

# THE COCONUT SHOP



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**THE COCONUT  
INDUSTRY BOARD**

**77th**  
**Annual Report**  
*of*

**The  
Coconut  
Industry  
Board**



**for the year ended December 31, 2019**



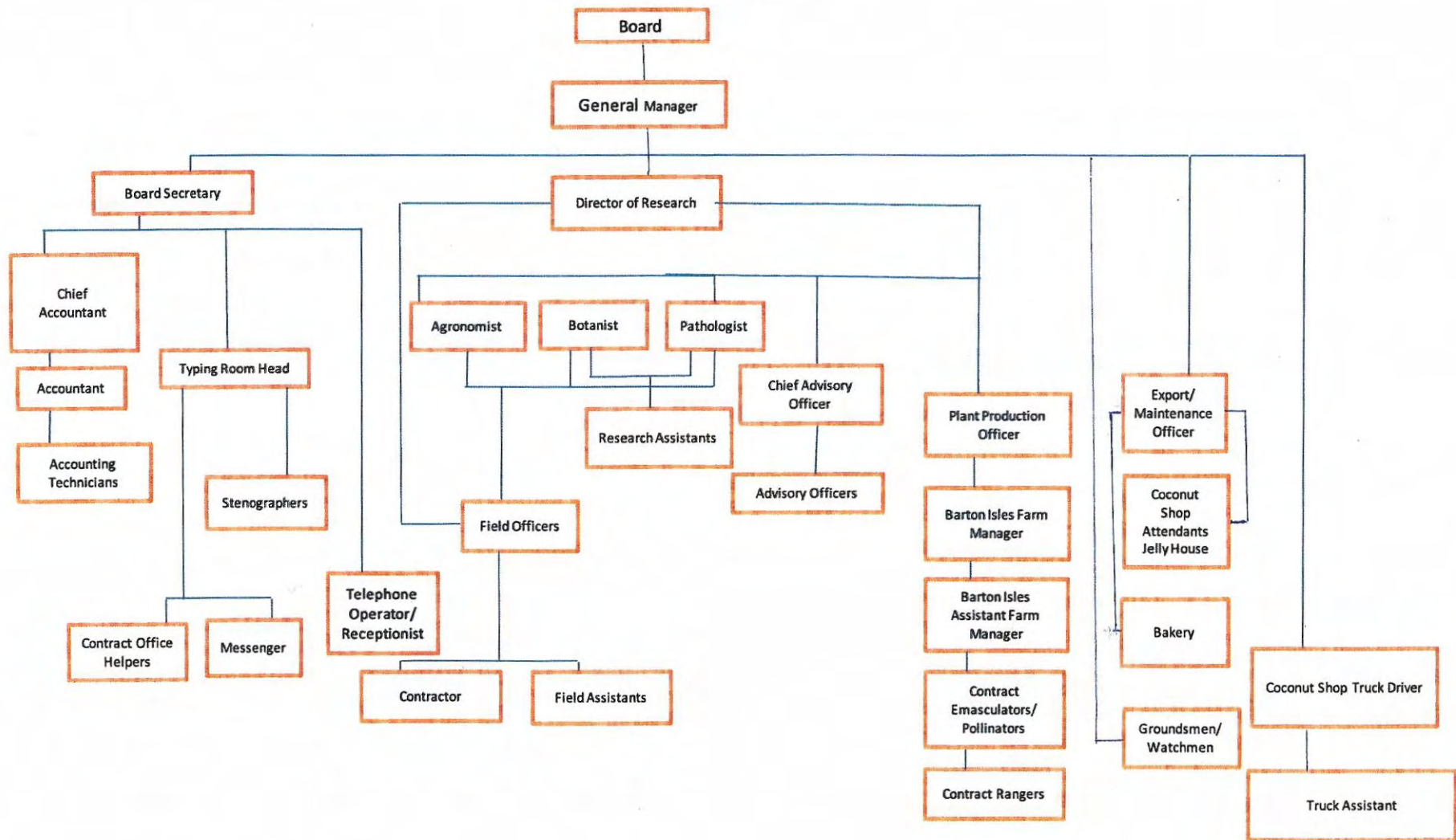
## **MISSION**

*To promote the interest of the Jamaican coconut industry and its stakeholders, by encouraging and facilitating the efficient production of coconuts, providing ongoing research support, developing marketing opportunities, locally and globally, and administering regulations for the purchase, sale, exportation and importation of coconut products and substitutes, in order to develop a profitable and sustainable industry.*

## **VISION**

*To lead, facilitate and co-ordinate a vibrant and efficient coconut industry which will improve the socio-economic conditions of the coconut growers, processors, traders and other stakeholders who rely on the crop for a livelihood.*

# COCONUT INDUSTRY BOARD ORGANIZATION CHART



Presented to  
The Minister of Industry, Commerce, Agriculture and Fisheries  
in pursuance of Section 27  
of the Coconut Industry Control Act

## **COMPOSITION OF BOARD FOR YEAR 2018**

### **MEMBERS**

<b>Nominated:</b>	Mr. C. Gentles - Chairman Mr. H. Davis Dr. C. Douglas Mr. H. Gentles
<b>Elected:</b>	Mr. S. Black Mrs. S. Ennis Mr. N. Jones - <b>Co-opted September 4, 2018</b> Mr. G. E. Marsh - <b>June 16, 2018</b> Hon. F. M. Phipps, Q.C., O.J. Hon. A. A. Pottinger, C.D.

### **OFFICERS**

<b>General Manager:</b>	Miss Y. E. Burns
<b>Corporate Secretary:</b>	Mrs. A. J. Chung-Campbell
<b>Bankers:</b>	National Commercial Bank Jamaica Limited
<b>Auditors:</b>	PriceWaterhouseCoopers

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## **THE COCONUT INDUSTRY BOARD**

### **INTRODUCTION**

The Coconut Industry Board was established under the Coconut Industry Control Act, Cap. 62, enacted in 1945 and consists of nine members, four of whom including the Chairman, are appointed by the Minister of Industry, Commerce, Agriculture and Fisheries. The remaining five are elected by registered coconut growers and must themselves be registered coconut growers or the attorneys for such registered coconut growers or the managing directors or managers of companies which are registered coconut growers.

The Board promotes the interests and efficiency of the coconut industry, encourages the production of coconuts and regulates the purchase, sale and exportation of coconuts as well as the importation of coconut products and substitutes.

Allied functions are:

- (a) Keeping Government informed on the state of the industry and advising Government when any action is necessary.
- (b) Arranging insurance of coconut trees against damage by windstorm.
- (c) Assisting growers to market their crop.
- (d) Carrying out research on the agricultural problems of the industry and advising growers on their agricultural problems.

The industry offers a wide range of employment for technical and skilled personnel.

## **REPORT ON THE OPERATIONS OF THE COCONUT INDUSTRY BOARD**

### **CALENDAR YEAR 2018**

#### **1. BOARD MEMBERSHIP**

There were two vacancies among the elected members of the Board during Year 2018, as Mr. Granville E. Marsh and the Hon. Alaric A. Pottinger of St. Mary, the growers' representatives, who automatically retired, were re-elected unopposed.

Mr. Granville E. Marsh who served as a Board Member for 27 years died June 16, 2018.

Subsequently, Mr. Nicholas Jones of Fred M. Jones Estates Limited, St. Thomas, was co-opted on September 4, 2018 to fill the vacancy created by the death of Mr. Marsh.

There were 37 Board and Committee meetings during the year and attendance of members was as follows:

	<b><u>Possible</u></b>	<b><u>ATTENDANCE</u></b>		
		<b><u>Actual</u></b>		<b><u>Ill/On Leave</u></b>
		<b><u>Board</u></b>	<b><u>Committee</u></b>	
Mr. C. Gentles	37	10	27	-
Mr. S. Black	20	7	11	2
Mr. H. Davis	20	8	10	2
Dr. C. Douglas	23	8	14	1
Mrs. S. Ennis	28	10	18	-
Mr. H. Gentles	15	6	5	4
Mr. G. E. Marsh	17	6	11	-
Hon. F. M. Phipps, Q.C., O.J.	23	9	13	1
Hon. A. A. Pottinger, C.D.	26	10	16	-
Mr. N Jones	7	3	4	-

#### **2. PROFILE OF THE LOCAL COCONUT INDUSTRY**

The number of hectares in coconuts at 31 December, 2018 was calculated as 16,371 (31/12/17 – 15,989); the number of hectares in bearing coconuts at the same date was calculated as 15,920 (31/12/17 – 15,589).

At 31 December 2018, the total population of coconut trees was calculated as 3,636,711 (31/12/17 - 3,602,977). Of this number 3,408,997 were seven years old and over (31/12/17 - 3,340,663) and should have been in full bearing, but due to faulty agronomic practices, some of the plants were not bearing.



The number of farmers registered with the Board was as follows:

<u>Year</u>	<u>No. of Farmers</u>
2018	646
2017	694
2016	664
2015	697
2014	780

The majority of coconut farms was smaller than 10 hectares; coconut is essentially a small holder's crop.

### 3. PRODUCTION AND DISPOSAL

#### (i) Production

Coconut production during the year was calculated as 126.3 million nuts (Year 2017 – 100.1 million nuts). The value of the Year 2018 production at the average price paid by the Board for Maypan and Malayan Dwarf jelly coconuts during the year, (\$45.00 per nut) was \$5.68 billion.

Coconut production during the year was again adversely affected by lack of fertilizer, improper agronomic practices and additional deaths of bearing coconut trees from lethal yellowing and other diseases.

#### (ii) Disposal

The major portion of the Year 2018 production was disposed of through bottlers of jelly coconut water, the Coconut Industry Board, higglers, producers of coconut oil and supermarkets.

The portion of the crop which was disposed of to and through the channels of the Board during Year 2018 and the four preceding years, was as follows:

	<u>N</u>		<u>U</u>		<u>T</u>	<u>S</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>TOTAL</u>
	<u>'000</u>	<u>'000</u>	<u>'000</u>	<u>'000</u>	<u>'000</u>	<u>'000</u>
St. Andrew	1	2	1	1	4	9
St. Elizabeth	178	157	173	103	105	716
St. Thomas	29	33	45	137	121	365
Portland	10	29	56	54	68	217
St. Mary	785	667	467	651	874	3,444
St. Catherine	145	116	322	135	49	767
	<u>1,148</u>	<u>1,004</u>	<u>1,064</u>	<u>1,081</u>	<u>1,221</u>	<u>5,518</u>

#### 4. **THE COCONUT SHOP**

The Board purchased 926,033 coconuts at a cost of \$50,962,685 during the year (795,721 at a cost of \$46,057,458 in Year 2017), for sale in its Coconut Shop at 18 Waterloo Road, Kingston 10.

This shop continued to be a significant market for the purchase/sale of growers' coconuts.

#### 5. **EXPORT**

During the year, the Board exported seed coconuts to Florida in the United States of America.

The total number of seed coconuts exported during Year 2018 was 60,000 at a F.O.B. value of US\$183,000.

Export of seed coconuts during the five years ended 31 December, 2018, was as follows:

<u>Year</u>	<u>Number Exported</u>	<u>F.O.B. Value (US\$)</u>
2018	60,000	183,000
2017	42,500	135,500
2016	33,000	108,500
2015	47,850	149,100
2014	<u>52,200</u>	<u>169,050</u>
	<u>235,550</u>	<u>745,150</u>

#### 6. **DISTRIBUTION OF SEEDLINGS**

Distribution of coconut seedlings was as follows:

	<u>2018</u>	<u>2017</u>
Old Planting Programme	38,316	33,732
New Planting Programme	21,540	22,025
Sales	5,377	5,977
Donations and Field Experiments	2,762	2,189
Replanting – the Board's Seed Gardens	-	700
Agricultural Shows	425	500
Lethal Yellowing Tree Felling Programme	<u>675</u>	<u>300</u>
	<u>69,095</u>	<u>65,423</u>

At the Board's hybrid seed garden in Barton Isles, St. Elizabeth, a total of 194,030 Maypans and Malayan Dwarfs seed nuts were produced in Year 2018 (Year 2017–183,954).

In addition, the Board continued to encourage farmers to plant coconut seedlings under the two planting programmes. Under the Old Planting Programme, weed control grant and fertilizer for 80% of the seedlings planted, the percentage which is expected to survive, are given free of cost to qualified farmers.

The old programme covers St. Thomas, Portland, St. Mary, St. Ann and St. Catherine, the traditional coconut growing areas.

Planting under the New Planting Programme which covers the non-traditional coconut growing areas, the western region of the island, also continued during the year.

To qualify under the programmes, a farmer must be registered with the Board and must have land which can accommodate at least 125 coconut seedlings. The demand for seedlings exceeded the supply in Year 2018.

A total of 59,856 coconut seedlings at a cost of \$9.8M, fertilizer and weed grant valued at \$2.53M were distributed to coconut farmers under the two planting programmes for Year 2018.

## 7. **WINDSTORM INSURANCE FUND**

### (i) **Liability**

The Fund continued to indemnify coconut growers against loss of bearing coconut trees to windstorm.

The liability for windstorm insurance damage during Year 2018 was \$76,042,782 (Year 2017 - \$72,850,870); the maximum coverage per tree remained at \$1,000.

The finances of the Windstorm Insurance Fund are kept separately from the funds of the Board and are treated as Trustee Funds.

### (ii) **Automatic Insurance and Voting Rights**

Coconut growers are again being reminded that they can earn automatic insurance and voting rights for the election of Board members, on coconuts sold to the Coconut Industry Board and licensed coconut dealers, including bottlers of coconut water, provided the sales are reported to the Board. We are reminding coconut growers that it is in their interest to ensure that all coconuts sold by them to the other entities, are reported to the Board.

Automatic insurance is earned at the rate of J\$65 for each 110 dry or jelly coconuts sold to the entities mentioned above.

### (iii) **Contractual Insurance**

Registered coconut growers can purchase contractual insurance from the Board for their properties whether or not they supply coconuts to the Board or to licensed coconut dealers.

This information is always given during the Annual Meeting of Coconut Growers and in spite of this, growers continue to express dissatisfaction after a hurricane if they do not receive benefits.

An appeal is again being made to coconut growers to make provision for insuring their coconut trees against windstorm damage, from the sale of coconuts, either by purchasing insurance or by selling their coconuts to licensed coconut dealers or the Board to earn automatic insurance. However, the amount of insurance coverage a grower is likely to earn by way of automatic insurance alone, will never be adequate.

## 8. **RESEARCH**

The Research Department continues to work towards maintenance and improvement of the coconut industry in Jamaica, through constant monitoring and review of prevailing cultural practices, available germplasm and disease control interventions.

### **Botany/Plant Breeding**

The Botanist/Plant Breeder continued the search for high yielding, disease resistant varieties of coconut during Year 2018. Hybridization activities were conducted at Barton Isles Seed Garden in St. Elizabeth.

The following activities continued during the year:

(i) **Monitoring the Brazil Green Dwarf and its Hybrids (Brapan and Maybraz) for their potential to increase Local Coconut Production**

The Brazil Green Dwarf was first introduced in Jamaica in 2000. In 2007, it was hybridized with the Panama Tall and the Malayan Yellow Dwarf, respectively. The resultant hybrids are being evaluated in field experiments with the local hybrid, the Maypan included for comparison.

