accounts receivable and accrued interest. Financial liabilities comprise bank overdraft, accounts payable and accrued expenses, interest payable, notes payable, bank debt, pensions payable and severance pay. Management determines classification of its financial assets and liabilities at initial recognition.

(iii) Measurement

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

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

(iv) Derecognition

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

(v) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

2. Accounting policies (continued)

Financial assets and liabilities (continued)

(vi) Impairment

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

Borrowing costs

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

Employee benefits

(a) Defined contribution pension plan

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

(b) Defined benefit plan

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

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

2. Accounting policies (continued)

Employee benefits (continued)

(c) Severance benefits for long-serving retired employees

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

Foreign currencies

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

Notes issued

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

Inventories of marketable products

Farm produced marketable products are valued at net realisable value.

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

Inventories of feeds and other supplies

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

Revenue recognition

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

Corresponding figures

The prior period corresponding figures represent the 12 month period to June 30, 2016, therefore will not be directly comparable to the current 18 month period to December 31, 2017.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

3. Fair value of financial instruments

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair value are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Further information about the assumptions made in measuring the fair value of biological assets is included in Note 6.

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

4. Cash and cash equivalents, net

	2017	2016
Current accounts	1,326,277	2,384,216
Bank overdraft	(1,952,733)	(2,033,584)
	CI\$ (626,456)	350,632

At December 31, 2017, the limit on the overdraft facility was US\$4,583,333 (2016: US\$4,583,333) at an interest rate of 6.5% (2016: 5.25%). The Government, by way of letter of undertaking, guarantees overdraft facilities up to CI\$4,200,000 (2016: CI\$4,200,000).

As discussed in notes 14 and 18, cash and cash equivalents at December 31, 2017 have been reduced by CI\$324,390 due to anomalies identified in January 2018.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

5. Inventories

	2017	2016
Marketable products	288,506	123,042
Food and beverage	39,349	8,927
Feeds and other supplies	25,032	6,285
	CI\$ 352,887	138,254

6. Biological assets

	2017	2016
Livestock, at fair values:		
Secondary herd	1,194,491	1,290,017
Breeder herd	338,201	349,597
	CI\$ 1,532,692	1,639,614

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

	2017	2016
Carrying value at beginning of period	1,290,017	1,154,583
Change attributable to differences in fair values	(97,109)	86,419
Biological transformation	886,949	597,646
Sales, at period end fair values	(885,366)	(548,631)
Net change in biological assets included in income	(95,526)	135,434
Carrying value at end of period	CI\$ 1,194,491	1,290,017

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, shells are valued at CI\$ nil, (2016: CI\$ nil).

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

6. Biological assets (continued)

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

	2017	2016
Carrying value at beginning of period	349,597	346,730
Net (decrease)/increase during the period	(11,396)	2,867
	CI\$ 338,201	349,597

Net (declines)/additions during the period are attributable to new breeders added, weight gained during the period, less mortalities. During the period ended December 31, 2017, zero new breeder (2016: zero) was added to the herd and nine turtles (2016: eight) were transferred to the secondary herd or died. As of December 31, 2017 there was CI\$500,000 insurance coverage associated with the livestock (2016: CI\$500,000)

Measurement of fair values:

(i) *Fair value hierarchy*

The fair value measurements for the breeder herd and secondary herd have been categorized as Level 3 fair values based on the inputs to the valuation techniques used.

(ii) *Valuation techniques and significant unobservable inputs*

The following valuation techniques and significant unobservable inputs have been used in determining the Level 3 fair values of the breeder herd and secondary herd:

Valuation technique: The valuation model considers the percentage of steak, stew, fin, bone and menavelin that can be yielded as well as the current selling prices for these items. The expected cash flows are reduced for the expected processing costs.

