

Financial Statements of

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

for the year ended December 31, 2018

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

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CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

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.

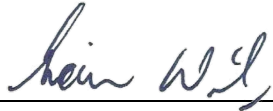
As Chairman and CEO we are responsible for the preparation of Cayman Turtle Conservation and Education Centre Ltd.'s financial statements and for the judgements made in them.

The financial statements fairly present the financial position, financial performance, changes in shareholder's equity and cash flows for the financial year ended December 31, 2018.

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

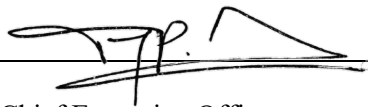
- (a) Completely and reliably reflect the financial transactions of the Cayman Turtle Conservation and Education Centre Ltd. for the year ended December 31, 2018;
- (b) fairly reflect the financial position as at December 31, 2018 and performance for the year ended December 31, 2018;
- (c) comply with 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.



Chairman
Cayman Turtle Conservation and
Education Centre Ltd.

14th May, 2020



Chief Executive Officer
Cayman Turtle Conservation and
Education Centre Ltd.

14th May, 2020

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Cayman Turtle Conservation and Education Centre Ltd.

Opinion

I have audited the financial statements of the Cayman Turtle Conservation and Education Centre Ltd. (the "Company"), which comprise the statement of financial position as at 31 December 2018 and the statement of comprehensive loss, statement of changes in shareholder's equity and statement of cash flows for the year ended 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 9 to 36.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance and its cash flows for year ended 31 December 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. In rendering my audit opinion on the financial statements of the Company, I have relied on the work carried out on my behalf by a public accounting firm who performed their work in accordance with International Standards on Auditing.

Emphasis of Matter

We draw attention to Note 2 to the financial statements which discloses that the Company is dependent upon the continued financial support of the Cayman Islands Government ("Government") to enable it to meet its obligations as they fall due. The subsequent global outbreak of the coronavirus, COVID-19, and the measures taken by the Government to mitigate the threat to the Cayman Islands, including the closure of the cruise port, the airports and the Company's facility, has increased the Company's financial dependency on the Government. 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.

AUDITOR GENERAL'S REPORT (continued)

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

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

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.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 auditor's report that includes my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR GENERAL'S REPORT (continued)

I have undertaken the audit in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2018 Revision)*. I 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 I identify during my audit.



Sue Winspear, CPFA
Auditor General

14 May 2020
Cayman Islands

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Statement of Financial Position


December 31, 2018

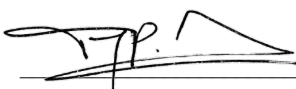
(expressed in Cayman Islands dollars)

| | Note | 2018 | 2017 |
|--|-------|---------------|--------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | 2,219,183 | 1,326,277 |
| Accounts receivable | | 394,005 | 400,129 |
| Prepayments and accrued interest | | 662,565 | 152,719 |
| Inventories | 5 | 188,334 | 352,887 |
| Work in Progress | | 30,802 | - |
| Biological assets | 6 | 1,027,813 | 1,532,692 |
| | | 4,522,702 | 3,764,704 |
| Non-current assets | | | |
| Property, plant, equipment and exhibits | 7 | 20,588,387 | 23,372,464 |
| Total assets | CIS | 25,111,089 | 27,137,168 |
| Liabilities and shareholder's equity | | | |
| Current liabilities | | | |
| Bank overdraft | 4, 13 | 1,542,018 | 1,952,733 |
| Accounts payable and accrued expenses | | 1,202,398 | 313,546 |
| Interest payable | | 18,332 | 32,565 |
| Notes payable | 8, 13 | 4,536,000 | 3,501,676 |
| | | 7,298,748 | 5,800,520 |
| Non-current liabilities | | | |
| Long term notes payable | 8, 13 | - | 4,536,000 |
| Defined benefit pension liability | 9b | 681,000 | 717,000 |
| Severance pay | 9c | 72,812 | 55,527 |
| | | 753,812 | 5,308,527 |
| Total liabilities | | 8,052,560 | 11,109,047 |
| 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 | 10 | 120,536,340 | 112,036,340 |
| Accumulated loss | | (104,727,811) | (97,258,219) |
| Total shareholder's equity | | 17,058,529 | 16,028,121 |
| Total liabilities and shareholder's equity | CIS | 25,111,089 | 27,137,168 |