**Figure 1 Pictorial Representation of Hybrids at Amity New Hybrid Experiment**



**Brazil Green Dwarf x Panama Tall  
(Brapan)**



**Brazil Green Dwarf**



**Malayan Yellow Dwarf x Panama  
Tall (Maybraz)**



**Malayan Green Dwarf x Panama  
Tall (Maypan)**



**Table 1 Data Collection at Amity Brazilian Hybrid Trial 2018**

	<b>Total Planted</b>	<b>Survival (%)</b>	<b>Girth at Soil Level (cm)</b>	<b>Leaf Length (cm)</b>	<b>Bearing (%)</b>	<b>Fruit &amp; Bunch Return (Nuts / Bunch)</b>
Brazil Green Dwarf x Panama Tall	36	86.1 +/- 10.40	127.3 +/- 7.96	449.1 +/- 46.54	77.2 +/- 26.55	6.0 +/- 2.83
Malayan Yellow Dwarf x Brazil Green Dwarf	36	72.2 +/- 10.40	95.8 +/- 15.44	375.4 +/- 43.40	87.1 +/- 11.85	4.8 +/- 1.97
Malayan Green Dwarf x Panama Tall	36	77.8 +/- 3.91	125.2 +/- 5.48	415.2 +/- 21.87	88.8 +/- 1.02	5.2 +/- 1.2
<b>OVERALL</b>	<b>108</b>	<b>78.7 +/- 5.71</b>	<b>116.1 +/- 14.38</b>	<b>413.2 +/- 30.12</b>	<b>84.4 +/- 5.11</b>	<b>5.3 +/- 0.50</b>

**Table 2 Data Collection at Holland Brazilian Hybrid Trial 2018**

	<b>Total Planted</b>	<b>Survival (%)</b>	<b>Girth at Soil Level (cm)</b>	<b>Leaf Length (cm)</b>
Brazil Green Dwarf x Panama Tall	36	88.9 +/- 3.96	168.7 +/- 4.79	485.8 +/- 15.98
Malayan Yellow Dwarf x Brazil Green Dwarf	36	94.5 +/- 3.91	123.2 +/- 16.59	445.4 +/- 26.36
Malayan Green Dwarf x Panama Tall	36	86.1 +/- 3.96	116.8 +/- 0.99	463.4 +/- 2.69
<b>OVERALL</b>	<b>108</b>	<b>89.8 +/- 3.49</b>	<b>136.2 +/- 23.11</b>	<b>464.9 +/- 16.53</b>

(ii) **Monitoring the Brazil Green Dwarf and fifteen other varieties introduced from the Ivory Coast, Africa in 2009 for their potential to Local Coconut Production**

Seven thousand five hundred (7,500) seednuts (representing sixteen varieties) were received from the genebank in the Ivory Coast in 2009. These were planted in variety collections and have since come into bearing.

A total of 986 seednuts has been reaped from the site at Spring Garden, Portland in 2018 from seven (7) of the fifteen (15) varieties and set in local nurseries, in order to increase the respective local populations. From these, 331 seedlings were obtained, which are ready to be planted out in an Observation Plot. Table 3 refers. Survival data were also collected from both sites.

**Table 3** Details of seedlings obtained from Replication Exercise among IC 2009 Introductions at Spring Garden in 2018

VARIETY	SYMBOL	NUMBER SET	NUMBER OF SEEDLINGS OBTAINED
Bay Bay Tall	BAYT	91	18
Catigan Green Dwarf	CATD	336	67
Gazelle Peninsula Tall	GPT	40	25
Kinabalan Green Dwarf	KIND	264	174
Ternate Brown Dwarf	TBD	43	3
Thailand Dwarf	THD	30	21
Tahitian Red Dwarf	TRD	182	23
<b>OVERALL</b>		<b>986</b>	<b>331</b>

**Table 4** Ivory Coast Germplasm Collection 2009 Survival Data for 2018

Variety	Symbol	PLANTAIN GARDEN			SPRING GARDEN		
		Number Planted	Number Alive	Survival (% of Number Planted)	Number Planted	Number Alive	Survival (% of Number Planted)
Brazil Green Dwarf	BGD	46	34	73.9	- <sup>1</sup>	-	-
Catigan Green Dwarf	CATD	28	27	96.4	24	19	79.2
Tacunan Green Dwarf	TACD	23	21	91.3	25	22	88.0
Aromatic Green Dwarf	AROD	30	25	83.3	23	16	69.6
Thailand Green Dwarf	THD	32	22	68.8	26	21	80.8
Kinabalan Green Dwarf	KIND	30	26	86.7	25	20	80.0
Philipog Green Dwarf	PILD	31	24	77.4	24	12	50.0
Tahitian Red Dwarf	TRD	26	11	42.3	24	19	79.2
Ternate Brown Dwarf	TBD	26	24	92.3	26	25	96.2
Tagnanan Tall	TAGT	26	18	69.2	-	-	-
Laccadives Micro Tall	LMT	26	10	38.5	-	-	-
Tenga Tall	TGT	24	19	79.2	24	18	75.0
Bay Bay Tall	BAYT	27	24	88.9	24	19	79.2
Gazelle Peninsula Tall	GPT	26	19	73.1	26	19	73.1 *
Palu Tall	PUT	15	7	46.7	-	-	-
<b>OVERALL</b>		<b>416</b>	<b>311</b>	<b>73.9</b>	<b>271</b>	<b>210</b>	<b>77.5</b>

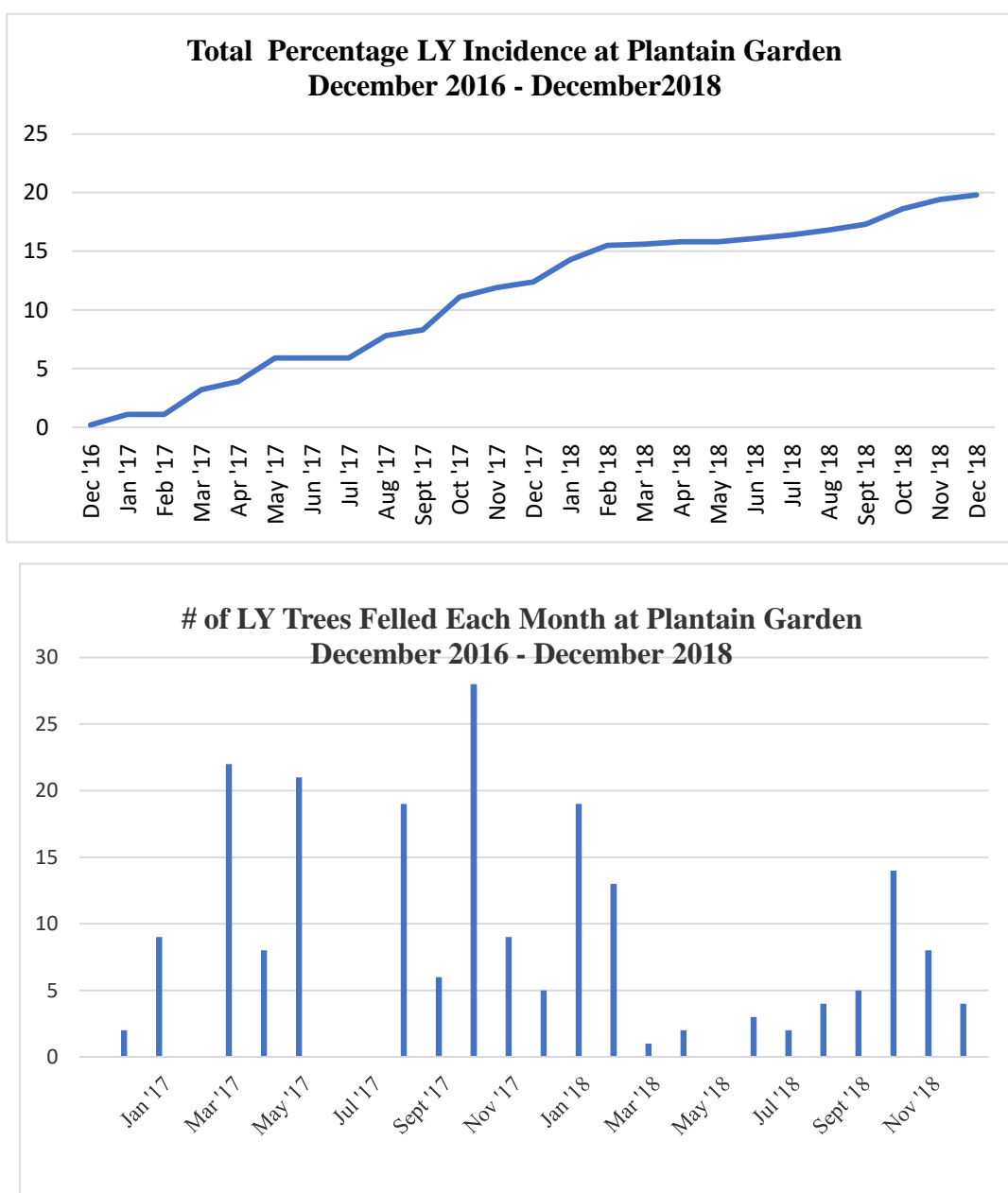
<sup>1</sup> This variety is not present at this site

(iii) **Mitigation of Lethal Yellowing Outbreak at Plantain Garden Field Station**

Lethal yellowing disease was first observed at Plantain Garden in late 2016. In order to save this important germplasm collection, an aggressive control programme was initiated. This included sanitation as per the Michael Black Approach (felling of affected palms and replanting where feasible) at the site and its environs.

Figure 2 shows cumulative number and percentage of deaths at this site over the period December 2016 to December 2018 – as computed by the number of palms felled each month.

**Figure 2 Lethal Yellowing Disease Progress at Plantain Garden Variety Collection - December 2016 to December 2018.**



#### (iv) **Mushroom Growing Project – Using Coconut By-products**

##### **Objective**

To investigate the feasibility of the use of coconut by-products for use as substrates for mushroom cultivation.

##### **Background**

Mushrooms are the fruiting bodies of some fungi. They grow on substrates such as straw and decomposing wood. This relatively little-known food is highly nutritious, containing protein, minerals like potassium, B vitamins such as folic acid and vitamin D<sub>2</sub>. It is a useful addition to the diet, especially for vegetarians and vegans.

Mushroom production is carried out by several persons and organizations in Jamaica, and one such is The Association of Mushroom Producers Ltd., headed by Ms. Pauline Smith. Ms. Smith has agreed to explore the feasibility of using coconut by-products like coconut pollen (male flower) hulls and coconut fibre as candidates for mushroom substrates.

##### **Materials and Methods**

In Phase One of the experiment, two grow bags were supplied – one with regular substrate (straw, etc.) and one with coconut pollen hulls comprising 50% of the substrate. Both bags were inoculated with white oyster mushroom spawn and were delivered at five weeks' old. The bags were kept in a cool spot and exposed to light and circulating air, as instructed. The time of the first flush appeared one week later, and the mushrooms produced by each bag were weighed and the diameter of the largest caps measured.

##### **Results and Discussions**

The grow bag with fifty percent pollen hulls produced 288 grams of mushrooms in the first flush, while the bag with regular substrate (control) produced 261 grams of mushrooms. The larger caps from both bags measured up to 9 cm in width. (Figure 3 refers)

These results suggest that coconut pollen hulls make a suitable substrate for mushroom cultivation, and a fitting alternative to rice hulls.

##### **Follow-up**

Future crops from other grow bags will be obtained and measured. In addition, coconut fibre will be used as substrate in further experiments.



**Figure 3. First Flush of Mushrooms in Grow Bags**



(v) **Assessment of Tall Coconuts received from Thailand in 2014**

**Background**

In August 2014, a consignment of one hundred and one (101) coconuts of a Tall variety was graciously donated by the Government of Thailand. From these, 73 seedlings were obtained.

The Government of Thailand requested that a small portion of the seedlings obtained be planted in a place where they may be enjoyed by the general public. In response to this request, ten seedlings were planted at Hope Royal Botanic Gardens in Kingston April 1, 2015. The remaining seedlings were divided among four sites – two of the Board's properties and two farmers' holdings.

**Summary of previous work done**

Seedlings were planted at Esher Seed Garden in St. Mary, Spring Garden Field Station in Portland, the holding of Mr. Ron Fettig at Wilmington in St. Thomas and the holding of Mr. Andrew Parker at Brompton in St. Elizabeth.

**Terms of Reference**

Maximization of coconut germplasm present in Jamaica by the assessment of suitability of germplasm introduced from Thailand in 2014 for commercial and experimental use in Jamaica by the following measures:

- Testing of the introduced variety in Jamaica and compilation of data on their respective performance under local conditions.
- Continued monitoring of the above variety for their potential use in the local breeding programme and/or their development as a 'straight variety', in order to enhance local coconut diversity. Table 5 refers.

**Table 5**                      **Immature Vegetative Data among Tall Variety from Thailand**

	<b>Spring Garden Portland</b>	<b>Esher St. Mary</b>	<b>Fettig St. Thomas</b>
Number Planted	20	10	20
Number Alive	13	5	16
Mean Girth at Soil Level (cm)	117 +/- 17.0	141 +/- 22.4	137 +/- 29.2
Mean Plant Height (cm)	462 +/- 68.0	611 +/- 78.0	543 +/- 115.9
Mean Number of Leaves	11 +/- 1.2	17 +/- 1.5	11 +/- 1.0

**(vi) Replication Exercise at Plantain Garden Field Genebank**

Coconut germplasm is preserved in Field Genebanks, as the nature of the crop makes this necessary. This is due to the fact that coconut seeds are classified as recalcitrant, meaning they germinate quickly and therefore cannot be held in long term storage.

Coconut palms in the field become senile after length of time dependent on whether they are Tall or Dwarf varieties. Intermittent replication (at intervals of about twenty years) becomes therefore necessary, for the sake of efficient germplasm preservation. Protection from decimation by disease is also an important result of replication, as it makes possible the holding of germplasm at a diversity of locations.

The Field Station at Plantain Garden hosts important varieties and hybrids and represents the major Coconut Field Genebank in the Caribbean. A portion of the varieties present was obtained by replication of parental material at the now defunct Field Genebank at Fair Prospect in Portland (which was destroyed by a lethal yellowing outbreak which began in 1996).

Varieties present were collected over an extended period of time, the latest being the consignments from Ivory Coast in 2009 and 2012. Some of these are very difficult to replace as they are rare occurring on an internationally basis. These include the Peru Tall and the Cuban Dwarf. In fact, the world's largest coconut Field Genebank in Ivory Coast (from which many of these were sourced and could be replaced) is also now itself at risk from an outbreak of lethal yellowing disease.

This Field Genebank at Plantain Garden is also now being assailed by lethal yellowing disease. Replication is due, and in light of the present outbreak has now become essential.

Every effort is being made to slow or halt the spread of the disease at this site, in order to effect successful replication of this very precious genetic material.

This exercise is underway at Plantain Garden.

## **Pathology**

### **Lethal yellowing disease**

Lethal yellowing (LY) is a devastating disease that affects coconut trees and more than 35 other palm species in the Americas. In Jamaica, LY disease remains active in the major coconut growing areas and continued to threaten the viability of the local coconut industry by destroying varieties and hybrids grown locally.

Research efforts during 2018 focused on assessing the 'Special' Malayan Dwarf Yellows, a group of plants, which to date have not succumbed to the LY disease.

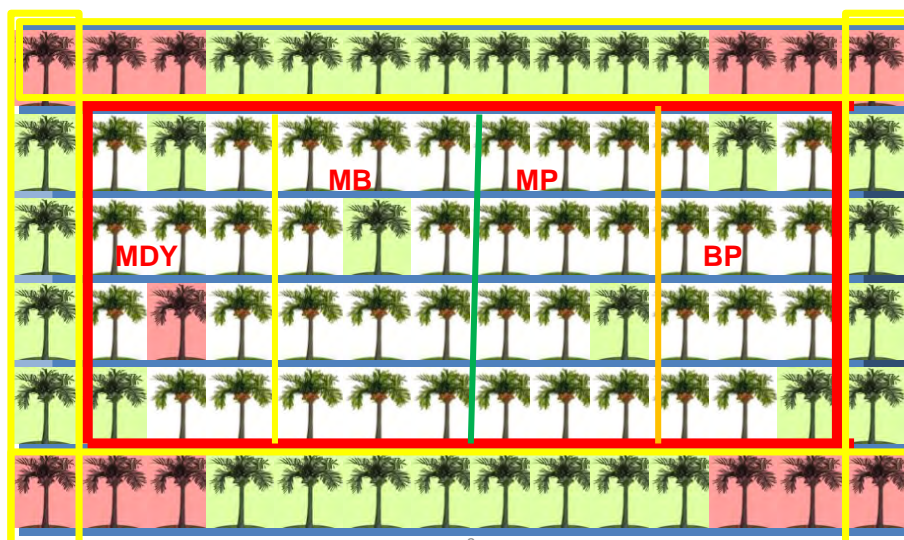
### **Achievements (2018)**

Research and experience over the years have taught us how the disease can be reduced in affected areas. Reduction of the disease in these areas increases the income to small coconut growers and provides an incentive for expanding the coconut population.