Unobservable inputs: Percentage yields, estimated weight gain as well as the directly attributable processing costs to the Company are considered to be unobservable inputs.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

7. Property, plant, equipment and exhibits

	Land	Buildings and lagoons	Plant and equipment	Motor vehicles	Furniture and office equipment	Exhibits	Computer hardware & software	Total	
Cost:									
As at June 30, 2016	1,251,349	49,306,241	2,408,156	460,426	1,167,849	672,787	1,069,732	56,336,540	
Additions	-	194,579	513,953	43,901	67,352	49,000	282,846	1,151,631	
Disposals / write offs	-	(121,711)	(1,108,934)	(137,610)	(1,023,873)	(657,176)	(209,292)	(3,258,596)	
As at December 31, 2017	1,251,349	49,379,109	1,813,175	366,717	211,328	64,611	1,143,286	54,229,575	
Accumulated depreciation:									
As at June 30, 2016	-	24,978,897	1,738,286	317,367	1,135,313	672,133	611,543	29,453,539	
Depreciation	-	3,776,494	377,357	61,455	34,550	54	286,847	4,536,757	
Disposals / write offs	-	(120,870)	(1,032,834)	(137,466)	(1,021,215)	(656,534)	(164,266)	(3,133,185)	
As at December 31, 2017	-	28,634,521	1,082,809	241,356	148,648	15,653	734,124	30,857,111	
Net book value:									
As at December 31, 2017	CIS\$	1,251,349	20,744,588	730,366	125,361	62,680	48,958	409,162	23,372,464
As at June 30, 2016	CIS\$	1,251,349	24,327,344	669,870	143,059	32,536	654	458,189	26,883,001

Subsequent to year end, irregularities in purchases of information technology items in the period ended December 31, 2017 were identified in relation to Computer Hardware, Software and Plant and Equipment. This matter was passed over to the Anti-Corruption Commission for their investigation which remains ongoing at the date these financial statements were approved for issuance.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

7. Property, plant, equipment and exhibits (continued)

Following an internal investigation into this matter, it was determined that items with a cost of CI\$203,870 were overstated in Computer Hardware, CI\$14,530 in Software, and CI\$216,599 in Plant and Equipment. These amounts totaling CI\$434,999 have been removed from Non-Current Assets on the Statement of Financial Position and reallocated to Administration and Overheads in the Statement of Comprehensive Loss for the period ended December 31, 2017.

8. Notes payable

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

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

The anticipated principal repayment schedule is as follows:

	2017	2016
Due within 1 year	3,501,676	3,247,440
Due between 2 and 5 years	4,536,000	9,747,360
	CI\$ 8,037,676	12,994,800

The Company has the right to prepay all or a portion of the Notes after March 12, 2005 (being the first anniversary of the closing date) at an amount equal to the remaining mandatory principal and interest payments discounted by the lesser of (i) the coupon on the Notes or (ii) 50 basis points over the yield on the U.S. Treasury obligation having a maturity equal to the then remaining life of the Notes. The Company has not exercised its right to prepay the Notes as at December 31, 2017.

Movements in the carrying value of the Notes payable, which is inclusive of unamortised transaction costs, in the periods to December 31, 2017 and 2016 are:

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

8. Notes payable (continued)

	2017	2016
Carrying value at beginning of period	12,903,511	15,916,334
Repaid during the period	(4,938,294)	(3,078,600)
Amortisation of transaction costs for the period	72,459	65,777
Carrying value at end of period	CI\$ 8,037,676	12,903,511

At December 31, 2017, unamortised transaction costs amounted to CI\$19,604 (2016: CI\$91,289). During the period ended December 31, 2017 amortised transaction costs of CI\$72,459 (2016: CI\$65,777) were charged to the statement of comprehensive loss as part of interest and amortisation. The effective yield on the Notes, after taking into account the coupon rate and amortisation of costs, is approximately 5.3%.