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on 14th May, 2020


Chairman


Chief Executive Officer

Brian Wight Name

Timothy Adam Name

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Statement of Comprehensive Loss

For the year ended December 31, 2018
(expressed in Cayman Islands dollars)

| | Note | Year ended Dec 31 2018 | 18 month period ended Dec 31, 2017 |
|--|------|---------------------------|---------------------------------------|
| Operations | | | |
| Revenue | | 7,772,160 | 10,022,582 |
| Cost of sales | | (2,194,587) | (2,946,419) |
| Change in fair value of biological assets | | (156,052) | 778,445 |
| Gross profit | | 5,421,521 | 7,854,608 |
| Operating expenses | | (8,512,931) | (11,680,935) |
| Net operating loss | | (3,091,410) | (3,826,327) |
| Other income | 15 | 222,818 | 317,917 |
| Administrative expenses | | | |
| Administration and overheads | | (2,765,669) | (5,156,812) |
| Interest and amortization | | (433,961) | (1,025,976) |
| Other depreciation expense | | (559,652) | (760,152) |
| Research expenses | | (460,537) | (517,344) |
| Marketing expenses | | (417,181) | (799,046) |
| Defined benefit pension charge | 9b | (52,000) | (139,000) |
| Total administrative expenses | | (4,689,000) | (8,398,330) |
| Net loss for the year/period | | CIS\$ (7,557,592) | (11,906,740) |
| Other comprehensive income | | | |
| Remeasurement of defined benefit pension liability | 9b | 88,000 | 766,000 |
| Comprehensive loss for the year/period | | CIS\$ (7,469,592) | (11,140,740) |

See accompanying notes to financial statements.

See note 19 for a schedule of income and expenses

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Statement of Changes in Shareholder's Equity

For the year ended December 31, 2018
(expressed in Cayman Islands dollars)

| | | Share capital | Contributed capital (Note 10) | Accumulated loss | Total |
|---|-----|------------------|-------------------------------------|---------------------|--------------|
| Balance at June 30, 2016 | CIS | 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 (Note 9b) | | - | - | 766,000 | 766,000 |
| Balance at December 31, 2017 | CIS | 1,250,000 | 112,036,340 | (97,258,219) | 16,028,121 |
| Capital contribution from shareholder | | - | 8,500,000 | - | 8,500,000 |
| Net loss for the year | | - | - | (7,557,592) | (7,557,592) |
| Other comprehensive income for the year (Note 9b) | | - | - | 88,000 | 88,000 |
| Balance at December 31, 2018 | CIS | 1,250,000 | 120,536,340 | (104,727,811) | 17,058,529 |

See accompanying notes to financial statements.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Statement of Cash Flows

For the year ended December 31, 2018
(expressed in Cayman Islands dollars)

| | Year ended Dec 31, 2018 | 18 month Period ended Dec 31, 2017 |
|--|----------------------------|--|
| Cash flows from operating activities | | |
| Net loss for the year/period | (7,557,592) | (11,906,740) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation of property, plant, equipment and exhibits | 3,119,933 | 4,536,757 |
| Loss on disposal of items or property, plant and equipment | - | 125,411 |
| Movement in breeder herd valuation | (29,638) | 11,396 |
| Movement in secondary herd valuation | 534,517 | 95,526 |
| Amortisation of transaction costs | 19,604 | 72,459 |
| Changes in: | | |
| Decrease in accounts receivable | 6,124 | 273,440 |
| (Increase)/decrease in prepayments and accrued interest | (509,846) | 162,115 |
| Decrease/(increase) in inventories | 164,553 | (214,633) |
| (Increase)/decrease in work in progress | (30,802) | - |
| Increase/(decrease) in accounts payable and accrued expenses | 888,852 | (420,603) |
| (Decrease) in interest payable | (14,233) | (19,956) |
| Increase in defined benefit pension liability | 52,000 | 139,000 |
| Increase in severance pay liability | 17,285 | 25,755 |
| Net cash used in operating activities | (3,339,243) | (7,120,073) |
| Cash flows from investing activities | | |
| Purchase of property, plant, equipment and exhibits | (335,856) | (1,151,631) |
| Net cash used in investing activities | (335,856) | (1,151,631) |
| Cash flows from financing activities | | |
| Bank loan repaid | - | (1,582,799) |
| Repayment of notes | (3,521,280) | (4,938,294) |
| Capital contributions from shareholder | 8,500,000 | 13,815,709 |
| Net cash generated from financing activities | 4,978,720 | 7,294,616 |
| Net increase/(decrease) in cash and cash equivalents | 1,303,621 | (977,088) |
| Net cash and cash equivalents at beginning of year/period | (626,456) | 350,632 |
| Net cash and cash equivalents at end of year/period (note 4) | CIS 677,165 | (626,456) |
| Supplementary information: | | |
| Interest paid | CIS 448,194 | 1,045,932 |