#### **(i) LY management strategies to reduce spread of the disease were promoted.**

**These were:**

- Planting several varieties and hybrids in one place (Figure 1)
- Removal of LY infected trees immediately by felling and burning or spraying
- Replacement of infected trees immediately
- Removal of alternate/alternative host plants



**Figure 1 Multivarietal plantings with MDY (Malayan Dwarf Yellow), MB (Maybraz), MP (Maypan) and BP (Brapan)**

(ii) **Production of ‘Special’ Malayan Dwarf Yellows at:**

**Barton Isles, St. Elizabeth**

The ‘true to type’ or ‘Special’ Malayan Dwarf Yellows at Barton Isles, St. Elizabeth, produced 1,376 seednuts to date. Eight hundred and five (805) seedlings representing 58.5% were germinated in the nursery. Ninety-six percent (96%) of these seedlings were distributed to farmers in 2018.

**Spring Garden, Portland**

Seven hundred and fifty (750) of the nine hundred (900) nuts harvested from the ‘Special’ Malayan Dwarfs at the Board's Spring Garden property in Portland, germinated (Figure 2). Some were given to farmers and others used as replacements at Spring Garden.



**Figure 2 ‘Special’ Malayan Dwarf seedlings**

(iii) **Application of research data to the solution of real issues**

The local Plant Quarantine Office requested laboratory research proof that the nuts to be exported are LY phytoplasma free in order to satisfy the requirement of United States authorities.

The Board was able to confirm this, as the Plant Pathologist had previously conducted an experiment on the occurrence of phytoplasma in seednuts and the transferring of LY phytoplasma to seedlings. It was important, at the time, for the Coconut Industry Board to clarify this occurrence in the context of seednuts being used in planting programmes to resuscitate the local industry which was being affected by LY.



Seednuts from LY infected trees were collected and tested for phytoplasma. LY phytoplasma was found in 5% of the embryos in PCRs. It was postulated that these nuts collected from LY infected trees which have phytoplasma in embryo never germinated. Phytoplasma was never found in nuts collected from healthy trees.

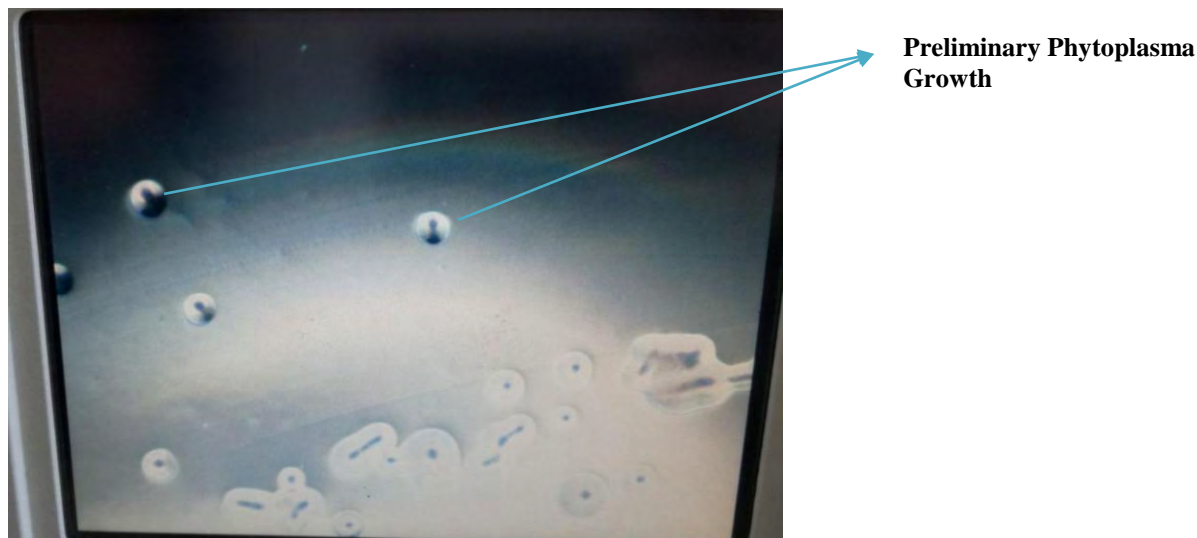
In Jamaica, four hundred and seven (407) seednuts from LY-infected coconut trees were planted in 11 batches in the greenhouse at the University of the West Indies (UWI) to determine if lethal yellowing disease could be transmitted through seeds or embryos. Transmissions were not detected visually and phytoplasma was not detected using PCRs. Analyses of palms obtained after germination of nuts, collected from diseased palms, were free of phytoplasma.

Seednuts were also collected from LY infected trees, germinated in the nursery and planted in a field at Hart Hill, Portland. Monitoring and analyses of these palms suggested that the palms were free from LY phytoplasma. The palms are still surviving at the location 15 years after being planted.

Results from this experiment satisfied the request from our Plant Quarantine Office and allows the Coconut Industry Board to continue exporting seednuts to Florida.

#### (iv) **Culturing of lethal yellowing phytoplasma**

The Plant Pathologist participated in the culturing of the lethal yellowing phytoplasma at the laboratory at the University of Bologna, Italy. Potential LY phytoplasma colonies were obtained from this exercise (Figure 3). Further steps were necessary to confirm the colonies' identities. This technique is a new development in the field of science, the benefit of which is that it allows for further studies in the disease to be conducted.



**Figure 3 Preliminary growth of LY phytoplasma culture on media**

(v) **Integrated Pest Management (IPM)**

- (a) The application of the Integrated Pest Management (IPM) approach was used on coconuts in three farms involving three pests; Gall mites, LY Phytoplasma and Ambrosia beetle. The following farms in Table 1 were selected. Reductions of pest and disease activities were noticed primarily on Dudley Coombs' and Custos Pottinger's farms.

**Table 1 Farms selected for IPM strategies**

Farmer	Location of Farm	Parish	Pest/Disease	Scientific Name
Andrew Simpson	Ballards Valley	St. Mary	Gall Mites	<i>Aceria guerreronis</i> Keifer
Dudley Coombs	Annotto Bay	St. Mary	Lethal Yellowing	<i>Candidatus Phytoplasma palmae</i>
Custos Pottinger	Nashville, Highgate	St. Mary	Ambrosia beetle	<i>Xyleborus ferrugineus</i>

- (b) Weed samples were collected from a LY infected plot at Annotto Bay, St. Mary and were identified by Weed Scientist from the University of the West Indies, Mr. Lewis. A list of weeds found in lethal yellowing infected sites in the country is currently being compiled. The following weeds were dominant in one lethal yellowing plot:

- (1) ASTERACEAE (COMPOSITAE) *Wedelia trilobata* "creeping Ox-eye", "Marigold" (Figure 4A)
- (2) LAMIACEAE (LABIATAE) *Hyptis verticillata* "John Charles" (Figure 4B)
- (3) CONVULVULACEAE *Ipomoea setifera* "vine"



**Figure 4A Creeping Ox-eye Marigold"**  
*Wedelia trilobata*



**Figure 4B John Charles,**  
*Hyptis verticillata*

These weeds were examined for insects' activities. *Myndus crudus* was not observed on the weeds.

- (c) IPM is a process used to solve pest problems while minimizing risks to people and the environment. IPM is an ecosystem-based strategy that focuses on long-term prevention of pests or their damage through a combination of techniques, such as, biological control, habitat manipulation, modification of cultural practices, and use of resistant varieties. Pesticides are used only after monitoring indicates they are needed according to established guidelines, and treatments are made with the goal of removing only the target organism. In an effort to reduce the use of Roundup (Glyphosate) (N-(phosphonomethyl) glycine) an observation experiment was conducted at Nashville, St. Mary using 1gallon of Vinegar, 2 cups of Epsom salt and  $\frac{1}{4}$  cup dishwashing liquid. Please see Figure 5 for the observations.



**Figure 5 Observations of the effect Vinegar and Epsom salt cocktail on grass 24 hours after application.**

- (vi) **Collection of weed samples for LY phytoplasma and other phytoplasmas identification**

Samples from Spring Garden, Portland were collected and processed for DNA phytoplasma. Bands were obtained with P1/P7, R16F2n/R16R2 and P1m/LY16S-23r primers pairs. Processing of data and PCR results are continuing. QPCR (Quantitative Polymerase Chain Reaction) and HRMA (High-Resolution Melting Analysis) assays along with both nested PCR using P1/P7, R16F2N/R16R2 and 74F/1704C assays were done collaboratively with the University of Florida.

- (vii) **Upgrading of Spring Garden Nursery**

Ten thousand five hundred (10,500) square feet of shade house have been completed and 18 beds were successfully raised by 2 feet to mitigate against flooding (Figure 6) at the Board's nursery in Spring Garden, Portland. The irrigation system is to be installed in early 2019.





**Figure 6 Expansion of shade house at the nursery at Spring Garden, Portland**

**(viii) Installation of a shade house for coconut seednuts at Knockalva Agricultural School**

Under the CARDI/ITC Project, "Coconut Industry Development for the Caribbean" of which the Board is a participant, 2,500 square feet of shade house (Figures 7 and 8) were installed at Knockalva Agricultural School, Ramble, Hanover. One thousand (1,000) seednuts were provided by the Board.



**Figure 7 Installed shade house at the Knockalva Agricultural School, Ramble, Hanover**





**Figure 8 Beds with seednuts in the installed shade house at the Knockalva Agricultural School, Ramble, Hanover**

**(ix) Training sessions for the Alliances for Action**

Under the CARDI/ITC Project, "Coconut Industry Development for the Caribbean", ten Alliances (groups of farmers headed by a Lead Farmer) were formed in four parishes. The issue of poor management practices on farms across the island were addressed through training activities conducted with extension officers (Training of Trainers) and producers across the island. Seminar and field sessions were held at Shrewsbury in Portland, Port Maria, St. Mary, Hectors River in Portland, Burnt Ground, Ramble in Hanover and Montego Bay in St. James (Figs. 9,10,11,12 & 13).

Training was conducted on:

- Integrated Pest Management (IPM) demonstration
- Coconut production
- Intercropping
- Nursery Establishment and Management
- Food Safety
- The concept of the Alliances for Action, including the Lead Farmer Model
- Expectations of the Lead Farmer, second ring farmers and Alliance partners; and relationships required for success
- Record keeping demonstration



**Figure 9 Training of Mr. Headley Wilson, Lead Farmer and his supporting farmers**



**Figure 10 Training of farmers in all aspects of coconut production at Port Maria, St. Mary**



**Figure 11 Training of farmers in all aspects of coconut production at Hectors River, Portland**





**Figure 12** Training of farmers in all aspects of coconut production at Burnt Ground, Ramble, Hanover



**Figure 13** Training of farmers in all aspects of coconut production at the RADA office in Montego Bay, St. James

(x) **Potential New Insect Pest**

**New larvae of weevil found at Mrs. Pearce's farm at Pemberton Valley, St. Mary**

A new larva of a weevil was found in coconut on Mrs. Pearce's farm at Pemberton Valley, St. Mary (Figures 14 and 15). Ten weevil traps (Figure 16) with fermenting sugar cane were placed in sections of the field. One weevil, which is known as the silky cane weevil (*Metamasius hemipterus sericeus*) was caught (Figures 17, 18 and 19). The silky cane weevil (*Metamasius hemipterus sericeus*) is distributed through the West Indies, Central, and South America (Vaurie 1966), and was first reported in Dade County, Florida in 1984 (Woodruff and Baranowski 1985). In Florida, it is an economically important pest of sugarcane, palms and other tropical plants. Larvae of the weevil are borers that tunnel through plant stems and petioles causing extensive damage. This weevil is not the feared South American palm weevil (*Rhynchophorus palmarum*), which vectored the Red Ring causing nematode, *Bursaphelenchus cocophilus*. This silky cane weevil was mistaken by an Entomologist for the African palm weevil, *Rhynchophorus quadrangulus*. Please see the pictures distinguishing the two weevils (Figure 20).



**Figure 14** Larva coming through the eye of a dry coconut



**Figure 15** Larva in the husk of a fermenting dry coconut



**Figure 16** Traps set at Mrs. Pearce's farm at Pemberton Valley, St. Mary





**Figure 17** Silky cane weevil taken directly from the trap



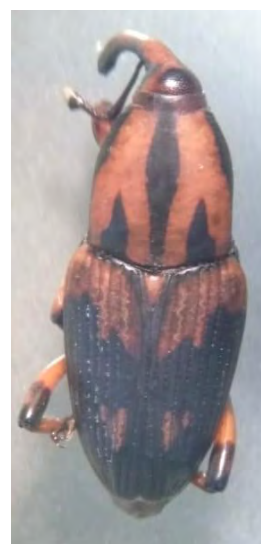
**Figure 18** Identification of the weevil using the microscope



**Figure 19 Viewing weevil from the side using the microscope**



**Figure 20 African palm weevil  
cane weevil**



**Silky**

(xi) **Outbreak of budrot disease at Esher, St. Mary**

During 2018, there was an outbreak of bud rot disease at Esher, St. Mary. Infected trees were cut and removed, and new seedlings planted (Figure 21). Spraying of the farm with Ridomil MZ (Figure 22) was conducted. The spraying application also addressed the premature nut fall caused by an infection of *Phytophthora* sp. observed on the property (Figure 23).



**Figure 21** Removal of budrot infected coconut palm and the immediate replanting of another palm



**Figure 22** Spraying the coconut trees at Esher, St. Mary with Ridomil MZ

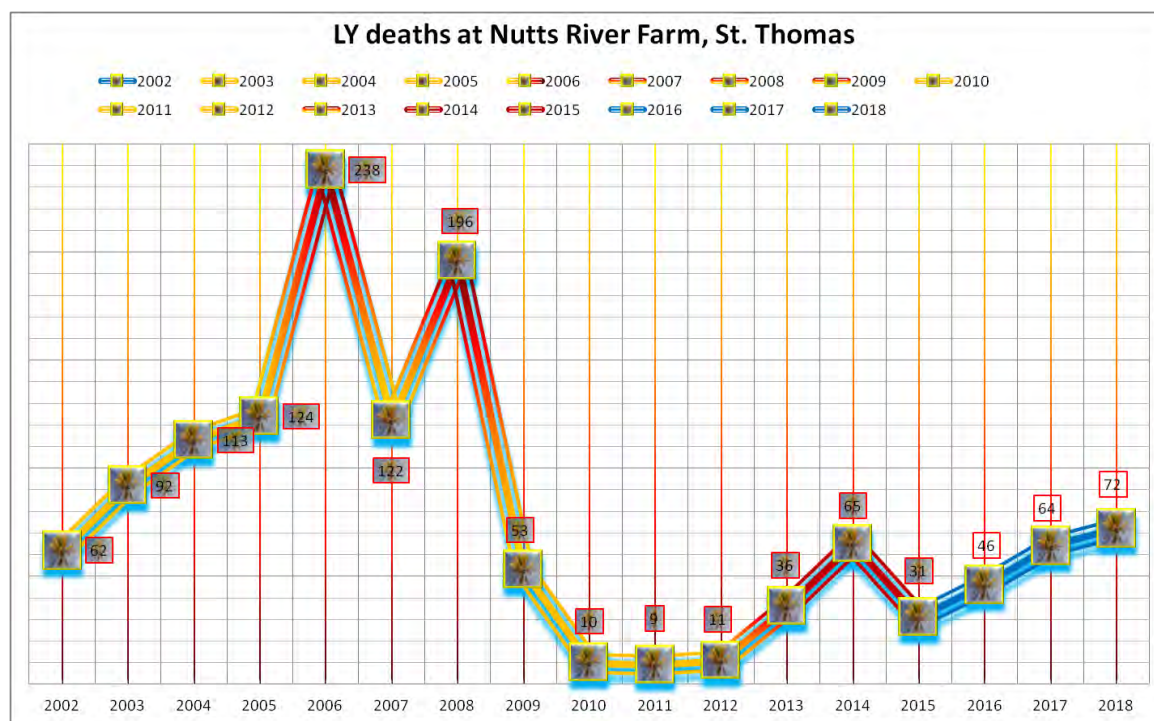


**Figure 23** Premature nut fall at Esher, St. Mary caused by *Phytophthora* sp

(xii) **Nutts River Farm**

Seventy-two (72) LY infected coconut palms were identified and removed at Nutts River Farm in St. Thomas during January to December 2018. The farm continued with very close monitoring of the coconut trees because of its vulnerability to LY disease outbreaks. There was an outbreak of lethal yellowing disease in the adjoining areas of Pembroke Hall and Pilot; subsequently, the Lethal Yellowing Tree Cutting Team cut LY trees in the surrounding properties. The graph below shows a comparative data of LY deaths since 2002 to date (Figure 24 and Table 1).