9. Bank loan

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

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

Total loan facility available to the Company	US\$	3,400,000
Equivalent to	CI\$	2,856,000
Balance outstanding at December 31, 2017	CI\$	-
Balance outstanding at June 30, 2016	CI\$	96,568

On May 21, 2009, the Company obtained a loan facility ("Facility 2") from First Caribbean International Bank to assist the Company with operating cashflow shortfalls. The facility is fully guaranteed by the Government. The terms of this loan are as follows:

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

Total loan facility available to Company	US\$	2,800,000
Equivalent to	CI\$	2,352,000
Balance outstanding at December 31, 2017	CI\$	-
Balance outstanding at June 30, 2016	CI\$	1,486,231

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

9. Bank loan (continued)

The Government by way of letter of undertaking guarantees the loan facilities for US\$6,200,000 (CI\$5,208,000). Facility 1 bears interest of 1.0% above US Dollar prime rate, reset monthly. Facility 2 bears interest at 3.75% above the 90-day London Interbank offer rate (LIBOR). The effective rate at December 31, 2017 is between 4.93% and 5.19% (2016: between 4.04% and 4.22%).

The combined anticipated repayment schedule is:

	2017	2016
Due within 1 year	-	253,692
Due between 2 and 5 years	-	695,578
Due in more than 5 years	-	633,529
	CI\$	1,582,799
Current portion	-	253,692
Long term portion	-	1,329,107
	CI\$	1,582,799

10. Pensions payable 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 below:

a) *Defined contribution plan*

For employees enrolled in the defined contribution plan, the Company and the employee each contribute 6% of the employee's salary or wage each period. During the period ended December 31, 2017 contributions of CI\$283,843 (2016: CI\$163,297) were made by the Company and included in the statement of comprehensive loss.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

10. Pension payable and severance pay (continued)

b) Defined benefit plan

Employees who served with the Company prior to January 1, 2000 are enrolled in the defined benefit program. Contributions towards benefits accruing in respect of current service (i.e. for the period since the employee was enrolled in the plan) are funded at rates periodically advised to the Company by the Pensions Board and are recognised as an expense in the period incurred. The Company is also required to make payments to the plan to fund benefits accruing in respect of past service (the "past service funding liability"). This past service funding liability, which is generally equivalent to the actuarially determined present value of the defined benefit obligations less the value of the assets available to meet such obligations, is calculated periodically by the Plan actuaries and advised to the Company by the Pensions Board. The Company recognises changes in the past service funding liability, adjusted for funding payments made, as an expense or gain in the period in which such changes are incurred.

The most recent actuarial valuation was performed as of December 31, 2017 by Mercer and the results, which was advised to the Company by the Public Service Pension Board ("PSPB") in May 2018, indicated a plan deficit attributable to the Company of CI\$717,000 (2016: CI\$1,344,000).

	2017	2016
	CI\$'000	CI\$'000
Plan liability at beginning of period	1,344	957
Defined benefit change included in profit and loss	(627)	387
Plan liability at end of period	717	1,344
	2017	2016
	CI\$'000	CI\$'000
Company's share of:		
Defined benefit obligation	(2,386)	(2,822)
Fair value of plan assets	1,669	1,478
Defined benefit pension liability	(717)	(1,344)

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

10. Pension payable and severance pay (continued)

b) Defined benefit plan (continued)

Movement in defined benefit obligations during the period:

	2017	2016
	CIS\$'000	CIS\$'000
Defined benefit obligation at beginning of period	(2,822)	(2,350)
Current service cost	(110)	(67)
Interest expense	(144)	(112)
Benefit payments	44	15
Transfer between other participating employers	125	0
Contributions paid into the plan	(21)	(14)
Remeasurements	542	(294)
Defined benefit obligation at end of period	(2,386)	(2,822)

Movement in fair value of plan assets during the period:

	2017	2016
	CIS\$'000	CIS\$'000
Fair value of plan assets as beginning of period	1,478	1,393
Interest income	77	67
Employer contributions	38	16
Plan participant contributions	21	14
Benefit payments	(44)	(15)
Transfer between other participating employers	(125)	0
Remeasurements	224	3
Fair value of plan assets at end of period	1,669	1,478

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

10. Pension payable and severance pay (continued)

b) Defined benefit plan (continued)

The defined benefit cost included in profit and loss:

	2017	2016
	CIS'000	CIS'000
Current service cost	(110)	(67)
Interest expense	(144)	(112)
Interest income	77	67
Employer contributions	38	16
Defined benefit cost	(139)	(96)