See accompanying notes to financial statements.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements

December 31, 2018

(expressed in Cayman Islands dollars)

1. Incorporation and activity

Cayman Turtle Conservation and Education Centre Ltd. (the "Company", or "CTCEC") 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 in both 2018 and 2017.

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.

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).

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 13), and the defined pension obligations and severance pay (Note 9). Unless otherwise disclosed, these financial statements are presented in Cayman Islands dollars (CIS).

The prior period corresponding figures represent the 18-month period to December 31, 2017. Therefore will not be directly comparable to the current year ended December 31, 2018.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

2. Accounting policies (continued)

Going concern assumption

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 direct equity injections from the Government (see note 11). Furthermore, operational results subsequent to December 31, 2018 indicate that the Company continues to generate significant losses from operations and experience cash flow difficulties, and therefore continues to rely on Government for funding. The Board of Directors have 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 as outlined in Note 11. 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.

The subsequent global outbreak of the coronavirus, COVID-19, and the Government's response plan outlined in Note 18, also impacts the Company's ability to continue as a going concern and increases the Company's reliance on Government for continued funding during the time while tourism restrictions are in place and while the facility is closed to the public.

Management considers that Government support will be ongoing and is continuously assessing the evolving implications of the COVID-19 outbreak on the Company's business. In light of all of the information available at the date of approving these financial statements, and on the assumptions that the facility will reopen, and tourism will resume based upon reasonable scenarios, management considers the preparation of the financial statements under the going concern assumption to be appropriate.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

2. Accounting policies (continued)

New and revised accounting standards and interpretations that are effective:

Certain new, revised and amended accounting standards and interpretations came into effect during the current financial period as follows:

- 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. An IFRS 15 Memo was drafted to analyze the impact of this standard. It was determined that the Retail Tours revenue was the only revenue source applicable as the purchase of the wristbands from CTCEC from the independent tour operators and cruise lines are deemed to be Revenue from Contracts with Customers. CTCEC also determined that this category of contracts meets all of the criteria at contract inception.

Of the Retail tours revenue of CI\$4,564,150 listed on the Note 19, 32.8% or CI\$1,498,697 is related directly to Ship Tours (cruise lines). The remaining 67.2% or CI\$3,065,453 is a combination of admission revenues through direct walk in and online guest admissions, as well as wholesale wristband sales. Management recognizes revenue from wholesale wristband sales at point of sale and does not consider the timing of revenue recognition of this income stream to materially differ from IFRS 15. Any concern about receivables from this revenue is addressed in a separate memo for IFRS 9.

- 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. An Impairment Memo was drafted to analyse the impact of this standard.

CTCEC analysed all of the outstanding receivables as at 31 December 2018. CTCEC determined that trade receivables did not have a significant financing component and therefore chose to use the Simplified Approach and simplified 'provision matrix'. The Expected Credit Loss (ECL) using the following formula: $ECL = Exposure\ at\ Default\ (EAD) * Probability\ of\ Default\ (PD) * Loss\ Given\ Default\ (LGD)$ was calculated for two different categories, one for an over 90 day receivable for Caymanian Land and Sea Cooperative Society Ltd. ("Land & Sea"); and the other for the trade receivables in the 31-60 day category. The total ECL calculated is CI\$339,848 plus CI\$13,142 = CI\$352,990.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

2. Accounting policies (continued)

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

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 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 has assessed IFRS 16 and expect the impact on future financial statements to be minimal.