**Figure 24 Lethal yellowing diseased coconut trees at Nutts River Farm**

**Table 1 Monthly removal of lethal yellowing infected at Nutts River Farm**

Months	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
	4	6	6	11	5	6	4	7	2	3	5	13	72

(xiii) **Distribution of the Ambrosia Beetle (*Xyleborus volvulus* and *Xyleborus ferrugineus*)**

During 2018, the Ambrosia beetle was not observed in any new areas. The beetle was observed in 16 areas since it was first identified in 2012, as listed below. Control of the spread of the beetle (in the areas found) had been implemented successfully.

Infested areas are listed below.

**St. Mary**

Pemberton Valley  
Orange River  
Highgate  
Nashville  
Crescent  
Harmony Hall  
Esher

**Portland**

Lennox  
Rose Garden  
Hopewell  
Kildare

**St. Thomas**

Nutts River  
Bachelors Hall

**Other Parishes**

Hayes, Clarendon  
Ramble, Hanover  
Barton Isles, St. Elizabeth

## **Agronomy**

The Agronomist/Crop Physiologist focused on research aimed at improving germination in coconut seeds and increasing the production of seednuts.

### **(i) The effect of quality and variety of mother palms on germination and production**

Coconut trees were selected based on their production potential (number of seednuts per bunch), seednut shape, petiole of seednut bunches, sturdy and straight stems. The seednuts were harvested from these trees and set separately in the nursery. At the end of Year 2018, the germination percentages of seednuts from those trees were 52%, 63% and 64% for Brapan, Maypan, and Malayan Green Dwarf, respectively, an improvement over Year 2017. Two hundred and ninety-one (291) of the seedlings produced in Year 2018 were given to a farmer in St. Elizabeth. This experiment would continue in Year 2019.

### **(ii) Seedling performance in the nurseries**

Seednuts were selected for the commencement of an experiment where two liquid organic fertilizers (Bombardier and Batallon, originated in Spain) were applied to determine their effects on seedling performance in the nurseries. These chemicals were supplied by Avery's Organics, and promotes seedling development even after transplanting. Seedlings treated by the organic fertilizer were transplanted into the field in St. Mary, and observations will be made during growth and development.

## **Tissue Culture**

### **(i) Coconut Tissue Culture:**

The Board in collaboration with the University of the West Indies continued to establish protocols for the culture of elite germplasm.

Sixteen seedlings were in culture, Malayan Dwarf and Panama Tall, and would be hardened by March 2019 using modified hardening techniques from Centro de Investigación Científica de Yucatan (CICY), Mexico.

### **(ii) Embryo Culture**

Malayan Dwarf and Panama Tall embryos have been used for embryo culture in several experiments to improve the germination and recovery of plants. Variables include the use of the hormones benzyl amino purine and gibberellic acid to improve percent germination and uniformity, as well as the age/maturity of the embryo used.

### **(iii) Callus Culture**

Immature embryos (Malayan Dwarf and Panama Tall) are currently being placed in culture for callus initiation. The immature inflorescence from these plants would also be included in this study.

## 9. **ADVISORY**

During Year 2018, the Advisory Department continued its annual mandate to effectively achieve the goals of the Research Department. The Advisory Officers worked relentlessly to communicate information as well as offer technical support and act as a liaison between the Coconut Industry Board and new and existing coconut growers islandwide and to the public.

### (i) **Lethal Yellowing**

The lethal yellowing (LY) sensitization programme continued and was used as a means of informing and educating growers and other individuals of the spread of LY disease and measures which can be employed to restrict its spread. Officers of the department were also very active in assisting growers to remove and burn more than 7,783 diseased trees and also provided growers with seedlings for replacement.

During the year, islandwide public awareness, education and outreach activities continued in areas where the LY disease was active. These were accomplished mainly by conducting regular farm visits, field days, staging displays at agricultural shows and various commodity boards' expositions and other group assemblies. These initiatives were achieved by the use of different forms of communication including multimedia presentations, displays, 4-H Achievement Days, brochures, practical demonstrations, and individual discussions.

### (ii) **Farm Visits**

Over 2,768 regular farm visits were made to new, existing and potential growers in order to provide technical assistance, support and to circulate relevant information. The growers' problems and concerns were addressed individually or in groups, depending on the nature of the concerns and number of individuals with similar issues. More serious concerns or information/data gathered from farmers were likewise passed on to the Research Department for further investigations.

### (iii) **Other Advisory Activities**

- Field Days were conducted at Plantain Garden, St. Thomas and Reach Primary School in Portland.
- Displays mounted at events island wide included:
  - ✓ Hague Agricultural Show in Trelawny
  - ✓ St. Mary Agricultural Show
  - ✓ Denbigh Agricultural and Industrial Show in Clarendon
- Participation in the following:
  - ✓ Discussions with farmers, Board Directors and personnel from the Rural Agricultural Development Authority (RADA) at the Anglican Church Halls in St. Mary and Portland
  - ✓ Workshop with the Caribbean Agricultural Research and Development Institute (CARDI)



- ✓ Training session for enumerators under the Board's development project hosted by the International Trade Centre (ITC), European Commission (EC), Asian and Pacific Coconut Community (APCC) and CARDI at the Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF)
- ✓ ITC and CARDI survey in St. Thomas, St. Mary and Trelawny
- ✓ Frosty Pod seminar at MICAF

#### 10. **REMUNERATION**

- (a) The total remuneration of the three most senior executives for Year 2018 was \$19,874,000.00
- (b) The total fees paid to the Chairman and the other Directors (Board Members) during the year was \$3,124,082.00 and the total fees paid to non-directors for attending Board and Committee meetings was \$44,154.00.

These fees are in accordance with the guidelines established by the Public Enterprises Division of the Ministry of Finance and the Public Service and were approved by our portfolio Minister.

#### 11. **FINANCE**

Audited financial statements for the Board and the Windstorm Insurance Fund, for the year ended December 31, 2018, are attached.

#### 12. **ACKNOWLEDGEMENT**

The Board gratefully acknowledges the assistance provided by the following persons and local and overseas institutions: the Minister of Industry, Commerce, Agriculture and Fisheries and the officers of that Ministry, the Molecular Biology Unit at the University of the West Indies (**U.W.I.**), the Common Fund for Commodities (**C.F.C.**), the Food and Agriculture Organisation (**F.A.O.**) of the United Nations, Rothamsted Experimental Station in the United Kingdom, the Centre for International Agronomic Research and Development (**CIRAD**), the International Coconut Genetic Resources Network/the International Plant Genetic Resources Institute (**COGENT/IPGRI**), Centro de Investigacion Cientifica de Yucatan (**CICY**) - Mexico, the Escuela Agricola Panamericana (Zamorano) - Honduras, and the University of Florida.

The Board expresses thanks to coconut growers for their support and to the staff of the Board for their dedication to duty.

By Order of the Board  
Christopher Gentles  
Chairman



## **Coconut Industry Board**

**Financial Statements  
31 December 2018**



## **Independent auditor's report**

*To the Members of Coconut Industry Board*

### **Report on the audit of the financial statements**

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#### **Our opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Coconut Industry Board (the Board) as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### ***What we have audited***

The Board's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Independence***

We are independent of the Board in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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#### **Responsibilities of management 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.




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### **Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board'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 Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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*Price Waterhouse Coopers*  
 Chartered Accountants  
 11 December 2019  
 Kingston, Jamaica

# Coconut Industry Board

## Statement of Comprehensive Income

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 \$'000	2017 \$'000
<b>Revenue</b>		177,326	171,721
Direct expenses		<u>(132,540)</u>	<u>(116,782)</u>
<b>Gross Profit</b>		44,786	54,939
Other operating income	5	47,587	3,406
Distribution expenses		(1,515)	(1,415)
Research and extension expenses		(55,428)	(56,990)
Administration expenses -			
Movement in post-employment benefit obligations		(21,200)	(24,500)
Other		(134,628)	(135,703)
Other operating expenses		<u>(28,782)</u>	<u>(25,308)</u>
<b>Operating Deficit</b>		(149,180)	(185,571)
Share of profits of associated company, net of taxes	9	327,444	205,018
Gain on dilution of shares in associated company	9	<u>241,148</u>	<u>-</u>
<b>Net Surplus</b>		419,412	19,447
<b>Other Comprehensive Income</b>			
<b>Item that will not be reclassified to profit or loss -</b>			
Re-measurement of post-employment benefits		40,300	22,200
<b>Items that may be subsequently reclassified to profit or loss -</b>			
Fair value adjustments to available-for-sale financial assets		-	70
Share of other comprehensive income of associate accounted for using the equity method	9	<u>20,470</u>	<u>(38,987)</u>
<b>Total Comprehensive Income for the Year</b>		<u><u>480,182</u></u>	<u><u>2,730</u></u>

# Coconut Industry Board

## Statement of Financial Position

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 \$'000	2017 \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	8	61,454	58,705
Investment in associated company	9	3,285,048	2,851,261
Investments	10	5,027	5,027
Deferred expenditure	12	8,890	7,569
		3,360,419	2,922,562
<b>Current Assets</b>			
Loans receivable	11	363,723	357,316
Inventories	13	5,915	3,233
Biological assets	14	18,680	13,068
Receivables	15	133,980	53,209
Short-term investments	10	767,392	814,385
Cash at bank and in hand	16	30,424	27,214
		1,320,114	1,268,425
<b>Current Liabilities</b>			
Payables	17	12,216	11,486
Coconut Windstorm Insurance Fund		45,788	12,960
		58,004	24,446
<b>Net Current Assets</b>		1,262,110	1,243,979
		4,622,529	4,166,541



# Coconut Industry Board

## Statement of Financial Position (Continued)

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 \$'000	2017 \$'000
<b>Capital and Reserves</b>			
Capital surplus	18	517,178	498,914
Capital fund	19	298,507	415,870
Fair value reserve	20	8,880	8,880
Staff contingency fund	21	37,566	71,824
Coconut replanting fund	22	205,210	227,444
Reserves	23	<u>3,460,188</u>	<u>2,820,609</u>
<b>Total Capital and Reserves</b>		<b>4,527,529</b>	<b>4,043,541</b>
<b>Non-Current Liability</b>			
Post-employment obligations	24	<u>95,000</u>	<u>123,000</u>
		<u><b>4,622,529</b></u>	<u><b>4,166,541</b></u>

Approved for issue by the Board of Directors on December 02, 2019 and signed on its behalf by:



Christopher Gentles

Director



Nicholas Jones

Director

# Coconut Industry Board

## Statement of Changes in Equity

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

Note	Capital Surplus	Capital Fund	Fair Value Reserve	Staff Contingency Fund	Coconut Replanting Fund	Reserves	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2017</b>	538,897	428,472	8,892	67,527	236,164	2,761,469	4,041,421
Net surplus for the year	-	-	-	-	-	19,447	19,447
Other comprehensive income -							
Fair value adjustments to available-for-sale financial assets	-	-	(12)	(174)	256	-	70
Remeasurement of post-employment benefits	-	-	-	-	-	22,200	22,200
Other reserves	(39,983)	-	-	-	-	996	(38,987)
Transactions with owners	-	-	-	-	-	(610)	(610)
Total comprehensive income	(39,983)	-	(12)	(174)	256	42,033	2,120
Transfer to capital fund	19	(12,602)	-	-	-	12,602	-
Transfer to staff contingency fund	21	-	-	4,471	-	(4,471)	-
Transfer to coconut replanting fund	22	-	-	-	(8,976)	8,976	-
<b>Balance at 31 December 2017</b>	498,914	415,870	8,880	71,824	227,444	2,820,609	4,043,541
Net surplus for the year	-	-	-	-	-	419,412	419,412
Other comprehensive income -							
Remeasurement of post-employment benefits	-	-	-	-	-	40,300	40,300
Other reserves	18,264	-	-	-	-	2,206	20,470
Transactions with owners	-	-	-	-	-	3,806	3,806
Total comprehensive income	18,264	-	-	-	-	465,724	483,988
Transfer from capital fund	19	(117,363)	-	-	-	117,363	-
Transfer to staff contingency fund	21	-	-	(34,258)	-	34,258	-
Transfer from coconut replanting fund	22	-	-	-	(22,234)	22,234	-
<b>Balance at 31 December 2018</b>	517,178	298,507	8,880	37,566	205,210	3,460,188	4,527,529

# Coconut Industry Board

## Statement of Cash Flows

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 \$'000	2017 \$'000
<b>Cash Flows from Operating Activities</b>			
Net surplus		419,412	19,447
Adjusted for:			
Share of profits from associated company	9	(327,444)	(205,018)
Gain on dilution of shares in associated company	9	(241,148)	-
Depreciation	8	12,528	14,258
Gain on disposal of property, plant and equipment		(791)	(27)
Write off/(recoveries) of deferred expenditure	12	832	(559)
Interest income	5	(27,073)	(33,795)
Post-employment benefits		68,300	16,000
Foreign exchange (gain)/loss	5	(18,422)	30,947
		<u>(113,806)</u>	<u>(158,747)</u>
Changes in operating assets and liabilities -			
Receivables		(80,771)	(11,038)
Inventories		(2,682)	(561)
Biological assets		(5,612)	7,526
Coconut Windstorm Insurance Fund		32,828	1,244
Payables		730	(109)
Cash used in operating activities		<u>(169,313)</u>	<u>(161,685)</u>
<b>Cash Flows from Investing Activities</b>			
Loans receivable		-	412
Purchase of property, plant and equipment	8	(15,286)	(12,307)
Proceeds from disposal of property, plant and equipment		800	4,747
Proceeds from disposal of investments		-	84,543
Purchase of investments		(12,589)	-
Deferred expenditure	12	(2,153)	(895)
Dividend received		81,811	155,250
Interest received		27,073	33,795
Cash provided by investing activities		<u>79,656</u>	<u>265,545</u>
(Decrease)/increase in cash and cash equivalents		<u>(89,657)</u>	<u>103,860</u>
Effect of exchange rate changes on cash and cash equivalents		33,285	(19,217)
Cash and cash equivalents at beginning of year		<u>841,599</u>	<u>756,956</u>
<b>Cash and Cash Equivalents at End of Year</b>		<u><u>785,227</u></u>	<u><u>841,599</u></u>
<b>Comprising:</b>			
Cash at bank and in hand	16	30,424	27,214
Short-term investments	10	<u>754,803</u>	<u>814,385</u>
		<u><u>785,227</u></u>	<u><u>841,599</u></u>

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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### 1. Identification and Principal Activities

The Coconut Industry Board ("The Board") is a body corporate established under the Coconut Industry Control Act, 1945. The Board consists of nine members, four of whom are appointed by the Minister of Agriculture and Fisheries; the remaining five are elected by registered coconut growers and must themselves be registered coconut growers or the attorneys for such registered coconut growers, or the managing directors or managers of companies which are registered coconut growers.

The main functions of the Board are:

- (a) Keeping Government informed on the state of the industry and advising on any action that is necessary;
- (b) Assisting growers to market their crop;
- (c) Conducting research on the agricultural problems of the industry; and
- (d) Advising growers on their agricultural problems.

The Board's registered office and principal place of business is located at 18 Waterloo Road, Kingston 10.

The Board is also responsible for the management of the Coconut Windstorm Insurance Fund which, at year end, has net assets of \$219,492,000 (2017 - \$209,124,000).

On 28 December 1995, the Board was granted tax exempt status, effective 1 January 1971.

### 2. Significant Accounting Policies

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

#### (a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Board's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

#### *New and amended standards and interpretations effective in the current year*

Certain amendments and clarifications to existing standards have been published that became effective during the current financial year. The Board has assessed the relevance of all such new amendments and clarifications and has put into effect the following, which are immediately relevant to its operations.



# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

##### *New and amended standards and interpretations effective in the current year (continued)*

**IFRS 9, 'Financial instruments'** (effective for annual periods beginning on or after 1 January 2018). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses (ECL) model that replaces the current incurred loss impairment model.

IFRS 9 has three classification categories for debt instruments: amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). Classification under IFRS 9 for debt instruments is based on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ('SPPI'). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity. That is, an entity's business model determines whether the cash flows will result from collecting contractual cash flows, selling financial assets or both.

