PRIVATE AND CONFIDENTIAL

The Directors
Cayman Turtle Farm (1983) Limited
P. O. Box 812
786 Northwest Point Road, West Bay
Grand Cayman, KY1-1303

Dear Sirs:

Cayman Turtle Farm (1983) Limited

Management Report for the year ended June 30, 2011

The purpose of this report is to set out certain matters that came to our attention during the audit of Cayman Turtle Farm (1983) Limited (the "Company") for the year ended June 30, 2011 and to document management's response to the observations made. These are set out in the attached appendix.

We have aimed to use our knowledge of the Company to make comments and suggestions that will be of use to you. However, you will appreciate that our work is primarily designed to enable us to form an opinion on the financial statements of the Company for the year ended June 30, 2011, and should not be relied upon to disclose errors or irregularities which are not material in relation to the financials.

We should like to take this opportunity to record our appreciation for the assistance and co-operation received from your staff during the course of our audit.

Yours faithfully,

KPMG

Alastair Swarbrick, MA (Hons), CPFA
Auditor General

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1. Fixed asset register

Observation:	The Company does not maintain a complete and accurate register of assets held.
Risks:	The lack of a detailed fixed asset register increases exposure of the Company's assets to theft and fraud. Additionally, it increases the risk of error in the financial statements as it may result in fully depreciated assets being further depreciated.
Recommendation:	A detailed fixed asset register can be implemented at a low cost with the use of electronic spreadsheets. We therefore recommend that a detailed fixed asset register be created and reconciled to the general ledger on a periodic basis (at least annually).
Management response:	*A new Fixed Asset Register will be created and all identifiable fixed assets will be numbered. (Numbering the assets has already commenced.) Values and useful lives of fixed assets will be checked, approved by executives and updated. This exercise will be performed over the next several months, however for land and buildings it will be dependent upon the government valuation team.*

2. Impairment testing of property, plant, equipment and exhibits

Observation:	Where there is an indication that assets may be impaired, management have not made an assessment of whether the market value or fair value of property, plant, equipment and exhibits are below their recorded values.
Impact:	We have qualified our audit report due to departure from this IFRS requirement.
Risks:	The actual value of the Company's assets may be significantly below the carrying value recognised in the balance sheet and financial statements. We recommend that management identify assets where there is an indication that they could be impaired and identify economically feasible methods of calculating the recoverable amount of these assets.
Management response:	*The impairment and value of assets will be assessed while compiling the new Fixed Asset Register. We will be in contact with the government valuation team to do a current valuation on land and buildings.*

3. Title deed not in the Company's name

Observation:	We noted that the title deed of plot no. 1D 26 was not in the name of the Company, but was in the name of the "Crown".
Risks:	There is a risk that the Company has overstated its land held as the Company does not have legal ownership of this plot.
Recommendation:	We recommend that the title deed of plot no. 1D 26 be transferred from the "Crown" to the Company.
Management response:	*We will approach the relevant Government officials to seek transfer of the title deed for this parcel.*

4. Payroll reconciliations

Observation:	We noted that payroll reconciliations were not performed throughout the year.
Risks:	The Company is exposed to potential loss due to incorrect payment of salary to employees. Additionally, there is increased risk of error in accounting for employee costs if information is not complete or up to date. Fraud risk may also arise in cases where there are no reconciliation controls or review controls in place.
Recommendation:	We recommend that the payroll is reconciled to the GL on a monthly basis sufficient to detect and correct any errors or fraud risks.
Management response:	*Payroll is checked every pay period by Finance Manager or Acting CFO before its processing is completed. In the batch it includes all the support, Sage Abra Report for the current pay period, and the Sage Abra Report from the previous pay period. Any large differences or changes noted in this review will be investigated. Then on a monthly basis during the completion of Management Accounts the Finance Manager checks that all amounts from Sage Abra have been imported correctly and he verifies the amounts.*

5. Access to confidential information

Observation:	During the course of the audit, we noted that confidential employee salary information could be accessed by unauthorised staff members.
Risk:	Inadequate controls over access to confidential information may lead to reputational or other operational losses (employee dissatisfaction and turnover).
Recommendation:	We recommend that confidential information is only accessible to appropriately authorised personnel.
Management response:	*There are only four people in the Finance Department that have access to payroll information: Phillip Fourie (Acting CFO), Sean Glidden (Finance Manager), Rachel Ebanks (Accounting Officer) and Rebecca Bush (Accounting Officer). The latter two are the persons who process the payroll. In the HR department there are only two people that have access to payroll information: Joelle McCrae (HR Manager) and Shara Myles (HR Assistant). We will investigate and make sure that only the above people have access and that all confidential documents are stored in a secure location.*

6. Bank reconciliations

Observation:	We noted that bank reconciliations were not performed during the year.
Risks:	This basic control can mitigate exposure to financial loss (due to processing/payment errors), fraud (due to theft) and financial statement error. There should be sufficient time between detecting such an error or fraud and being able to react accordingly, which would reduce risk of loss to the Company. The control would not sufficiently address fraud risk, if the person performing the reconciliation also has responsibilities relating to lodgements or payments.
Recommendation:	We recommend that bank reconciliations are performed on a monthly basis. We also recommend that and either the reconciliations are independently reviewed or that there is sufficient segregation of duties in place to prevent fraud risk.
Management response:	*Bank reconciliations will be done on a monthly basis from July 2011 and will be reviewed by a Manager. A monthly file will also be prepared where this will be filed with other reconciliations.*

7. Summary postings and journal descriptions

Observation: We noted that a number of journals are posted to the general ledger with the title of summary payment and while we have noted improvement in the availability of supporting documentation for these amounts from the prior year support cannot always be provided.