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 based on the expected credit loss model in compliance with IFRS 9.

Biological assets

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.

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, less cost to maintain.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

2. Accounting policies (continued)

Biological assets (continued)

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. 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. This is considered to be the “Cash Inflows” and is estimated for the applicable herd for that remaining herd to be processed and sold.

The “Cash Outflows” is the cost to process the remaining live weight of the applicable herd based on the costing for the 2018 production.

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

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 year-end and the effect of any changes in the estimate is accounted for on a prospective basis.

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

New and redeveloped assets are not depreciated until the assets are placed into service. Capitalised cost includes direct labor and benefits for employees specifically identified with the project.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

2. Accounting policies (continued)

Property, plant, equipment and exhibits (continued)

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.

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.

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 assets and 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.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

2. Accounting policies (continued)

Financial assets and liabilities (continued)

(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.

(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 part

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 part

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.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

2. Accounting policies (continued)

Employee benefits (continued)

(b) Defined benefit part (continued)

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.

(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 Centre. Sales of goods or services are recognised when the

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

2. Accounting policies (continued)

Revenue recognition (continued)

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.

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 is 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. Notes Payable 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. Net cash and cash equivalents

| | 2018 | 2017 |
|------------------|-------------|-------------|
| Current accounts | 2,219,183 | 1,326,277 |
| Bank overdraft | (1,542,018) | (1,952,733) |
| | CIS 677,165 | (626,456) |

At December 31, 2018, the limit on the overdraft facility was US\$4,562,500 (2017: US\$4,583,333) at an interest rate of 5.0% (2017: 6.5%). The Government, by way of letter of undertaking, guarantees overdraft facilities up to CI\$4,200,000 (2017: CI\$4,200,000).

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

5. Inventories

| | 2018 | 2017 |
|--------------------------|-------------|---------|
| Marketable products | 134,533 | 288,506 |
| Food and beverage | 35,695 | 39,349 |
| Feeds and other supplies | 18,106 | 25,032 |
| | CIS 188,334 | 352,887 |

6. Biological assets

| | 2018 | 2017 |
|----------------------------|---------------|-----------|
| Livestock, at fair values: | | |
| Secondary herd | 659,974 | 1,194,491 |
| Breeder herd | 367,839 | 338,201 |
| | CIS 1,027,813 | 1,532,692 |

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

| | 2018 | 2017 |
|--|-------------|-----------|
| Carrying value at beginning of year/period | 1,194,491 | 1,290,017 |
| Change attributable to differences in fair values | (469,055) | (97,109) |
| Biological transformation | 283,366 | 886,949 |
| Sales, at period end fair values | (348,828) | (885,366) |
| Net change in biological assets included in income | (534,517) | (95,526) |
| Carrying value at end of year/period | CIS 659,974 | 1,194,491 |

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, (2017: CI\$ nil).

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

6. Biological assets (continued)

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

| | 2018 | 2017 |
|--|-------------|----------|
| Carrying value at beginning of year/period | 338,201 | 349,597 |
| Net increase/(decrease) during the year/period | 29,638 | (11,396) |
| | CIS 367,839 | 338,201 |

Net increase/(decrease) during the year/period are attributable to new breeders added, weight gained during the year/period, less mortalities. During the year ended December 31, 2018, zero new breeder (2017: zero) was added to the herd and five turtles (2017: nine) were transferred to the secondary herd or died. As of December 31, 2018 there was CI\$500,000 insurance coverage associated with the livestock (2017: CI\$500,000).