If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect assets' contractual cash flows and to sell the assets are classified as FVOCI. Under the new model, FVPL is the residual category - financial assets should therefore be classified as FVPL if they do not meet the criteria of FVOCI or amortised cost.

IFRS 9 introduces a new model for the recognition of impairment losses - the ECL model. The ECL model constitutes a change from the guidance in IAS 39 and seeks to address the criticisms of the incurred loss model which arose during the economic crisis. In practice, the new rules mean that entities will have to record a day 1 loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired. IFRS 9 contains a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies, however no adjustment was recognised in the financial statements as the amount was not significant. Details of the new accounting policy in relation to IFRS 9 are outlined in Note 2 (f).

**IFRS 15, 'Revenue from Contracts with Customers'**, (effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Board has assessed its arrangement with customers and has concluded that the adoption of this new standard has no significant impact on its result or financial position based on the nature of goods provided and the terms under which such goods are offered.

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

##### ***New and amended standards and interpretations effective in the current year (continued)***

**IFRIC 22, 'Foreign currency transactions and advance consideration'** (effective for annual periods beginning on or after 1 January 2018) This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. This interpretation has no significant impact on the Board's financial statement.

**Annual Improvements 2014-2016**, (effective for annual periods beginning on or after 1 January 2018). The IASB issued its Annual Improvements to IFRSs 2014-2016 cycles amending a number of standards, the following of which are relevant to the Board: *Amendment to IFRS 12, 'Disclosure of interests in other entities'* which clarified the scope of the standard; and *Amendment to IAS 28, 'Investments in associates and joint ventures'* which clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The adoption of these amendments did not have any impact on the Board's financial statements.

##### ***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Board***

**Amendment to IFRS 9, 'Financial instruments on prepayment features with negative compensation'** (effective for annual periods beginning on or after 1 January 2019). This amendment enables entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. The Board financial statements will not be impacted by this amendment as it does not currently have any financial liabilities to which the amendment applies.

**IFRS 16, 'Leases'** (effective for annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied). The International Accounting Standards Board (IASB) published IFRS 16, 'Leases', which replaces the current guidance in IAS 17. This will require changes in accounting by lessees in particular. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Board is currently assessing the impact of future adoption of the new standard on its financial statements.

# Coconut Industry Board

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Board***

***Amendment to IAS 28, 'Investment in associates and joint ventures'*** (effective for annual periods beginning on or after 1 January 2019). The amendment clarifies that IFRS 9 is not applied where long term interests in associates and joint ventures are accounted for using the equity method. The Board uses the equity method to account for long term interests in associates.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Board.

### (b) Foreign currency translation

#### ***Functional and presentation currency***

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Jamaican dollars, which is the functional and presentation currency.

#### ***Transactions and balances***

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At year end, monetary assets and liabilities denominated in foreign currency are translated using the closing exchange rate. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the statement of comprehensive income.

### (c) Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation. Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives, which are as follows:

Freehold buildings	40 years
Research library stock and furniture, fixtures, equipment and fence improvement	5 – 10 years
Motor vehicles	5 years

Land is not depreciated.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating results.

Repairs and maintenance expenditure is charged to the statement of comprehensive income during the financial period in which it is incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Board. Major renovations are depreciated over the remaining useful life of the related asset.

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (d) Impairment of non-current assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of the asset's net selling price and the value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

#### (e) Investment in associates

An associate is an entity over which the Board has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Board's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Board's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Board does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost.

#### (f) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity in another entity.

##### **Financial assets**

The Board's financial assets comprise investment securities, loans receivable, other receivables, cash and short term investments.

##### **Classification**

From 1 January 2018, the Board classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss)
- those to be measured at amortised cost.

The available for sale (AFS) category under IAS 39 is no longer applicable.

The classification depends on the business model used for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

The Board reclassifies debt investments only when its business model for managing those assets changes.



# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

## 2. Significant Accounting Policies (Continued)

### (f) Financial instruments (continued)

#### Measurement

##### *Debt instruments*

Measurement of debt instruments depends on the Board's business model for managing the asset and the cash flow characteristics of the asset. The Board classifies its debt instruments into two measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in the income statement using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Changes in fair value are taken through OCI. The recognition of interest income and impairment gains or losses are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in the income statement using the effective interest rate method. Impairment losses are presented as a separate line item in the income statement.

#### Impairment

From 1 January 2018, the Board assesses on a forward looking basis the expected credit losses (ECL) associated with its financial assets classified at amortised cost, and debt instruments measured at FVOCI,

##### *Application of the General Model*

The Board has applied the 'general model' as required under IFRS 9 for debt instruments other than trade receivables. Under this model, the Board is required to assess on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI. The ECL will be recognised in profit or loss before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. Under current guidance, impairment amount represents the single best outcome; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL is calculated by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

*Stage 1* – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not credit impaired. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months.

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (f) Financial instruments (continued)

##### Impairment (continued)

*Stage 2* – When a financial asset experiences a significant increase in credit risk subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

*Stage 3* – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

The Board uses judgement when considering the following factors that affect the determination of impairment:

##### *Assessment of Significant Increase in Credit Risk*

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Board compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Board's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

##### *Macroeconomic Factors, Forward Looking Information and Multiple Scenarios*

The Board applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macroeconomic factors and forward looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Board uses three scenarios that are probability weighted to determine ECL.

##### *Expected Life*

When measuring ECL, the Board considers the maximum contractual period over which the Board is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options.

##### *Application of the Simplified Approach*

For trade receivables, the Board applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables.

# Coconut Industry Board

## Notes to the Financial Statements

**31 December 2018**

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (f) Financial instruments (continued)

##### Impairment (continued)

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information.

##### Application of this policy until 31 December 2017

The Board applied IFRS 9 on 1 January 2018 and has elected not to restate comparative information in accordance with the transitional provisions in IFRS 9. As a result, the comparative information provided continues to be accounted for in accordance with the Board's previous accounting policy.

Until 31 December 2017, the Board classified its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

##### ***Available-for-sale***

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

##### ***Investment securities***

The Board classifies its investment securities as available-for-sale. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Purchases and sales of investments are recognised on the trade date - the date that the Board commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Board has transferred substantially all risks and rewards of ownership.

Investments are initially recognised at fair value plus transaction costs and are subsequently carried at fair value.

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (f) Financial instruments (continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the net surplus and other comprehensive income. Other changes in the fair value of both monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the fair value adjustments accumulated in the fair value reserve are included in the statement of comprehensive income as 'gains and losses on maturity and disposal of available-for-sale investment'. Interest on available-for-sale securities, calculated using the effective interest method, is recognised in the statement of comprehensive income.

The Board assesses at each year end whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market rate for a similar financial asset.

#### **Loans and receivables**

##### **Other receivables**

Trade and other receivables are classified as loans and receivables and are carried at original invoice value less provision made for impairment of these receivables based on a review of all outstanding amounts at the year end. A provision for impairment of trade receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, the recoverable amount being the present value of expected cash flows, discounted at the original effective interest rate.

#### **Financial liabilities**

The Board's financial liabilities are initially measured at fair value, net of transactions costs and are subsequently measured at amortised cost using the effective interest method. At year end, financial liabilities comprised payables and amounts due to the Coconut Windstorm Insurance Fund.

##### **Payables**

These amounts represent liabilities for unpaid invoices at year end and are carried at cost, which is deemed to approximate amortised cost.

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Significant Accounting Policies (Continued)

#### (g) Deferred expenditure

Expenditure incurred on seed garden projects is accumulated until the seed garden starts generating income, after which it is written off, as the revenue to which it relates is earned. The period for, and the corresponding rate of, the write off is as follows:

Year 5	-	25%
Year 6	-	30%
Year 7	-	45%

#### (h) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the average cost basis. Net realisable value is the estimate of selling price in the ordinary course of business, less the cost of selling expenses.

#### (i) Biological assets

Biological assets represent seeds in nurseries and seed gardens and are stated at cost as no reliable measure for determining fair value has been identified. Cost is determined as the accumulated cost of germination.

#### (j) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost, and comprise cash at bank and in hand, and short term investments.

#### (k) Post employment benefits

##### *Pension plan benefits*

The scheme is generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at year end minus the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the fund. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by estimating future cash outflows using interest rates on Government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

##### *Other post-employment benefits*

The Board provides other post-employment benefits from a supplemental account. This account is funded by investment income arising from investments that have been allocated to this account. The method of accounting and the frequency of valuations are similar to the pension plan benefits described above.



# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (I) Income recognition

##### *Revenue*

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Board's activities. Revenue is shown net of General Consumption Tax, returns, rebates and discounts and after eliminating sales within the Board.

Sales are recognised when the Board sells a product to the customer. Retail sales are usually by cash only. The Board sells coconut seedlings, coconuts and coconut-based products such as coconut water, oil and pastries.

##### *Interest income*

Interest income is recognised in the statement of comprehensive income on a time-proportion basis using the effective interest method.

##### *Dividend income*

Dividend income in the statement of comprehensive income is recognised when the right to receive payment is established.

### 3. Financial Risk Management

The Board's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Board's overall financial risk management efforts seek to minimise potential adverse effects on the Board's financial performance arising mainly from market risk.

The Board's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Board periodically reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The members of the Board are ultimately responsible for the establishment and oversight of the risk management framework. The Board has established a Finance Committee for managing and monitoring financial risks, as well as to manage the Board's assets and liabilities and the overall financial structure. The Finance Committee is also primarily responsible for the funding and liquidity risks of the Board.

There has been no change to the Board's exposure to financial risk or the manner in which such risks are managed.

#### (a) Market risk

The Board experiences exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Board which reviews the price movement of financial assets.

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (a) Market risk (continued)

##### **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Board is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises primarily from the Board's cash and investments holdings.

The Board manages its foreign exchange risk by closely monitoring currency positions and seeking to maximise foreign currency earnings.

The table below summarises the Board's exposure to foreign currency exchange rate risk at year end.

	<b>Jamaican J\$'000</b>	<b>US\$ J\$'000</b>	<b>Total J\$'000</b>
	<b>2018</b>		
<b>Financial Assets</b>			
Non-current investments	5,027	-	5,027
Loans receivable	286	363,437	363,723
Receivables	3,212	-	3,212
Short-term investments	97,092	670,300	767,392
Cash at bank and in hand	11,625	18,799	30,424
Total financial assets	117,242	1,052,536	1,169,778
<b>Financial Liabilities</b>			
Payables	12,216	-	12,216
Coconut Windstorm Insurance Fund	45,788	-	45,788
Total financial liabilities	58,004	-	58,004
<b>Net financial position</b>	<b>59,238</b>	<b>1,052,536</b>	<b>1,111,774</b>

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (a) Market risk (continued)

##### *Currency risk (continued)*

	Jamaican J\$'000	US\$ J\$'000	Total J\$'000
	<b>2017</b>		
<b>Financial Assets</b>			
Non-current investments	5,027	-	5,027
Loans receivables	478	356,838	357,316
Receivables	1,296	-	1,296
Short-term investments	194,888	619,497	814,385
Cash at bank and in hand	6,529	20,685	27,214
Total financial assets	208,218	997,020	1,205,238
<b>Financial Liabilities</b>			
Payables	11,486	-	11,486
Coconut Windstorm Insurance Fund	12,960	-	12,960
Total financial liabilities	24,446	-	24,446
<b>Net financial position</b>	<b>183,772</b>	<b>997,020</b>	<b>1,180,792</b>

##### **Foreign currency sensitivity**

The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for changes in foreign currency rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity of the net surplus is attributable to the Board's cash and cash equivalents and investments.

If at 31 December 2018, the Jamaican dollar strengthened/weakened by 2%/(4%) (2017 – 2 % (4%) against the US dollar, with all other variables held constant, net surplus would have (decreased)/increased by approximately (\$21,051,000)/\$42,102,000 (2017 – (\$19,940,000)/\$39,880,000). The percentage represents management's assessment of the possible range of changes in the rate of exchange to the US dollar.

##### **Interest rate risk**

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fixed interest rate instruments expose the Board to fair value interest risk on its financial assets. Floating rate instruments expose the Board to cash flow interest risk. The Board's interest rate risk policy requires it to manage interest rate risk by maintaining a balanced investment portfolio.

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (a) Market risk (continued)

##### *Interest rate risk (continued)*

The following table summarises the Board's exposure to interest rate risk on its financial assets. It includes the Board's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Board has no interest bearing liabilities.

	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	Total \$'000
<b>2018</b>							
Non-current investments	-	-	-	5,000	-	27	5,027
Loans receivable	-	-	363,441	-	282	-	363,723
Receivables	-	-	-	-	-	3,212	3,212
Short-term investments	325,420	440,210	-	-	-	1,762	767,392
Cash at bank and in hand	-	-	-	-	-	30,424	30,424
Total financial assets	325,420	440,210	363,441	5,000	282	35,425	1,169,778
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	Total \$'000
<b>2017</b>							
Non-current investments	-	-	-	5,027	-	-	5,027
Loans receivable	-	-	356,883	-	433	-	357,316
Receivables	-	-	-	-	-	1,296	1,296
Short-term investments	548,074	251,708	12,373	-	-	2,230	814,385
Cash at bank and in hand	-	-	-	-	-	27,214	27,214
Total financial assets	548,074	251,708	369,256	5,027	433	30,740	1,205,238

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (a) Market risk (continued)

##### *Interest rate risk (continued)*

##### *Interest rate sensitivity*

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Board's net surplus and equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate non-trading financial assets and financial liabilities. The sensitivity of equity is calculated by revaluing fixed rate financial assets at fair value through OCI (2017 - available-for-sale financial assets) for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	Effect on Net Surplus 2018 \$'000	Effect on Equity 2018 \$'000	Effect on Net Surplus 2017 \$'000	Effect on Equity 2017 \$'000
<b>United States dollar:</b>				
<b>Change in basis points:</b>				
-50 (2017: -50)	-	163	-	42
+50 (2017: +50)	-	(165)	-	(42)
<b>Jamaican dollar:</b>				
<b>Change in basis points:</b>				
-100 (2017: -100)	(50)	2	(50)	2
+100 (2017: +100)	50	(2)	50	(2)



# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (a) Market risk (continued)

##### *Interest rate risk (continued)*

The following tables summarises the weighted average interest rate on the Board's financial assets.

	Jamaican\$ %	US\$ %
	<b>2018</b>	
Non-current investments	7.25	-
Loans receivable	7.00	3.00
Short-term investments	2.66	2.21
Cash at bank and in hand	0.75	0.12
	<b>2017</b>	
Non-current investments	7.25	-
Loans receivable	7.00	3.00
Short-term investments	4.25	1.73
Cash at bank and in hand	0.75	0.15

#### (b) Credit risk

The Board takes on exposure to credit risk, which is the risk that its counterparties will cause a financial loss for the Board by failing to discharge their contractual obligations. Credit exposures arise principally from the Board's investment activities. The Board structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty.

The Board establishes an allowance for impairment that represents its estimate of incurred losses in respect of investments, loans and receivables. The Board addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

The Board limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations. At year end, all investment securities are either held directly with the Government of Jamaica or secured by instruments issued by the Government of Jamaica.

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (b) Credit risk (continued)

Maximum exposure to credit risk:

	2018	2017
	\$'000	\$'000
Investment securities-		
Non-current investments	5,027	5,027
Short-term investments	767,392	814,385
Loans receivable	363,723	357,316
Receivables	3,212	1,296
Cash at bank and in hand	29,870	27,104
	<u>1,169,224</u>	<u>1,205,128</u>

#### (c) Liquidity risk

Liquidity risk is the risk that the Board is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Liquidity risk is not usually significant for the Board.

#### *Liquidity risk management process*

The Board's liquidity management process includes:

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flows; and
- (iii) Optimising cash returns on investments.

#### *Financial liabilities and assets held for managing liquidity risk*

Financial liabilities are due within three months. The Board has sufficient financial assets to cover financial liabilities that arise in the course of normal operations.

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management (Continued)

#### (d) Capital management

The Board's objectives when managing capital are to safeguard the Board's ability to continue as a going concern in order to conduct research on the agricultural problems in the industry and to provide assistance to coconut growers to market their crops. There were no changes to the Board's approach to capital management during the year.

#### (e) Fair value estimation

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The carrying values of loans receivable, receivables less impairment provision, short-term investments, balances with Coconut Windstorm Insurance Fund and payables are assumed to approximate their fair values due to the short-term maturity of these instruments.