Remeasurements of the defined benefit plan included in other comprehensive income/(loss):

	2017	2016
	CIS'000	CIS'000
Effect of changes in demographic assumptions	209	-
Effect of changes in financial assumptions	174	435
Effect of experience adjustments	159	(141)
Return on plan assets	224	(3)
Remeasurements	766	291

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

The principle actuarial assumptions are as follows:

	2017	2016
Economic Assumptions		
1. Discount rate	3.80%	4.00%
2. Salary increase	2.50%	3.50%
3. Rate of price inflation	2.00%	2.50%
4. Rate of pension increases	2.00%	2.50%

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

10. Pension payable and severance pay (continued)

b) Defined benefit plan (continued)

The distribution of the plan assets at December 31, 2017 is as follows:

	2017	2016
Global equities	80%	80%
Debt securities	19%	19%
Real estate/infrastructure	0%	0%
Cash	1%	1%
	100%	100%

c) Severance payable

In 1997 the Board of Directors approved a severance pay package entitling employees with over 25 years of service to a cash payment on retirement and payment of their health insurance premiums after retirement for a period to be determined by the Board of Directors. There is one eligible employee at December 31, 2017 (2016: None) and the total liability of the Company in respect of past service benefits for retired employees is approximately CI\$55,527 (2016: CI\$29,772).

11. Contributed capital

During the period ended December 31, 2017, the Government made a further equity injection of CI\$13,815,709 (2016: CI\$9,002,749).

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

12. Going concern

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

The matters described above have resulted in significant operational losses to the Company since the financial period ended June 30, 2006. These conditions have resulted in the Company being unable to discharge its obligations as they fall due in the ordinary course of business without recourse to lending facilities from the Company's bankers (which were only obtained through a guarantee from the Company's shareholder, the Government), or by means of equity injections from the Government. Furthermore, operational results subsequent to December 31, 2017 indicate that the Company continues to generate significant losses from operations and experience cash flow difficulties. The Board of Directors has been working to design and implement a number of other cost-saving measures as well as increasing profitability by exploring new revenue streams.

The Government continues to provide financial support to the Company in the form of further equity injections. The total funds approved by Government subsequent to December 31, 2017 are shown below:

Facility type	Appropriation law reference	Amounts approved	Amounts received
Equity injection	EI 49 (FY 2018)	8,500,000	8,500,000
Equity injection	EI 49 (FY 2019)	9,500,000	8,400,000
Equity injection	EI 49 (FY 2020)	4,000,000	-
Equity injection	EI 49 (FY 2021)	3,960,000	-
Total funding, approved and advanced from Government		CI\$ 25,960,000	16,900,000

13. Taxation

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

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

14. Financial risk management

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

This note presents information about the Company's exposure to each of these risks and the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Credit risk

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

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

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

	2017	2016
Cash and cash equivalents	1,326,277	2,384,216
Accounts receivable	400,129	673,569
	CI\$ 1,726,406	3,057,785

No collateral is required from the Company's debtors.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

14. Financial risk management (continued)

Credit risk (continued)

The aging of the accounts receivable as at December 31, 2017 and 2016 is noted below:

	2017	2016
Current	210,359	203,433
31 – 60 days	22,100	58,388
61 – 90 days	7,702	51,408
Over 91 days	159,968	360,340
	CI\$ 400,129	673,569

As at December 31, 2017, a provision for doubtful receivables of CI\$309,038 has been made against accounts receivable (2016: CI\$28,492). In addition, at December 31, 2017, an additional allowance for doubtful accounts of CI\$324,390 (2016: CI\$ nil) was recognised in respect to the receivable associated with the missing cash which is discussed in Note 18. The movement in the allowance for doubtful accounts is included within bad debts expense within administration and overheads in the statement of comprehensive loss.

Liquidity risk

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

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

As at December 31, 2017, accounts payable, accrued expenses, and interest payable are all due within 3 months of the statement of financial position date. The repayment dates on the Notes and bank debt are as described in Notes 8 and 9.