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

7. Property, plant, equipment and exhibits

For the year ended December 31, 2018

| | Land | Buildings and lagoons | Plant and equipment | Motor vehicles | Furniture and office equipment | Exhibits | Computer hardware & software | Total |
|----------------------------------|-----------------|--------------------------|------------------------|-------------------|--------------------------------------|----------|------------------------------------|------------|
| Cost: | | | | | | | | |
| 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 |
| Additions | - | 136,015 | 25,000 | 74,999 | 21,129 | 15,000 | 63,713 | 335,856 |
| Disposals | - | - | - | (4,000) | (2,356) | - | - | (6,356) |
| As at December 31, 2018 | 1,251,349 | 49,515,124 | 1,838,175 | 437,716 | 230,101 | 79,611 | 1,206,999 | 54,559,075 |
| Accumulated depreciation: | | | | | | | | |
| As at December 31, 2017 | - | 28,634,521 | 1,082,809 | 241,356 | 148,648 | 15,653 | 734,124 | 30,857,111 |
| Depreciation | - | 2,542,247 | 267,988 | 51,188 | 33,348 | 12,586 | 212,576 | 3,119,933 |
| Disposals | - | - | - | (4,000) | (2,356) | - | - | (6,356) |
| As at December 31, 2018 | - | 31,176,768 | 1,350,797 | 288,544 | 179,640 | 28,239 | 946,700 | 33,970,688 |
| Net book value: | | | | | | | | |
| As at December 31, 2018 | CIS\$ 1,251,349 | 18,338,356 | 487,378 | 149,172 | 50,461 | 51,372 | 260,299 | 20,588,387 |
| 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 |

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

7. Property, plant, equipment and exhibits

18 month period ended December 31, 2017

| | | 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 |

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

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 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 notes were repaid subsequent to the year end on March 1, 2019.

The anticipated principal repayment schedule is as follows:

| | 2018 | 2017 |
|---------------------------|----------------|-----------|
| Due within 1 year | 4,536,000 | 3,501,676 |
| Due between 2 and 5 years | - | 4,536,000 |
| | CI\$ 4,536,000 | 8,037,676 |

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, 2018.

Movements in the carrying value of the Notes payable, which is inclusive of unamortised transaction costs, in the periods to December 31, 2018 and 2017 are:

| | 2018 | 2017 |
|---|----------------|-------------|
| Carrying value at beginning of year/period | 8,037,676 | 12,903,511 |
| Repaid during the year/period | (3,521,280) | (4,938,294) |
| Amortisation of transaction costs for the year/period | 19,604 | 72,459 |
| Carrying value at end of year/period | CI\$ 4,536,000 | 8,037,676 |

At December 31, 2018, unamortised transaction costs amounted to CI\$19,604 (2017: CI\$19,604). During the year ended December 31, 2018 this was fully amortised therefore transaction costs of CI\$Nil (2017: CI\$72,459) 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%.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

9. 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 part

For employees enrolled in the defined contribution part, the Company and the employee each contribute 6% of the employee's salary or wage each period. During the period ended December 31, 2018 contributions of CI\$229,593 (2017: CI\$283,843) were made by the Company and included in the statement of comprehensive loss.

b) Defined benefit part

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 Part) 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, 2018 by Mercer and the results, which was advised to the Company by the Public Service Pension Board ("PSPB") in March 2019, indicated a part net liability attributable to the Company of CI\$681,000 (2017: CI\$717,000).

| | 2018 | 2017 |
|--|--------------|-----------|
| Part net liability at beginning of year/period | 717,000 | 1,344,000 |
| Defined benefit change included in profit and loss | (36,000) | (627,000) |
| Part net liability at end of year/period | CI\$ 681,000 | 717,000 |

| | 2018 | 2017 |
|-----------------------------------|----------------|-------------|
| Company's share of: | | |
| Defined benefit obligation | (2,238,000) | (2,386,000) |
| Fair value of plan assets | 1,557,000 | 1,669,000 |
| Defined benefit pension liability | CI\$ (681,000) | (717,000) |

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

9. Pension payable and severance pay (continued)

b) Defined benefit part (continued)

Movement in defined benefit obligations during the year/period:

| | 2018 | 2017 |
|--|------------------|-------------|
| Defined benefit obligation at beginning of year/period | (2,386,000) | (2,822,000) |
| Current service cost | (48,000) | (110,000) |
| Interest expense | (84,000) | (144,000) |
| Benefit payments | 76,000 | 44,000 |
| Transfer between other participating employers | - | 125,000 |
| Contributions paid into the plan | (11,000) | (21,000) |
| Remeasurements | 215,000 | 542,000 |
| Defined benefit obligation at end of year/period | CI\$ (2,238,000) | (2,386,000) |