The Board's investments are measured at fair value subsequent to initial recognition, and are classified as Level 2 fair value instruments. Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Indicative prices are obtained from regular, publicly available quotes by reputable dealers and brokers; and

There were no transfers between levels during the year, and there are no level 3 instruments.

### 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (a) Critical judgements in applying the Board's accounting policies

In the process of applying the Board's accounting policies, management has made no judgements which it believes presents a significant risk of material misstatement to the amounts recognised in the financial statements.

#### (b) Key sources of estimation uncertainty

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Post-employment benefits*

The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate, and, in the case of health benefits, the expected rate of increase in health costs. Any changes in these assumptions will impact the net periodic cost or income recorded for retirement benefits and may affect planned funding of the pension plan. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns.

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 5. Other Operating Income

	2018 \$'000	2017 \$'000
Interest income	27,073	33,795
Miscellaneous income	2,092	558
Foreign exchange gain /(loss)	18,422	(30,947)
	<u>47,587</u>	<u>3,406</u>

### 6. Expenses by Nature

Total direct, administration and other operating expenses:

	2018 \$'000	2017 \$'000
Auditor's remuneration		
Current year	2,695	2,872
Prior year under accrual	962	718
Cost of inventories recognised as expense	132,540	116,607
Cost of nursery and seeds garden operation	18,352	29,170
Depreciation (Note 8)	12,528	14,258
Field works experiment	2,706	2,115
Insurance	753	627
Lethal yellowing research costs	3,593	1,839
Motor vehicle expenses	18,652	17,928
Repairs and maintenance	9,859	9,192
Seedling planting programme	15,377	14,528
Special projects	2,672	2,280
Staff costs (Note 7)	115,613	105,259
Subsidy on seedlings	458	512
Telephone, postage and telegram	1,123	1,534
Travelling	7,460	9,018
Utilities	7,126	7,433
Other expenses	21,624	24,808
	<u>374,093</u>	<u>360,698</u>

# Coconut Industry Board

## Notes to the Financial Statements

**31 December 2018**

(expressed in Jamaican dollars unless otherwise indicated)

### 7. Staff Costs

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	78,228	65,807
Statutory contributions	5,969	5,531
Pension costs (Note 24)	7,100	8,500
Other post-employment benefits (Note 24)	14,100	16,100
Other	10,216	9,321
	<u>115,613</u>	<u>105,259</u>

### 8. Property, Plant and Equipment

	<b>2018</b>						
	<b>Freehold Land</b>	<b>Freehold Buildings</b>	<b>Research Library Stock</b>	<b>Furniture Fixtures &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Irrigation Equipment</b>	<b>Fence Improvement</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost -</b>							
At 1 January 2018	7,121	22,247	1,116	33,784	83,077	3,021	164
Additions	-	385	-	4,293	10,608	-	-
Disposals	-	-	-	(319)	(4,018)	-	-
At 31 December 2018	7,121	22,632	1,116	37,758	89,667	3,021	164
<b>Accumulated Depreciation -</b>							
At 1 January 2018	-	7,515	1,091	25,748	55,364	2,006	101
Charge for the year	-	565	-	1,612	10,202	149	-
Relieved on disposals	-	-	-	(310)	(4,018)	-	-
At 31 December 2018	-	8,080	1,091	27,051	61,548	2,155	101
<b>Net Book Value -</b>							
At 31 December 2018	7,121	14,552	25	10,708	28,119	866	63



# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Property, Plant and Equipment (Continued)

	2017							Total \$'000
	Freehold Land	Freehold Buildings	Research Library Stock	Furniture Fixtures & Equipment	Motor Vehicles	Irrigation Equipment	Fence Improvement	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cost -								
At 1 January 2017	7,121	21,982	1,116	32,049	80,143	3,021	164	145,596
Additions	-	265	-	3,798	8,244	-	-	12,307
Disposals	-	-	-	(2,063)	(5,310)	-	-	(7,373)
At 31 December 2017	7,121	22,247	1,116	33,784	83,077	3,021	164	150,530
Accumulated Depreciation -								
At 1 January 2017	-	6,966	1,091	25,612	44,593	1,857	101	80,220
Charge for the year	-	549	-	1,904	11,656	149	-	14,258
Relieved on disposals	-	-	-	(1,768)	(885)	-	-	(2,653)
At 31 December 2017	-	7,515	1,091	25,748	55,364	2,006	101	91,825
Net Book Value -								
At 31 December 2017	7,121	14,732	25	8,036	27,713	1,015	63	58,705

### 9. Investment in Associated Company

	2018 \$'000	2017 \$'000
At the beginning of the year	2,851,261	2,840,479
Share of profits	327,444	205,018
Gain on dilution of shares	241,148	-
Dividends income	(155,275)	(155,250)
Movement in other reserves	20,470	(38,986)
At end of year	<u>3,285,048</u>	<u>2,851,261</u>

Movement in other reserves is broken down as follows:

	2018 \$'000	2017 \$'000
Re-measurement of post-employment benefit obligations	2,206	997
Unrealised fair value gains/(losses) on investments	<u>18,264</u>	<u>(39,983)</u>
	<u>20,470</u>	<u>(38,986)</u>

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 9. Investment in Associated Company (Continued)

At an extraordinary general meeting of the associated company on 9 April 2018, the stockholders agreed to an increase in the stock units of the company by the creation of 250,000,000 new ordinary stock units. In October 2018, the company issued 217,149,000 of these units as part consideration for a business combination transaction. Based on this the stockholdings of the Board was reduced to 22.28%.

Seprod Limited has share capital consisting solely of ordinary stock units, these are held directly by the Board; the Company is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange. The carrying value and the quoted fair values indicated by prices quoted on the Jamaica Stock Exchange ("JSE Indicative Value") as at 31 December were as follows:

	Carrying Value		Quoted Fair Value	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Seprod Limited -				
163,420,345 (2017 – 163,420,345) stock units	3,285,048	2,851,261	4,896,074	5,066,031

This investment represents 22.3% (2017-31.65%) of the issued share capital of Seprod Limited. There are no contingent liabilities relating to the Board's interest in Seprod Limited.

### Summarised financial information for associate

Set out below is the summarised information for Seprod Limited which is accounted for using the equity method.

### Summarised statement of financial position

	2018 \$'000	2017 \$'000
Current assets	14,610,850	11,597,518
Non-current assets	20,687,514	8,410,538
	<u>35,298,364</u>	<u>20,008,056</u>
Current liabilities	(8,565,255)	(8,890,870)
Non-current liabilities	(11,987,487)	(2,107,374)
	<u>(20,552,742)</u>	<u>(10,998,244)</u>
<b>Net Asset</b>	<u>14,745,622</u>	<u>9,009,812</u>

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 9. Investment in Associated Company (Continued)

#### Summarised statement of comprehensive income

	2018	2017
	\$'000	\$'000
Revenue	23,553,769	16,511,206
Other income	903,356	753,103
	24,457,125	17,264,309
Direct expenses	(16,498,200)	(12,687,358)
Selling, administrative and other operating expenses	(5,729,087)	(3,300,218)
<b>Operating Profit</b>	2,229,838	1,276,733
Finance costs	(789,026)	(337,773)
<b>Profit before Taxation</b>	1,440,812	938,960
Taxation	(378,757)	(291,117)
<b>Net Profit</b>	1,062,055	647,843
Other comprehensive income	59,350	(123,195)
<b>Total Comprehensive Income</b>	1,121,405	524,648

#### Reconciliation of summarised financial information

	2018	2017
	\$'000	\$'000
<b>Opening net assets</b>		
<b>1 January</b>	9,009,812	8,975,742
Profit for the period	1,062,055	647,843
Other comprehensive income	59,350	(123,195)
Issue of ordinary stock units	5,208,170	-
Dividends paid	(588,295)	(490,578)
Effects of adoption of new accounting standards	(5,470)	-
<b>Closing net assets</b>	14,745,622	9,009,812
<b>Carrying value - interest in associate – 22.28% (31.65%)</b>	3,285,048	2,851,261

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Investments

	2018 \$'000	2017 \$'000
Non-current assets -		
Corporate bonds	5,027	5,027
Current assets -		
Corporate bonds	12,589	-
Reverse repurchase agreements	754,803	814,385
	<u>767,392</u>	<u>814,385</u>
	<u>772,419</u>	<u>819,412</u>

(a) Interest receivable on investments amounted to \$1,789,000 (2017 - \$2,257,000). The effective weighted average interest rates on investments are 2.84% (2017 - 4.48%) and 2.21% (2017 - 1.73%) on Jamaican dollar and United States dollar investments respectively.

(b) Investments have been allocated as follows:

	2018 \$'000	2017 \$'000
Capital Fund (Note 19)	281,572	312,249
Coconut Replanting Fund (Note 22)	199,746	220,608
Staff Contingency Fund (Note 21)	143,612	175,295
Coconut Industry Board	147,489	111,260
	<u>772,419</u>	<u>819,412</u>

(c) Short-term investments

Short-term investments comprise Government of Jamaica Local Registered Stock held under participation agreements/reverse repurchase agreements which mature in less than 90 days. Due to the short-term nature of the instruments, they are regarded as cash equivalents for the purposes of the statement of cash flows. Interest receivable on short term investments amounted to \$1,762,000 (2017 - \$2,230,000).

# Coconut Industry Board

## Notes to the Financial Statements

**31 December 2018**

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Investments (Continued)

#### (c) Short-term investments (continued)

Short-term investments have been allocated as follows:

#### Capital Fund

	<b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>
Barita Investments Limited	126,034	137,284
First Caribbean International Bank Jamaica Limited	-	3,539
Jamaica Money Market Brokers Limited	77,936	75,658
NCB Capital Markets Limited	76,895	95,046
Interest receivable	707	722
	<u>281,572</u>	<u>312,249</u>

#### Coconut Replanting Fund

	<b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>
Barita Investments Limited	31,063	32,414
Proven Wealth Limited	3,748	3,660
Jamaica Money Market Brokers Limited	111,911	108,547
NCB Capital Markets Limited	52,640	70,892
Scotia Investments Limited	-	2,437
First Caribbean International Securities Limited	-	2,045
Interest receivable	384	613
	<u>199,746</u>	<u>220,608</u>

#### Staff Contingency Fund

	<b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>
Barita Investments Limited	30,194	42,525
Proven Wealth Limited	10,505	10,259
Jamaica Money Market Brokers Limited	3,886	3,493
NCB Capital Markets Limited	93,751	108,584
Scotia Investments Limited	-	2,526
First Caribbean International Securities Limited	-	2,264
Interest receivable	249	617
	<u>138,585</u>	<u>170,268</u>



# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Investments (Continued)

(c) Short-term investments (continued)

#### Coconut Industry Board

	2018 \$'000	2017 \$'000
Jamaica Money Market Brokers Limited	45,204	13,088
NCB Capital Markets Limited	101,836	97,894
Interest receivable	449	278
	<u>147,489</u>	<u>111,260</u>
Total short-term investments	<u>767,392</u>	<u>814,385</u>

### 11. Loans Receivable

Loans were disbursed from:

	2018 \$'000	2017 \$'000
The Board's working capital		
(i) Loan to associated company	363,437	356,838
(ii) Computer revolving loan	4	45
Capital Fund (Note 19)	282	433
	<u>363,723</u>	<u>357,316</u>

(i) On 17 November 2016, the Board lent US\$2,886,855 to Seprod Limited, an associated company. The principal was due for repayment at the maturity date, 28 November 2018 and attracted a fixed interest rate of 3% per annum, which is payable quarterly. However, the loan was not repaid at maturity and the Board granted the associated company an extension until 30 June 2019, with interest payable at the original rate.

(ii) The Board holds first lien on mortgage loans made to employees. The balance is repayable up to the time of termination or retirement. The weighted average interest rate is 7%.

### 12. Deferred Expenditure

Comprising expenditure incurred on seed garden projects:

	2018 \$'000	2017 \$'000
Balance as at the beginning of the year	7,569	6,115
Additions during the year	2,153	895
(Write-offs)/recoveries during the year	(832)	559
Balance as at the end of the year	<u>8,890</u>	<u>7,569</u>

# Coconut Industry Board

## Notes to the Financial Statements

**31 December 2018**

(expressed in Jamaican dollars unless otherwise indicated)

### 13. Inventories

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Bags, pesticides, weedicides and miscellaneous items	<u>5,915</u>	<u>3,233</u>

### 14. Biological Assets

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Seeds in nurseries	<u>18,680</u>	<u>13,068</u>

### 15. Receivables

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Withholding tax	55,036	48,610
General Consumption Tax (GCT) recoverable	1,196	1,195
Prepayments	1,072	2,108
Staff loans	805	473
Dividends receivable	73,464	-
Other	2,407	823
	<u>133,980</u>	<u>53,209</u>

### 16. Cash at Bank and in Hand

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	29,870	27,104
Petty cash	554	110
	<u>30,424</u>	<u>27,214</u>

### 17. Payables

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Accruals	8,401	8,660
Other	3,815	2,826
	<u>12,216</u>	<u>11,486</u>

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 18. Capital Surplus

	2018 \$'000	2017 \$'000
Capital distribution received	6,158	6,158
Coconut Lethal Yellowing Fund	702	702
Copra Production Acceleration Fund	3,750	3,750
Donation of equipment	1,790	1,790
Donation of motor vehicle	5	5
Gain on disposal of stock units	14,018	14,018
Share of reserves of associated company	490,752	472,488
Surplus on disposal of premises	3	3
	<u>517,178</u>	<u>498,914</u>

### 19. Capital Fund

- (a) Effective 1 January 1993, a Capital Fund was established by the Board for the purpose of holding proceeds from the sale of shares and income from capital distributions. The income arising from investments allocated to the Capital Fund, less any authorised expenditure is transferred to this account on an annual basis.

This balance is represented by:

	2018 \$'000	2017 \$'000
Short term investments (Note 10)	281,572	312,249
Investment in associate	9,340	94,398
Loans receivable (Note 11)	282	433
Receivables -		
Withholding tax recoverable	7,313	8,790
	<u>298,507</u>	<u>415,870</u>

- (b) Transfer to income and expenditure account

	2018 \$'000	2017 \$'000
Interest and investment income	10,134	1,219
Less: Authorised expenditure	(127,497)	(13,821)
	<u>(117,363)</u>	<u>(12,602)</u>

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Fair Value Reserve

	2018 \$'000	2017 \$'000
Balance at beginning of year	8,880	8,892
Unrealised loss on investments	-	(12)
Balance at end of year	<u>8,880</u>	<u>8,880</u>

### 21. Staff Contingency Fund

- (a) This fund was established in 1996 with money the Board received from a surplus, determined by qualified actuary, in the Seprod et al pension scheme, to which the Coconut Industry Board and its employees have been contributors from its inception. The fund which was originally intended to be used to supplement the pension of a specified category of Board's employees was renamed to reflect its true purpose of providing assistance to staff in certain circumstances. Income arising from investment of this fund, less any authorised expenditure, is transferred to this account on an annual basis.

	2018 \$'000	2017 \$'000
Non-current investment	5,027	5,027
Short term investments (Note 10)	<u>138,585</u>	<u>170,268</u>
	143,612	175,295
Receivables -		
Withholding tax recoverable	5,644	7,931
Supplementary Fund - Pension and health benefits	<u>24,510</u>	<u>39,698</u>
	173,766	222,924
Less: Post-employment benefits	<u>(136,200)</u>	<u>(151,100)</u>
	<u>37,566</u>	<u>71,824</u>

- (b) Transfer (to)/from income and expenditure account

	2018 \$'000	2017 \$'000
Interest and investment income	4,972	7,141
(Less)/add:		
Decrease in post-employment benefit obligation	(22,900)	(9,200)
Authorised (expenditure)/income	<u>(16,330)</u>	<u>6,530</u>
	<u>(34,258)</u>	<u>4,471</u>

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 22. Coconut Replanting Fund

- (a) This fund was established in 2003 for the purpose of ensuring that adequate financing will be available for coconut replanting programmes which are crucial to the survival of the local coconut industry. Income arising from the investments allocated to this fund less authorised expenditure, which includes amounts expended for coconut seedlings, fertilizer and weed control grants to farmers participating in the programmes, is credited to this account.