Market risk

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

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

14. Financial risk management (continued)

Interest rate risk

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

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

As at December 31, 2017, the interest rate profile of the Company's interest-bearing financial instruments was:

	2017	2016
Fixed rate instruments		
Financial liabilities	(8,037,676)	(12,903,511)
	CI\$ (8,037,676)	(12,903,511)
	2017	2016
Variable rate instruments		
Financial assets	1,326,277	2,384,216
Financial liabilities	(1,952,733)	(3,616,383)
	CI\$ (626,456)	(1,232,167)

A change of 1% in interest rates over the financial assets throughout the reporting period would have increased/decreased comprehensive income by CI\$13,158 (2016: CI\$23,842). A change of 1% in interest rates over the financial liabilities throughout the reporting period would have increased/decreased comprehensive income by CI\$19,527 (2016: CI\$36,164).

The nature of the Company's exposures to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the prior period. Subsequent to December 31, 2017 the market interest rates have increased however the Company has not experienced any material adverse effects as a result of interest rate risk.

Currency risk

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

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

15. Related party transactions and key management remuneration

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

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

There were no loans made to key management at December 31, 2017 and 2016. Total remuneration paid to 6 personnel considered to be key management during the periods ended December 31, 2017 and June 30, 2016 was:

	Salaries CI\$	Incentive pay CI\$	Pension and health insurance CI\$	Other CI\$	Total CI\$
2017	884,058	82,928	60,795	30,685	1,058,468
2016	483,246	71,532	27,653	9,319	591,750

Members of the Board of Directors serve on a voluntary basis and do not receive salaries for services rendered, Directors not employed by the Government receive an amount of CI\$200 for each board meeting attended. The total remuneration paid to the Board of Directors was CI\$15,800 (2016: CI\$13,200).

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

16. Other income

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

Within one year	201,600
Between one year and five years	-
Later than five years	-

17. Contingencies

Marine Discharge Permit

The nature of the operations of the Company requires it to obtain permission which is granted by a Marine Discharge Permit (the "Permit") from the Water Authority of the Cayman Islands (the "Water Authority") in order to discharge waste water from the turtle tanks into the ocean. The last Marine Discharge Permit was issued by the Water Authority for 24 months commencing on October 19, 2013, expiring October 31, 2015.

This Permit identified four "Phases" of six months each. For each Phase the Water Authority specified targets comprising items to be fulfilled or achieved by the end of each Phase, included in the Permit under the section "Special Conditions" which detailed the requirements for the Company regarding:

- Develop and implement a "Waste Reduction Plan"
- Carry out the routine water quality monitoring programme,
- Carry out the flow metering programme,
- Carry out the benthic survey,
- Track turtle stock and feed rates, and
- Carry out the reporting

On September 10, 2014, the Water Authority confirmed in writing that "the October 31, 2014, six month milestone of the Waste Reduction Plan can be met by Company submitting to Water Authority for review, a final draft RFP for a performance based treatment system". The Company would be deemed to have met the requirement for phase #2 in respect of the "Waste Reduction Plan", provided that by October 31, 2015, (end date of phase #2) the Company submits to the Water Authority a complete RFP for the system to extract waste. On October 31, 2014, the Waste Reduction Plan was submitted to the Water Authority. As at December 31, 2017, the Water Authority has not completed the review of the plan that the Company has submitted.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

17. Contingencies (continued)

On November 6, 2014, the Department of Environment confirmed that they would provide the documentation of the report and methodology which would then enable the Company to conduct benthic video surveys each summer and winter so as to monitor the benthic conditions in the vicinity of the outflow on an ongoing basis, in accordance with the methodology which the Department of Environment would provide. As at December 31, 2017, the Company and the Water Authority had not received the report nor the documentation on the methodology from the Department of Environment.

On October 29, 2015 the Water Authority confirmed that it had “received the application for the renewal of CTF’s discharge permit.”