Movement in fair value of plan assets during the year/period:

| | 2018 | 2017 |
|---|----------------|-----------|
| Fair value of plan assets as beginning of year/period | 1,669,000 | 1,478,000 |
| Interest income | 59,000 | 77,000 |
| Employer contributions | 21,000 | 38,000 |
| Plan participant contributions | 11,000 | 21,000 |
| Benefit payments | (76,000) | (44,000) |
| Transfer between other participating employers | - | (125,000) |
| Remeasurements | (127,000) | 224,000 |
| Fair value of plan assets at end of year/period | CI\$ 1,557,000 | 1,669,000 |

The defined benefit cost included in profit and loss:

| | 2018 | 2017 |
|------------------------|---------------|-----------|
| Current service cost | (48,000) | (110,000) |
| Interest expense | (84,000) | (144,000) |
| Interest income | 59,000 | 77,000 |
| Employer contributions | 21,000 | 38,000 |
| Defined benefit cost | CI\$ (52,000) | (139,000) |

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

9. Pension payable and severance pay (continued)

b) Defined benefit part (continued)

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

| | 2018 | 2017 |
|--|--------------|---------|
| Effect of changes in demographic assumptions | 21,000 | 209,000 |
| Effect of changes in financial assumptions | 336,000 | 174,000 |
| Effect of experience adjustments | (142,000) | 159,000 |
| Return on plan assets | (127,000) | 224,000 |
| Remeasurements | CIS\$ 88,000 | 766,000 |

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:

| | 2018 | 2017 |
|------------------------------|-------|-------|
| Economic Assumptions | | |
| 1. Discount rate | 4.50% | 3.80% |
| 2. Salary increase | 2.50% | 2.50% |
| 3. Rate of price inflation | 2.00% | 2.00% |
| 4. Rate of pension increases | 2.00% | 2.00% |

The distribution of the plan assets at December 31, 2018 and 2017 is as follows:

| | 2018 | 2017 |
|----------------------------|------|------|
| Global equities | 79% | 80% |
| Debt securities | 20% | 19% |
| Real estate/infrastructure | 0% | 0% |
| Cash | 1% | 1% |
| | 100% | 100% |

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

9. Pension payable and severance pay (continued)

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, 2018 (2017: one) and the total liability of the Company in respect of past service benefits for retired employees is approximately CI\$72,812 (2017: CI\$55,527).

10. Contributed capital

During the year ended December 31, 2018, the Government made a further equity injection of CI\$8,500,000 (2017: CI\$13,815,709).

11. Government funding

The total funds approved by Government for future equity injections is follows:

| Facility type | Appropriation law reference | Amounts approved | *Amounts received |
|--|--------------------------------|---------------------|----------------------|
| Equity injection | EI 49 (FY 2019) | 9,500,000 | 9,500,000 |
| Equity injection | EI 49 (FY 2020) | 4,000,000 | 1,100,000 |
| Equity injection | EI 49 (FY 2021) | 3,960,000 | - |
| Total funding, approved and advanced from Government | | CI\$ 17,460,000 | 10,600,000 |

*Funds received subsequent to December 31, 2018.

12. 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, 2018

(expressed in Cayman Islands dollars)

13. 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:

| | 2018 | 2017 |
|---------------------------|---------------|-----------|
| Cash and cash equivalents | 2,219,183 | 1,326,277 |
| Accounts receivable | 394,005 | 400,129 |
| | CIS 2,613,188 | 1,726,406 |

No collateral is required from the Company's debtors.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

13. Financial risk management (continued)

Credit risk (continued)

The aging of the accounts receivable as at December 31, 2018 and 2017 is noted below:

| | 2018 | 2017 |
|--------------|---------------|---------|
| Current | 191,958 | 210,359 |
| 31 – 60 days | 30,666 | 22,100 |
| 61 – 90 days | 5,962 | 7,702 |
| Over 91 days | 165,419 | 159,968 |
| | CIS\$ 394,005 | 400,129 |

As at December 31, 2018, a provision for doubtful receivables of CI\$677,381 (2017: CI\$633,429) has been made against gross accounts receivable of CI\$\$1,071,386 (2017: CI\$1,033,558). The provision consists of the ECL reserve amounting to CI\$352,990 (2017: reserve based on 2017 reserving methodology of CI\$309,038) and an additional reserve of CI\$324,391 (2017: CI\$324,391) as outlined in note 19. 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 (Note 11).