This balance is represented by:

	2018 \$'000	2017 \$'000
Short term investments (Note 10)	199,746	220,608
Receivables -		
Withholding tax recoverable	5,464	6,836
	<u>205,210</u>	<u>227,444</u>

- (b) Transfer to income and expenditure account

	2018 \$'000	2017 \$'000
Interest and investment income/(loss)	7,251	(108)
Less: Authorised expenditure	<u>(29,485)</u>	<u>(8,868)</u>
	<u>(22,234)</u>	<u>(8,976)</u>

### 23. Reserve

- (a) The reserve account include general reserves of \$20,000 (2017:\$20,000). These balances below represents the surplus on operations of the Coconut Industry Clearing House, which was transferred to the Coconut Industry Board in 1945.
- (b) Accumulated surplus is represented as follows:

	2018 \$'000	2017 \$'000
The Board	393,515	168,226
Associated company	<u>2,825,525</u>	<u>2,652,383</u>
	<u>3,219,040</u>	<u>2,820,609</u>

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 24. Post-employment Benefits

	2018 \$'000	2017 \$'000
Amounts recognised in the statement of financial position -		
Pension plan benefits	41,200	28,100
Other post-employment obligation	(136,200)	(151,100)
	<u>(95,000)</u>	<u>(123,000)</u>
Amounts recognised in profit or loss -		
Pension plan benefits	7,100	8,500
Other post-employment benefits	<u>14,100</u>	<u>16,100</u>
Amounts recognised in other comprehensive income -		
Pension plan benefits	(17,400)	(13,000)
Other post-employment benefits	<u>(22,900)</u>	<u>(9,200)</u>

#### *Pension plan benefits*

The Board participates in the Seprod et al Scheme, a benefit based pension scheme operated by Seprod Limited and approved organisations. The scheme provides benefits to members based on average earnings for the final 2 years of service. Employees are required to contribute 5% of pensionable salary; the Board makes contributions at rates recommended by independent actuaries, which is currently set at 5% of pensionable salary. The scheme is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation was carried out as at 31 December 2018.

The amounts recognised in the statement of financial position were determined as follows:

	2018 \$'000	2017 \$'000
Fair value of plan assets	(442,300)	(388,500)
Present value of funded obligations	<u>401,100</u>	<u>360,400</u>
Asset in the statement of financial position	<u>(41,200)</u>	<u>(28,100)</u>



# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 24. Post-employment Benefits (Continued)

#### *Pension plan benefits (continued)*

The amounts recognised in the statement of comprehensive income were as follows:

	2018 \$'000	2017 \$'000
Current service cost	5,900	6,100
Interest cost	28,900	28,800
Interest income on plan assets	(30,600)	(29,900)
Administration expenses	2,900	3,500
Included in staff costs (Note 7)	<u>7,100</u>	<u>8,500</u>

The movement in the defined benefit asset during the year was as follows:

	2018 \$'000	2017 \$'000
At beginning of year	(28,100)	(20,900)
Amounts recognised in profit or loss in the statement of comprehensive income	7,100	8,500
Amounts recognised in other comprehensive income	(17,400)	(13,000)
Contributions paid	<u>(2,800)</u>	<u>(2,700)</u>
Asset at end of year	<u>(41,200)</u>	<u>(28,100)</u>

The movement in the fair value of plan assets during the year was as follows:

	2018 \$'000	2017 \$'000
At beginning of year	388,500	336,400
Interest income on plan assets	30,600	29,900
Administration expense	(2,900)	(3,500)
Re-measurement recognised on obligation	36,400	29,900
Contributions	8,000	7,400
Benefits paid	<u>(18,300)</u>	<u>(11,600)</u>
At end of year	<u>442,300</u>	<u>388,500</u>

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 24. Post-employment Benefits (Continued)

#### *Pension plan benefits (continued)*

The movement in the present value of the defined benefit obligation during the year was as follows:

	2018 \$'000	2017 \$'000
At beginning of year	360,400	315,500
Current service cost	8,700	8,700
Interest cost	28,900	28,800
Re-measurement gains on obligation	19,000	16,800
Benefits paid	(18,300)	(11,600)
Voluntary contribution	2,400	2,200
At end of year	<u>401,100</u>	<u>360,400</u>

As at the last valuation date, 31 December 2018, the present value of the defined benefit obligation was comprised of approximately \$280,900,000 relating to active employees, \$120,200,000 relating to members in retirement.

Expected contributions to the plan for the year ending 31 December 2019 is approximately \$1,610,000.

The distribution of plan assets was as follows:

	2018 %	2017 %
Quoted equities	39.5	33.5
Real estate	7.2	7.4
Government of Jamaica securities	25.2	25.8
Repurchase agreements	5.9	9.6
Promissory notes	6.8	5.3
Corporate bonds	12.3	9.4
Other	3.1	9.0
	<u>100.0</u>	<u>100.0</u>

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 24. Post-employment Benefits (Continued)

#### *Pension plan benefits (continued)*

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on Post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		\$'000	\$'000
Discount rate	0.5%	(20,800)	23,300
Future salary increases	0.5%	4,100	(3,800)
Pension increase	0.5%	19,900	(17,100)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

#### *Other post-employment obligations*

In addition to pension benefits described above, the Board provides supplementary pension benefits and retiree medical insurance benefits. The Board decided, on 27 February 2001, that members employed prior to 1995 who retire with at least 15 years of service with the Board up to 1 January 1995, will have their prior prior of service recognised, will receive benefits calculated as 2% x annual salary at retirement x service with the Board (subject to a maximum of two-thirds of the employee's final annual salary), less the annual pension payable from the Seprod Fund. The method of accounting and the frequency of valuations are similar to those used for the defined benefit pension scheme described above. The liability recognised in the statement of financial position was determined as follows:

	2018 \$'000	2017 \$'000
Present value of unfunded obligations	136,200	151,100

The Board has earmarked certain investments for the purpose of funding the obligation arising from these benefits. These investments are allocated to the Staff Contingency Fund as disclosed in Notes 10 and 21 of the financial statements.

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 24. Post-employment Benefits (Continued)

#### *Other post-employment obligations (continued)*

The movement in the present value of the defined benefit obligation during the year was as follows:

	2018 \$'000	2017 \$'000
At beginning of year	151,100	150,100
Current service cost	2,100	2,600
Interest cost	12,000	13,500
Benefits paid	(6,100)	(5,900)
Re-measurement recognised on obligation	(22,900)	(9,200)
At end of year	136,200	151,100

The amounts recognised in the statement of comprehensive income are as follows:

	2018 \$'000	2017 \$'000
Current service cost	2,100	2,600
Interest cost	12,000	13,500
Included in staff costs (Note 7)	14,100	16,100
Interest income on plan asset	(11,700)	(12,200)
Net cost recognised in statement of comprehensive income	2,400	3,900

The effects of a 0.5% movement in the post-employment health care cost were as follows:

Impact on Post-employment obligations		
Change in Assumption	Increase in Assumption	Decrease in Assumption
	\$'000	\$'000
Discount rate	0.5%	6,400
Medical cost increase	0.5%	7,400

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 24. Post-employment Benefits (Continued)

#### *Other post-employment obligations (continued)*

#### *Principal actuarial assumptions used in valuing post-employment benefits*

The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate	7.00%	8.00%
Future salary increases	4.00%	5.00%
Future pension increases	0.00%	0.00%
Medical cost trend rate	5.50%	7.50%

#### **Risks associated with pension plans and post-employment plans**

Through its defined benefit pension plans and post-employment medical plans, the Board is exposed to a number of risks, the most significant of which are detailed below:

##### **Asset volatility**

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will create a deficit.

As the plan matures, the Board intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Government bonds represent investments in Government of Jamaica securities.

The Board believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Board's long term strategy to manage the plans efficiently. See below for more details on the Board's asset-liability matching strategy.

##### **Changes in bond yields**

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

##### **Inflation risk**

Higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by fixed interest bonds, meaning that an increase in inflation will reduce the surplus or create a deficit.

##### **Life expectancy**

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 24. Post-employment Benefits (Continued)

#### Risks associated with pension plans and post-employment plans (continued)

The responsibility for the management of the assets of the Fund is vested in the Board of Trustees and NCB Insurance Company Limited representatives who are the fund and investment managers. They ensure that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension fund. Within this framework, the Fund's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The Fund actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Fund has not changed the processes used to manage its risks from previous periods. The Fund does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in both 2018 and 2017 consists of bonds, equities and real estate.

Funding levels are monitored on an annual basis and the current agreed contribution rate is 5% of pensionable salaries. The next triennial valuation is due to be completed as at 31 August 2020. The Company considers that the contribution rates set at the last valuation date to be sufficient to prevent a deficit and that regular contributions, which are based on service costs, will not increase significantly.

The weighted average duration of the defined benefit obligation is 13 years for the pension fund and 13 years for the post-employment medical benefits.

### 25. Related Party Balances and Transactions

#### (a) Year-end balances arising from transactions with related parties:

	2018 \$'000	2017 \$'000
Loans receivable -		
Directors	<u>-</u>	<u>246</u>
Dividend receivable -		
Sepro Limited (Associated company)	<u>73,464</u>	<u>-</u>
Payables -		
Coconut Windstorm Insurance Fund	<u>45,788</u>	<u>12,960</u>

The loans receivable balance was repaid by deductions from the payment for each delivery of coconut oil to the Board by the director. The loan was interest free.



# Coconut Industry Board

## Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

### 25. Related Party Balances and Transactions (Continued)

The following transactions were carried out with related parties:

#### (b) Purchases of goods/services:

	2018 \$'000	2017 \$'000
Purchases of goods -		
Directors	<u>63,025</u>	<u>55,945</u>
Insurance expense -		
Coconut Windstorm Insurance Fund	<u>862</u>	<u>863</u>

#### (c) Sales of services:

	2018 \$'000	2017 \$'000
Cess income -		
Seprod Limited (Associated company)	<u>-</u>	<u>6,921</u>

#### (d) Other transactions:

	2018 \$'000	2017 \$'000
Dividends received -		
Seprod Limited (Associated company)	<u>81,811</u>	<u>155,250</u>

#### (e) Key management compensation:

	2018 \$'000	2017 \$'000
Salaries and other short-term employee benefits	19,874	17,692
Statutory contributions	1,203	1,077
Pension benefits	<u>745</u>	<u>698</u>
	<u>21,822</u>	<u>19,467</u>
Directors' emoluments –		
Fees	<u>3,124</u>	<u>3,600</u>

### 26. Subsequent Event

On 23 August 2019, The Board wrote to Seprod requesting a written response on when the loan balance in Note 11 will be repaid. On 27 September 2019, Seprod Limited responded to the Board acknowledging the outstanding loan balance of \$2,886,855.74, and noted that the loan will be repaid in three (3) installments as follows; US\$1 million will be repaid by the 31 October 2019 and 29 November 2019 and the remainder of US\$886,855.74 by the 31 December 2019.

**Coconut Industry Board**  
**Coconut Windstorm Insurance Fund**  
**Statement of Comprehensive Income**  
**Year ended 31 December 2018**

(expressed in Jamaican dollars unless otherwise indicated)

	<b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>
<b>Income</b>		
Contractual insurance premiums	3,396	3,319
Interest	<u>7,443</u>	<u>8,104</u>
	<u>10,839</u>	<u>11,423</u>
<b>Expenditure</b>		
Audit fees	193	260
Telephone, postage and telegrams	80	80
Salaries and management fees	123	100
Stationery and general expenses	<u>75</u>	<u>98</u>
	<u>471</u>	<u>538</u>
<b>Net Surplus, being Total Comprehensive Income</b>	10,368	10,885
Accumulated surplus at beginning of year	<u>209,124</u>	<u>198,239</u>
<b>Accumulated Surplus</b>	<u><u>219,492</u></u>	<u><u>209,124</u></u>


**Coconut Industry Board**  
**Coconut Windstorm Insurance Fund**  
**Statement of Changes in Equity**  
**31 December 2018**

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 \$'000	2017 \$'000
<b>Current Assets</b>			
Sundry debtors	4	8,962	10,382
Short term investments	6	164,741	184,826
Coconut Industry Board		45,788	12,960
Cash at bank		2	957
		219,493	209,125
<b>Current Liability</b>			
Payables		1	1
<b>Net Current Assets</b>		219,492	209,124
<b>Accumulated Surplus</b>		219,492	209,124

Approved for issue by the Board of Directors on December 02, 2019 and signed on its behalf by:

  
 Christopher Gentles Director

  
 Nicholas Jones Director

# Coconut Industry Board

## Coconut Windstorm Insurance Fund

### Statement of Changes in Equity

**31 December 2018**

(expressed in Jamaican dollars unless otherwise indicated)

	<b>Accumulated Surplus</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 1 January 2017</b>	198,239	198,239
Net surplus for the year	10,885	10,885
<b>Balance at 31 December 2017</b>	209,124	209,124
Net surplus for the year	10,368	10,368
<b>Balance at 31 December 2018</b>	<u>219,492</u>	<u>219,492</u>

# Coconut Industry Board

## Coconut Windstorm Insurance Fund

### Statement of Cash Flows

**Year ended 31 December 2018**

(expressed in Jamaican dollars unless otherwise indicated)

	<b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>
<b>Cash Flows from Operating Activities</b>		
Net surplus	10,368	10,885
Adjusted for:		
Interest income	<u>(7,443)</u>	<u>(8,104)</u>
	2,925	2,781
Changes in operating assets and liabilities		
Sundry debtors	1,420	2,935
Provided to Coconut Industry Board	<u>(32,828)</u>	<u>(1,245)</u>
Net cash (used in)/provided by operating activities	<u>(28,483)</u>	<u>4,471</u>
<b>Cash Flows from Investing Activities</b>		
Interest received	<u>7,443</u>	<u>8,104</u>
Cash provided by investing activity	<u>7,443</u>	<u>8,104</u>
(Decrease)/increase in cash and cash equivalents	<u>(21,040)</u>	<u>12,575</u>
Cash and cash equivalents at beginning of year	<u>185,783</u>	<u>173,208</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>164,743</u></u>	<u><u>185,783</u></u>
<b>Comprising:</b>		
Cash at bank and in hand	2	957
Short-term investments	<u>164,741</u>	<u>184,826</u>
	<u><u>164,743</u></u>	<u><u>185,783</u></u>

# Coconut Industry Board

## Coconut Windstorm Insurance Fund

### Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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#### 1. General

The Coconut Windstorm Insurance Fund ("The Fund") was established pursuant to the Coconut Insurance Act, for the operation by the Coconut Industry Board ("The Board") of a scheme for the automatic insurance and contractual insurance of coconut trees against the risk of windstorm damage. Provisions relating to qualification for, and determination and payment of benefits are contained in the Coconut Windstorm Insurance Regulations, 1949.

All moneys forming part of the fund are to be invested, in such manner as the Board may decide, in public securities of Jamaica or of any Commonwealth country, or in any securities which are lawful for the investment of trustee funds, or placed on deposit in such bank or banks as the Board may direct.

The Board may effect such reinsurance in respect of the whole or any part of the potential liability incurred by the Fund at such rates and upon such conditions as it thinks fit.

#### 2. Significant Accounting Policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### (a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain financial assets.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Board's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. At 31 December 2018, in the opinion of the Board, there are no significant estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the fund within the next year.

##### Standards, interpretations and amendments to published standards effective in the current year

At the date of authorisation of these financial statements, certain new and amended standards and interpretations to existing standards have been published that became effective during the current financial year. The Board has assessed the relevance of all such new amendments and clarifications and has put into effect the following, which are immediately relevant to its operations.

**IFRS 9, 'Financial instruments'** (effective for annual periods beginning on or after 1 January 2018). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses (ECL) model that replaces the current incurred loss impairment model.

IFRS 9 has three classification categories for debt instruments: amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). Classification under IFRS 9 for debt instruments is based on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ('SPPI'). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity. That is, an entity's business model determines whether the cash flows will result from collecting contractual cash flows, selling financial assets or both.



# Coconut Industry Board

## Coconut Windstorm Insurance Fund

### Notes to the Financial Statements

### 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

#### ***IFRS 9, 'Financial Instruments'***

If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect assets' contractual cash flows and to sell the assets are classified as FVOCI. Under the new model, FVPL is the residual category - financial assets should therefore be classified as FVPL if they do not meet the criteria of FVOCI or amortised cost.