As of the date these financial statements were available to be issued there has been no legal action initiated against the Company nor any fines levied. While the Company awaits further communication from the Water Authority in regard to the Waste Reduction Plan and the benthic video surveys as mentioned above, the Company continues to work cooperatively with the Water Authority doing the various other measurements and reporting, and is also considering alternative techniques to propose to the Water Authority as a better approach to reducing the potential environmental impact of its effluent discharge.

18. Subsequent events

In January 2018, anomalies in certain cash balances/transactions were identified. The Company engaged legal counsel and an independent forensic investigation of historical cash transactions was performed. This uncovered missing cash of CI\$324,390 which has been fully provided/adjusted for in these financial statements as detailed in Note 14 and Note 19. The Company has taken remedial actions with respect to this matter, some of which are ongoing.

In June 2018, irregularities in purchases of information technology-related items of CI\$434,999 were identified in relation to Property, Plant, Equipment and Exhibits as shown in Note 7, and maintenance expenses of CI\$72,517 as shown in Note 19. This matter was passed over to the Anti-Corruption Commission for their investigation which remains ongoing.

Subsequent to year end, the National Conservation Council (NCC) voted in favour of submitting a “Conservation Plan for Sea Turtles” (CPST) to the Ministry of Health, Environment, Culture and Housing. Initially, it appears that Cabinet has until no later than 3rd February 2020 to either approve the CPST or to give notice and reasons as to why the CPST should not be adopted. Management is in the process of assessing the impact of this plan on the operations of the Company should the CPST be adopted.

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

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

19. Schedule of income and expenses

18 month period ended December 31, 2017

	Retail operations	Farm operations	Sub-total	Admin and overheads	Research expenses	Marketing expenses	Other	2017 Total
Income								
Retail tours	5,760,636	-	5,760,636	-	-	-	-	5,760,636
Retail merchandise sales	2,088,497	-	2,088,497	-	-	-	-	2,088,497
Food and beverage	1,108,606	-	1,108,606	-	-	-	-	1,108,606
Wholesale sales	-	1,062,936	1,062,936	-	-	-	-	1,062,936
Change in fair value of biological assets	-	778,445	778,445	-	-	-	-	778,445
Turtle release program	-	1,907	1,907	-	-	-	-	1,907
Cost of sales	(2,061,052)	(885,367)	(2,946,419)	-	-	-	-	(2,946,419)
Gross profit	6,896,687	957,921	7,854,608	-	-	-	-	7,854,608
Other income	-	-	-	-	-	-	317,917	317,917
Expenses								
Personnel expense	(1,863,790)	(1,759,546)	(3,623,336)	(1,818,663)	(340,827)	(110,864)	-	(5,893,690)
Depreciation expense	(2,548,461)	(1,228,144)	(3,776,605)	-	-	-	(760,152)	(4,536,757)
Utility expense	(245,770)	(1,460,749)	(1,706,519)	(273,151)	-	-	-	(1,979,670)
Interest and amortisation	-	-	-	-	-	-	(1,025,976)	(1,025,976)
Maintenance costs	(199,930)	(1,257,575)	(1,457,505)	(406,494)	(18,847)	-	-	(1,882,846)
Feed and other operating expenses	(9,192)	(825,855)	(835,047)	-	-	-	-	(835,047)
Insurance expense	(42,369)	(21,202)	(63,571)	(290,730)	-	-	-	(354,301)
Professional fees	-	-	-	(364,727)	-	-	-	(364,727)
Defined benefit cost	-	-	-	-	-	-	(139,000)	(139,000)
Other expenses	-	-	-	(748,398)	(136,860)	(111,975)	-	(997,233)
Bad debt expense	-	-	-	(604,936)	-	-	-	(604,936)
Advertising	-	-	-	-	-	(576,207)	-	(576,207)
Telephone	-	-	-	(312,928)	-	-	-	(312,928)
Bank fees	-	-	-	(138,392)	-	-	-	(138,392)
Retail operating expense	(211,720)	-	(211,720)	-	-	-	-	(211,720)
Travel and entertainment	(6,632)	-	(6,632)	(72,983)	(20,810)	-	-	(100,425)
Total expenses	(5,127,864)	(6,553,071)	(11,680,935)	(5,031,402)	(517,344)	(799,046)	(1,925,128)	(19,953,856)
Remeasurements of defined benefit plan	-	-	-	-	-	-	766,000	766,000
Comprehensive loss	CIS 1,768,823	(5,595,150)	(3,826,327)	(5,031,402)	(517,344)	(799,046)	(841,211)	(11,015,330)