As at December 31, 2018, accounts payable, accrued expenses, and interest payable are all due within 3 months of the statement of financial position date.

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, 2018

(expressed in Cayman Islands dollars)

13. 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.

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, 2018, the interest rate profile of the Company's interest-bearing financial instruments was:

| | 2018 | 2017 |
|----------------------------------|-------------------|-------------|
| Fixed rate instruments | | |
| Financial liabilities | (4,536,000) | (8,037,676) |
| | CIS\$ (4,536,000) | (8,037,676) |
| | 2018 | 2017 |
| Variable rate instruments | | |
| Financial assets | 2,219,183 | 1,326,277 |
| Financial liabilities | (1,542,018) | (1,952,733) |
| | CIS\$ 677,165 | (626,456) |

A change of 1% in interest rates over the financial assets throughout the reporting period would have increased/decreased comprehensive income by CI\$21,957 (2017: CI\$13,158). A change of 1% in interest rates over the financial liabilities throughout the reporting period would have increased/decreased comprehensive income by CI\$15,420 (2017: CI\$19,527).

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, 2018 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, 2018

(expressed in Cayman Islands dollars)

14. 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, 2018 and 2017. Total remuneration paid to 6 personnel considered to be key management during the periods ended December 31, 2018 and December 31, 2017 was:

| | Salaries CI\$ | Incentive pay CI\$ | Pension and health insurance CI\$ | Other CI\$ | Total CI\$ |
|-------------|------------------|--------------------------|---|---------------|---------------|
| 2018 | 584,679 | - | 41,203 | - | 625,882 |
| 2017 | 884,058 | 82,928 | 60,795 | 30,685 | 1,058,466 |

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\$9,000 (2017: CI\$15,800).

15. 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 January 12, 2018 with one options to renew for additional periods of 5 years. 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 two year and five years | 806,400 |
| Later than five years | - |

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

16. 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, 2018, the Water Authority has not completed the review of the plan that the Company has submitted.

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, 2018, the Company and the Water Authority had not received the report or 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.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

17. Anomalies in cash balances and irregularities

In January 2018, anomalies in certain cash balances/transactions were identified. The Company engaged legal counsel and an independent forensic firm to conduct an investigation of historical cash transactions. This uncovered missing cash of CI\$324,390 which was provided for in the period ended December 31, 2017 (Note 19). The Company took remedial actions with respect to this matter, some of which are ongoing.

Further, in June 2018, irregularities in purchases of information technology-related items amounting to CI\$434,999 were identified in relation to Property, Plant, Equipment and Exhibits. The necessary adjustments were made in the financial statements (Note 19) and this matter was passed over to the Anti-Corruption Commission for their investigation which remains ongoing.

18. Subsequent events

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

On March 17, 2020, the first confirmed case was reported in the Cayman Islands and the Government immediately responded by implementing a number of mitigating measures to control the spread of the virus on these Islands. The COVID-19 Pandemic Response Plan and the Cayman Islands Government's Public Health (Prevention, Control and Suppression of COVID-19) Regulations, 2020 were put in place subsequently and included the following measures that have significantly impacted the Company:

- All cruise ports and airports have been temporarily closed. Any reopening of these ports will likely be on a restrictive basis.
- All non-essential business, including tourism operators have been required to close temporarily. The Company remains open as a designated essential services business in relation to the care and welfare of animals on site, however it is closed to the public temporarily.

While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Company's expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

18. Subsequent events (continued)

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2018 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of Government plans remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

Though the restricting measures were necessary to contain the spread of the virus, it is uncertain whether, and when the Company will return to earning revenue and generating cash flows from its operating activities. It is uncertain as to when the cruise ports, airports and tourism operators will reopen or resume to normal levels and the continued existence of the Company will be contingent on either increased ongoing support from the Company's shareholder and/or raising additional funding through credit facilities provided by the Company's bankers.

Management is continuing to assess the impact of this pandemic to the business and maintains a daily cash flow forecast, as well as continues to implement cost saving measures in an effort to maintain cash flow using its current available instruments.