IFRS 9 introduces a new model for the recognition of impairment losses - the ECL model. The ECL model constitutes a change from the guidance in IAS 39 and seeks to address the criticisms of the incurred loss model which arose during the economic crisis. In practice, the new rules mean that entities will have to record a day 1 loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired. IFRS 9 contains a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies, however no adjustment was recognised in the financial statements as the amount was not significant. Details of the new accounting policy in relation to IFRS 9 are outlined in Note 2 (c).

***IFRS 15, 'Revenue from Contracts with Customers'***, (effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Board has assessed its arrangement with customers and has concluded that the adoption of this new standard has no significant impact on its result or financial position based on the nature of goods provided and the terms under which such goods are offered.

***IFRIC 22, 'Foreign currency transactions and advance consideration'*** (effective for annual periods beginning on or after 1 January 2018) This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. This interpretation has no significant impact on the Board's financial statement.

# Coconut Industry Board

## Coconut Windstorm Insurance Fund

### Notes to the Financial Statements

### 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

#### ***Standards, interpretations and amendments to published standards that are not yet effective***

The Board has concluded that the following standards which are published but not yet effective, are relevant to the Fund's operations, and will impact the Fund's accounting policies and financial disclosures as discussed below. These pronouncements are effective for annual periods beginning on or after the dates noted, and will be applied by the Fund as of those dates, unless otherwise noted.

***Amendment to IFRS 9, 'Financial instruments on prepayment features with negative compensation'*** (effective for annual periods beginning on or after 1 January 2019). This amendment enables entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. The Board financial statements will not be impacted by this amendment as it does not currently have any financial liabilities to which the amendment applies.

**IFRS 16, 'Leases'** (effective for annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied). The International Accounting Standards Board (IASB) published IFRS 16, 'Leases', which replaces the current guidance in IAS 17. This will require changes in accounting by lessees in particular. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Board is currently assessing the impact of future adoption of the new standard on its financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Fund.

# Coconut Industry Board

## Coconut Windstorm Insurance Fund

### Notes to the Financial Statements

#### 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (b) Foreign currency translation

#### ***Functional and presentation currency***

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Jamaican dollars, which is the functional and presentation currency.

#### ***Transactions and balances***

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At year end, monetary assets and liabilities denominated in foreign currency are translated using the closing exchange rate. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the statement of comprehensive income.

### (c) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity in another entity.

#### **Financial assets**

The Fund's financial assets comprise cash and short term investments, and balances due from Coconut Industry Board.

#### **Classification**

From 1 January 2018, the Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss)
- those to be measured at amortised cost.

The available for sale (AFS) category under IAS 39 is no longer applicable.

The classification depends on the business model used for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

The Fund reclassifies its debt investments only when its business model for managing those assets changes.

# Coconut Industry Board

## Coconut Windstorm Insurance Fund

### Notes to the Financial Statements

### 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (c) Financial instruments (continued)

#### Measurement

##### *Debt instruments*

Measurement of debt instruments depends on the Fund's business model for managing the asset and the cash flow characteristics of the asset. The Fund classifies its debt instruments into two measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in the income statement using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Changes in fair value are taken through OCI. The recognition of interest income and impairment gains or losses are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in the income statement using the effective interest rate method. Impairment losses are presented as a separate line item in the income statement.

#### Impairment

From 1 January 2018, the Fund assesses on a forward looking basis the expected credit losses (ECL) associated with its financial assets classified at amortised cost, and debt instruments measured at FVOCI,

##### *Application of the General Model*

The Fund has applied the 'general model' as required under IFRS 9 for debt instruments other than trade receivables. Under this model, the Board is required to assess on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI. The ECL will be recognised in profit or loss before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. Under current guidance, impairment amount represents the single best outcome; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL is calculated by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

*Stage 1* – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not credit impaired. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months.

# Coconut Industry Board

## Coconut Windstorm Insurance Fund

### Notes to the Financial Statements

### 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (c) Financial instruments (continued)

#### Impairment (continued)

*Stage 2* – When a financial asset experiences a significant increase in credit risk subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

*Stage 3* – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

The Fund uses judgement when considering the following factors that affect the determination of impairment:

#### *Assessment of Significant Increase in Credit Risk*

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Fund compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Fund's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

#### *Macroeconomic Factors, Forward Looking Information and Multiple Scenarios*

The Fund applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macroeconomic factors and forward looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Fund uses three scenarios that are probability weighted to determine ECL.

#### *Expected Life*

When measuring ECL, the Fund considers the maximum contractual period over which the Fund is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options.

#### *Application of the Simplified Approach*

For trade receivables, the Fund applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables.

**Coconut Industry Board**  
**Coconut Windstorm Insurance Fund**  
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**2. Significant Accounting Policies (Continued)**

**(c) Financial instruments (continued)**

**Impairment (continued)**

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information.

**Application of this policy until 31 December 2017**

The Fund applied IFRS 9 on 1 January 2018 and has elected not to restate comparative information in accordance with the transitional provisions in IFRS 9. As a result, the comparative information provided continues to be accounted for in accordance with the Fund's previous accounting policy.

Until 31 December 2017, the Fund classified its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

***Investment securities***

The Fund's investment securities are classified as available-for-sale. The Fund's management determines the classification of its investments at the time of purchase and re-evaluates such designation on a regular basis.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Purchases and sales of investments are recognised on the trade date - the date that the Fund commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Investments are initially recognised at fair value plus transaction costs and are subsequently carried at fair value.

**Coconut Industry Board**  
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**2. Significant Accounting Policies (Continued)**

**(c) Financial instruments (continued)**

**Application of this policy until 31 December 2017 (continued)**

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the net surplus and other comprehensive income. Other changes in the fair value of both monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the fair value adjustments accumulated in the fair value reserve are included in the statement of comprehensive income as 'gains and losses on maturity and disposal of available-for-sale investment'. Interest on available-for-sale securities, calculated using the effective interest method, is recognised in the statement of comprehensive income.

The Board assesses for the Fund at each year end whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market rate for a similar financial asset.

***Loans and receivables***

***Trade and other receivables***

Trade and other receivables are classified as loans and receivables and are carried at original invoice value less provision made for impairment of these receivables based on a review of all outstanding amounts at the year end. A provision for impairment of trade receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, the recoverable amount being the present value of expected cash flows, discounted at the original effective interest rate.

***Cash at bank***

Cash at bank is carried at cost and classified as loans and receivables.

***Financial liabilities***

The Fund's financial liabilities are initially measured at fair value, net of transactions costs and are subsequently measured at amortised cost using the effective interest method. At year end, there were no financial liabilities. Financial liabilities in the prior year comprised amounts due to Coconut Industry Board.

**(d) Income recognition**

Income comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Fund's activities. Income is shown net of General Consumption Tax.



# Coconut Industry Board

## Coconut Windstorm Insurance Fund

### Notes to the Financial Statements

**31 December 2018**

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (d) Income recognition (continued)

#### **Contractual Insurance Premiums**

Contractual Insurance premiums written are recognised on a pro-rated basis over the life of the policies written.

#### **Interest income**

Interest income is recognized in the income statement on a time-proportion basis using the effective interest method

## 3. Financial Risk Management

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk, which is managed by the Board. The Board's overall financial risk management efforts seek to minimise potential adverse effects on the Fund's financial performance arising mainly from market risk.

The Board's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Board periodically reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The members of the Board are ultimately responsible for the establishment and oversight of the risk management framework. The Board has established a Finance Committee for managing and monitoring financial risks, as well as to manage the Board's and the Fund's assets and liabilities and the overall financial structure. The Finance Committee is also primarily responsible for the funding and liquidity risks of the Board.

There has been no change to the Fund's exposure to financial risk or the manner in which such risks are managed.

### (a) Market risk

The Fund experiences exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Board which reviews the price movement of financial assets.

#### **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund is exposed to foreign exchange risk arising from US dollar investments. The Fund manages its foreign exchange risk by closely monitoring currency positions and seeking to maximise foreign currency earnings. The Fund exposure to foreign currency exchange rate risk at year end was \$26,001,000 (2017 - \$18,104,000).

# Coconut Industry Board

## Coconut Windstorm Insurance Fund

### Notes to the Financial Statements

### 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management (Continued)

#### (a) Market risk (continued)

##### **Foreign currency sensitivity**

The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for changes in foreign currency rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity of the net surplus is attributable to the Board's cash and cash equivalents and investments.

If at 31 December 2018, the Jamaican dollar strengthened/weakened by 2%/(4%) (2017 – 2 %/(4%) against the US dollar, with all other variables held constant, net surplus would have (decreased)/increased by approximately (\$420,000)/\$840,000 (2017 – (\$362,000)/\$ 724,000). The percentage represents management's assessment of the possible range of changes in the rate of exchange to the US dollar.

##### **Interest rate risk**

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fixed interest rate instruments expose the Fund to fair value interest risk on its financial assets. Floating rate instruments expose the Board to cash flow interest risk. The Board's interest rate risk policy requires it to manage interest rate risk by maintaining a balanced investment portfolio for the Fund.

There is no significant exposure to interest rate risk on short-term investments, as these investments have a short term to maturity and are constantly re-invested at current market rates.

#### (b) Credit risk

The Fund takes on exposure to credit risk, which is the risk that its counterparties will cause a financial loss for the Fund by failing to discharge their contractual obligations. Credit exposures arise principally from the Fund's investment activities. The Board structures the levels of credit risk it undertakes for the Fund by placing limits on the amount of risk accepted in relation to a single counterparty.

The Board establishes an allowance for impairment that represents its estimate of incurred losses in respect of investments, loans and receivables. The Board addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

The Board limits the exposure of the Fund to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

#### (c) Liquidity risk

Liquidity risk is the risk that the Fund is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Liquidity risk is not usually significant for the Fund, except in instances of natural disasters affecting insured trees.

# Coconut Industry Board

## Coconut Windstorm Insurance Fund

### Notes to the Financial Statements

### 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management (Continued)

#### (c) Liquidity risk (continued)

##### *Liquidity risk management process*

The Board's liquidity management process for the Fund includes:

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flows and;
- (iii) Optimising cash returns on investments.

Due to the nature of its activities, the Fund has no significant levels of financial liabilities and has significant financial assets to cover such financial liabilities that do arise in the course of normal operations.

#### (d) Capital management

The Board's objectives when managing capital for the Fund are to safeguard the Fund's ability to continue as a going concern in order to maintain sufficient surplus to cover potential windstorm damage to insured trees (Note 5).

#### (e) Fair value estimation

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The carrying values of cash at bank, short-term investments, due to/due from Coconut Industry Board and payables are assumed to approximate their fair values due to the short-term maturity of these instruments.

### 4. Sundry Debtors

	2018 \$'000	2017 \$'000
Withholding tax	8,962	10,382

### 5. Contingent Liability

During the year, the potential liability of the Fund for coconut windstorm damage was \$76,043,000 (2017 - \$72,851,000).

# Coconut Industry Board

## Coconut Windstorm Insurance Fund

### Notes to the Financial Statements

**31 December 2018**

(expressed in Jamaican dollars unless otherwise indicated)

#### 6. Investments

	2018 \$'000	2017 \$'000
Current assets -		
Reverse repurchase agreements	164,741	184,826
(a) Interest receivable on investments amounted to \$230,000 (2017 - \$307,000). The effective weighted average interest rates on investments are 4.41% (2017 - 4.17%) and 2.29% (2017 - 1.73%) on Jamaican dollar and United States dollar investments respectively.		
(b) Reverse repurchase agreements mature in less than 90 days, and are regarded as cash equivalents for the purposes of the statement of cash flows.		

#### 7. Related Party Transactions

- (a) Year-end balances arising from transactions with related parties

	2018 \$'000	2017 \$'000
Receivables -		
Coconut Industry Board	45,788	12,960

- (b) Sales of services

	2018 \$'000	2017 \$'000
Premium income -		
Coconut Industry Board	862	863
Directors	2,535	2,456
	3,397	3,319

**TABLE I****COCONUT PRODUCTION & CONSUMPTION****PRODUCTION**

<b>Parish</b>	<b><u>2018</u></b>		<b><u>2017</u></b>	
	<b><u>1,000 Nuts</u></b>	<b><u>%</u></b>	<b><u>1,000 Nuts</u></b>	<b><u>%</u></b>
St. Thomas	28	2.4	33	3.3
Portland	10	0.9	29	2.9
St. Mary	785	68.4	667	66.4
St. Catherine	145	12.6	116	11.6
St. Elizabeth	177	15.4	156	15.6
Others	3	0.3	2	0.2
	<hr/> 1148	100.0	<hr/> 1,003	100.0
Dry & Water Coconuts (est.)	125,161		99,058	
	<hr/> 126,309		<hr/> 100,061	

**CONSUMPTION**

Seed Coconuts - Local	168	0.2	162	0.2
Seed Coconuts - Export	47	-	46	-
Dry and water Coconuts	126,094	99.8	99,853	99.8
	<hr/> 126,309	100.0	<hr/> 100,061	100.0

**TABLE II**

**DISPOSAL OF COCONUTS DELIVERED**  
**BY GROWERS**

	<b><u>2018</u></b>	<b><u>2017</u></b>
	<b><u>Units</u></b>	<b><u>Units</u></b>
Export as seed	545	387
Used locally for seed, jelly coconuts, etc.	<u>34,863</u>	<u>34,708</u>
	<u>35,408</u>	<u>35,095</u>

**TABLE III**

**UNITS OF COCONUTS DELIVERED BY GROWERS IN 2018**

<b>Units of Coconuts in Groups of</b>	<b><u>Properties</u></b>		<b><u>Units Delivered</u></b>	
	<b><u>No.</u></b>	<b><u>%</u></b>	<b><u>No.</u></b>	<b><u>%</u></b>
1 and up to 20	15	25.0	135	0.4
Over 20 "	20	33.3	691	1.9
" 50 "	6	10.0	493	1.4
" 100 "	8	13.3	1,226	3.5
" 200 "	7	11.7	2,008	5.7
" 500 "	1	1.7	604	1.7
" 1,000 "	2	3.3	2,936	8.3
" 5,000	1	1.7	27,315	77.1
	60	100.0	35,408	100.0

**Note**

One unit = 110 nuts

**TABLE IV****DIRECTORS' COMPENSATION 2018**

<b>Name</b>	<b>Position of Director</b>	<b>Fees</b>	<b>Motor Vehicle Upkeep/ Travelling or Value of Assignment of Motor Vehicle</b>	<b>All Other Compensation including Non-cash Benefits as Applicable</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Christopher Gentles	Board Chairman	547,500.00	120,420.00	120,000	787,920.00
Stephen Black	Board Member	145,800.00	59,972.00	.	205,772.00
Homer Davis	Board Member	140,400.00	192,841.00		333,241.00
Charles Douglas	Board Member	185,400.00	64,224.00		249,624.00
Sandra Ennis	Board Member	253,800.00	190,235.00		444,035.00
Hugh Gentles	Board Member	91,800.00	93,906.00		185,706.00
Granville Marsh	Board Member	149,400.00	48,168.00		197,568.00
Frank Phipps	Board Member	192,600.00	76,266.00		268,866.00
Alaric Pottinger	Board Member	223,200.00	144,666.00		367,866.00
Nicholas Jones	Board Member	59,400.00	24,084.00		83,484.00
<b>SUB TOTAL</b>		<b>1,989,300.00</b>	<b>1,014,782.00</b>	<b>120,000</b>	<b>3,124,082.00</b>
Raymond Mattis (Govt. Rep)			44,154.00		44,154.00
<b>TOTAL</b>		<b>1,989,300.00</b>	<b>1,058,936.00</b>	<b>120,000</b>	<b>3,168,236.00</b>

Note: (a) \$120,000 Represents out of Pocket expenses for the year  
 (b) \$1,058,936.00 -Travelling Allowance



**TABLE V****SENIOR EXECUTIVE COMPENSATION - 2018**

Position of Senior Executive	Year	Salary	Gratuity or Performance Incentive	Travelling Allowance or Value of Assigned Motor Vehicle	Other Allowances	Non-Cash Benefits	Total
		\$	\$	\$	\$	\$	\$
General Manager	2018	7,456,899	796,405		860,118	120,000	9,233,422
Director of Research	2018	4,869,447	520,063		561,668	120,000	6,071,178
Corporate Secretary	2018	3,672,645	392,243		384,378	120,000	4,569,266
Total		15,998,991	1,708,711		1,806,164	360,000	19,873,866