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

19. Schedule of income and expenses (continued)

Year ended June 30, 2016

	Retail operations	Farm operations	Sub-total	Admin and overheads	Research expenses	Marketing expenses	Other	2016 Total
Income								
Retail tours	4,404,285	-	4,404,285	-	-	-	-	4,404,285
Retail merchandise sales	1,455,089	-	1,455,089	-	-	-	-	1,455,089
Food and beverage	818,445	-	818,445	-	-	-	-	818,445
Wholesale sales	-	658,481	658,481	-	-	-	-	658,481
Change in fair value of biological assets	-	686,931	686,931	-	-	-	-	686,931
Turtle release program	-	-	-	-	-	-	-	-
Cost of sales	(1,638,559)	(548,631)	(2,187,190)	-	-	-	-	(2,187,190)
Gross profit	5,039,260	796,781	5,836,041	-	-	-	-	5,836,041
Other income	-	-	-	271,846	-	-	239,905	511,751
Expenses								
Personnel expense	(1,236,697)	(1,075,279)	(2,311,976)	(1,241,261)	(213,054)	(49,273)	-	(3,815,564)
Depreciation expense	(1,651,742)	(787,787)	(2,439,529)	-	-	-	(489,237)	(2,928,766)
Utility expense	(191,294)	(1,049,035)	(1,240,329)	(183,778)	-	-	-	(1,424,107)
Interest and amortisation	-	-	-	-	-	-	(976,898)	(976,898)
Maintenance costs	(107,260)	(647,863)	(755,123)	(168,764)	(3,988)	-	-	(927,875)
Feed and other operating expenses	(12,137)	(606,433)	(618,570)	-	-	-	-	(618,570)
Insurance expense	(42,369)	(16,915)	(59,284)	(316,677)	-	-	-	(375,961)
Professional fees	-	-	-	(241,949)	-	-	-	(241,949)
Defined benefit cost	-	-	-	-	-	-	(96,000)	(96,000)
Other expenses	-	-	-	(129,260)	(34,802)	(35,304)	-	(199,366)
Advertising	-	-	-	-	-	(291,513)	-	(291,513)
Telephone	-	-	-	(158,877)	-	-	-	(158,877)
Bank fees	-	-	-	(98,608)	-	-	-	(98,608)
Retail operating expense	(151,427)	-	(151,427)	-	-	-	-	(151,427)
Travel and entertainment	-	-	-	(44,645)	-	-	-	(44,645)
Total expenses	(3,392,926)	(4,183,312)	(7,576,238)	(2,583,819)	(251,844)	(376,090)	(1,562,135)	(12,350,126)
Remeasurements of defined benefit plan	-	-	-	-	-	-	(291,000)	(291,000)
Comprehensive loss	CI\$ 1,646,334	(3,386,531)	(1,740,197)	(2,311,973)	(251,844)	(376,090)	(1,613,230)	(6,293,334)

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2017

(expressed in Cayman Islands dollars)

19. Schedule of income and expenses (continued)

In the period ended December 31, 2017, the bad debt expense in the Schedule of income and expenses consists of two different amounts: CI\$324,390 (2016: CI\$ nil) in respect to the receivable associated with the missing cash which is discussed in Note 18 and has been fully provided for, as well as CI\$280,546 (2016:CI\$ nil) relating to a deemed uncollectable A/R dating back to prior fiscal periods as referenced in Note 14.

As set out in note 7, irregularities in purchases of information technology goods and services in the period ended December 31, 2017 were identified. These irregularities impacted the maintenance costs recorded within admin and overheads and resulted in a reclassification of CI\$72,517 (2016: CI\$ nil) from maintenance costs to other expenses within Administration and Overheads in the Statement of Comprehensive Loss.