Risk: There is a risk that fraudulent payments could be incorporated in to these summary payments and there is a loss of audit trail.

Recommendation: We recommend that detailed listings of the transactions making up the summary payments are retained and journals are given meaningful descriptions to allow easy identification of the purpose of the journal.

Management response: *The accounting system has been adjusted in December 2010, so that all details are now recorded into the General Ledger.*

8. Supplier statement reconciliations

Observation: We noted that accounts payable are not reconciled to supplier statements on a periodic basis.

Risk: The process of reconciling account balances payable to supplier statements reduces the risk of error in the financial statements, and reduces any fraud risk as payments/invoices are reconciled to third party support.

Recommendation: We recommend that management identify main suppliers, and that a process be adopted where periodic reconciliations are carried out to ensure completeness and accuracy of these liabilities.

Management response: *A process will be adopted where monthly or quarterly reconciliations of supplier statements will be done.*

9. No reconciliation between accounts payable ledger and general ledger

Observation: We noted that the accounts payable ledger is not reconciled to the general ledger on a regular basis.

Risk: The process of reconciling the accounts payable ledger to the general ledger reduces the risk of error in the financial statements.

Recommendation: We recommend that management adopt a process where periodic reconciliations are carried out to ensure completeness and accuracy of these liabilities.

Management response: *A process will be adopted whereby monthly reconciliation will be done between Accounts Payable ledger and the General Ledger.*

10. Discharge permit

Observation:	We noted that the Company was operating for the period prior to October 1, 2008 and after October 1, 2010 without a required discharge permit from the Water Authority. In addition, a conditional requirement to reduce the effluent discharge by 50% by July 1, 2009 was not met.
Risk:	Non-compliance with the environmental laws exposes the Company to possible litigation and the imposition of fines.
Recommendation:	We recommend that the Company comply with the Water Authority's requirements
Management response:	*Management continues to work with the Water Authority on this matter.*

11. Government payables and accruals

Observation:	We noted that at June 30, 2011 included in accounts payable and accruals there are amounts of $4.1m and $0.5m due to the Government of the Cayman Islands respectively. The majority of these amounts relate to as far back as 2006 and a review of subsequent payments identified that these amounts have not been paid to date. We noted that the Company appears not to be in a position or possibly does not intend to pay these invoices as they have been outstanding for a significant amount of time. As such the substance of these transactions appears to be an equity injection from the Government.
Risks	Incorrect classification and accounting treatment of the amounts could result in an overstatement of liabilities and understatement of equity in the financial statements.
Recommendation:	We recommend that the Company formally request that the payables be converted from a financial liability to equity if the intent is not to pay these long outstanding payables to Government.
Management response:	*As discussed in the Audit 2011 meeting, Management need to follow-up with Government on this. We are presently drafting a letter for Government.*

12. Timing of pension liability valuation

Observation:	During the course of the audit it was noted that the valuation of the pension liability performed by the actuary will not be completed until February 2012 after the year-end.
Impact:	This resulted in a qualification to our audit opinion.
Risk:	The actual value of the Company's liabilities may be significantly below the carrying value recognised in the balance sheet. If the Company waits to approve its financial statements until it receives the pension liability valuation it will then be in non-compliance with the PMFL which requires audited financial statements four months after the year-end (i.e October)
Recommendation:	We recommend that management discuss with the Public Service Pension Board any adjustments which can be made to the timing and availability of the pension liability valuation.
Management response:	*Management will make the request.*

13. Advances from Shareholder

Observation:	During the years ended June 30, 2008 and 2007, it was noted that interest free loan advances were received from the Government, repayable five years after the date the Facility became fully operational. We noted that the Company is unlikely to be in a position to repay the loan to its shareholder within the required timeline due to financial difficulty. As such, the substance of the loan is deemed to be an equity contribution.
Impact:	An audit adjustment was processed in the June 30, 2008 and 2007 financial statements to reclassify the loan from a liability to an equity contribution from the shareholder.
Risks	Incorrect classification and accounting treatment for the interest free loan advance received from the shareholder.
Recommendation:	We recommend that the Company formally request that the loan be converted from a financial liability to equity.
Management response:	*(See response to #11 above.)*

14. Related party transactions

Observation:	We noted that no register of related parties and all related balances and transactions is maintained by the finance department.
Risk:	Related party transactions may not be identified and as a result not disclosed in the financial statements.
Recommendation:	We recommend that management draw up a listing of related parties and all related balances and transactions.
Management response:	*Management will provide the Finance Department with a list of related parties and the Finance Department will review related balances and transactions.*