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

19. Schedule of income and expenses

For the year ended December 31, 2018

| | Retail operations | Farm operations | Sub-total | Admin and overheads | Research expenses | Marketing expenses | Other | 2018 Total |
|---|----------------------|--------------------|-------------|------------------------|----------------------|-----------------------|-------------|---------------|
| Income | | | | | | | | |
| Retail tours | 4,564,150 | - | 4,564,150 | - | - | - | - | 4,564,150 |
| Retail merchandise sales | 1,541,707 | - | 1,541,707 | - | - | - | - | 1,541,707 |
| Food and beverage | 930,466 | - | 930,466 | - | - | - | - | 930,466 |
| Wholesale sales | - | 723,633 | 723,633 | - | - | - | - | 723,633 |
| Change in fair value of biological assets | - | (156,052) | (156,052) | - | - | - | - | (156,052) |
| Turtle release program | - | 12,204 | 12,204 | - | - | - | - | 12,204 |
| Cost of sales | (1,845,759) | (348,828) | (2,194,587) | - | - | - | - | (2,194,587) |
| Gross profit | 5,190,564 | 230,957 | 5,421,521 | - | - | - | - | 5,421,521 |
| Other income | - | - | - | - | - | - | 222,818 | 222,818 |
| Expenses | | | | | | | | |
| Personnel expense | (1,576,600) | (1,341,830) | (2,918,430) | (1,288,624) | (283,389) | (3,223) | - | (4,493,666) |
| Depreciation expense | (1,719,893) | (840,388) | (2,560,281) | - | - | - | (559,652) | (3,119,933) |
| Utility expense | (339,114) | (906,980) | (1,246,094) | (207,987) | - | - | - | (1,454,081) |
| Interest and amortisation | - | - | - | - | - | - | (433,961) | (433,961) |
| Maintenance costs | (229,773) | (709,066) | (938,839) | (225,655) | (19,122) | (160) | - | (1,183,776) |
| Feed and other operating expenses | 261 | (605,853) | (605,592) | - | - | - | - | (605,592) |
| Insurance expense | (42,369) | (20,072) | (62,441) | (194,298) | - | - | - | (256,739) |
| Professional fees | - | - | - | (449,800) | - | - | - | (449,800) |
| Defined benefit cost | - | - | - | - | - | - | (52,000) | (52,000) |
| Other expenses | - | (20,272) | (20,272) | (280,020) | (156,430) | (69,974) | - | (526,696) |
| Bad debt expense | - | - | - | 47,880 | - | - | - | 47,880 |
| Advertising | - | - | - | - | - | (339,328) | - | (339,328) |
| Telephone | - | - | - | (26,313) | - | - | - | (26,313) |
| Bank fees | - | - | - | (110,680) | - | - | - | (110,680) |
| Retail operating expense | (157,916) | - | (157,916) | - | - | - | - | (157,916) |
| Travel and entertainment | (3,066) | - | (3,066) | (30,172) | (1,596) | (4,496) | - | (39,330) |
| Total expenses | (4,068,470) | (4,444,461) | (8,512,931) | (2,765,669) | (460,537) | (417,181) | (1,045,613) | (13,201,931) |
| Remeasurements of defined benefit plan | - | - | - | - | - | - | 88,000 | 88,000 |
| Comprehensive loss | CIS 1,122,094 | (4,213,504) | (3,091,410) | (2,765,669) | (460,537) | (417,181) | (734,795) | (7,469,592) |

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(expressed in Cayman Islands dollars)

19. Schedule of income and expenses (continued)

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) | (125,410) | (1,122,643) |
| 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) | (2,050,538) | (20,079,265) |
| 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) | (966,621) | (11,140,740) |

CAYMAN TURTLE CONSERVATION AND EDUCATION CENTRE LTD.

Notes to the Financial Statements (continued)

December 31, 2018

(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 in respect to the receivable associated with the missing cash and has been fully provided for, as well as CI\$280,546 relating to a deemed uncollectable A/R dating back to prior fiscal periods.

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 from maintenance costs to other expenses. No such irregularities were identified during the year ended December 31, 2018.