



Coconut Industry Board

**Financial Statements
31 December 2017**

Coconut Industry Board

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Independent auditor's report

To the Members of Coconut Industry Board

Report on the audit of the financial statements

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 2017, 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 2017;
- 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.

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.

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.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Kingston, Jamaica

T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

L.A. McKnight P.E. Williams A.K. Jain B.L. Scott, B.J. Denning G.A. Reese P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K. Moore



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.

PricewaterhouseCoopers

Chartered Accountants
19 September 2018
Kingston, Jamaica

Coconut Industry Board

Statement of Comprehensive Income

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
Revenue		171,721	138,625
Direct expenses		<u>(116,782)</u>	<u>(92,774)</u>
Gross Profit		54,939	45,851
Other operating income	5	3,406	60,131
Distribution expenses		(1,415)	(1,255)
Research and extension expenses		(56,990)	(54,865)
Administration expenses -			
Movement in post-employment benefit obligations		(24,500)	(31,400)
Other		(135,703)	(105,422)
Other operating expenses		<u>(25,308)</u>	<u>(31,241)</u>
Operating Deficit		(185,571)	(118,201)
Share of profits of associated company, net of taxes	9	<u>205,018</u>	<u>276,970</u>
Net Surplus		19,447	158,769
Other Comprehensive Income			
Item that will not be reclassified to profit or loss -			
Re-measurement of post-employment benefits		22,200	94,300
Items that may be subsequently reclassified to profit or loss -			
Fair value adjustments to available-for-sale financial assets		70	3,208
Share of other comprehensive income of associates accounted for using the equity method		<u>(38,987)</u>	<u>10,867</u>
Total Comprehensive Income for the Year		<u><u>2,730</u></u>	<u><u>267,144</u></u>

Coconut Industry Board

Statement of Financial Position

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	Restated 2016 \$'000	Restated 2015 \$'000
Non-Current Assets				
Property, plant and equipment	8	58,705	65,376	61,134
Investment in associated company	9	2,851,261	2,840,479	3,080,490
Investments	10	5,027	38,634	111,104
Loans receivable	11	-	368,909	1,293
Deferred expenditure	12	7,569	6,115	4,470
		2,922,562	3,319,513	3,258,491
Current Assets				
Loans receivable	11	357,316	-	-
Inventories	13	3,233	2,672	3,182
Biological assets	14	13,068	20,594	20,777
Receivables	15	53,209	42,171	32,902
Short-term investments	10	814,385	801,474	655,621
Coconut Windstorm Insurance Fund		-	-	793
Cash at bank and in hand	16	27,214	7,508	14,922
		1,268,425	874,419	728,197
Current Liabilities				
Payables	17	11,486	11,595	11,125
Coconut Windstorm Insurance Fund		12,960	11,716	-
		24,446	23,311	11,125
Net Current Assets		1,243,979	851,108	717,072
		4,166,541	4,170,621	3,975,563

Coconut Industry Board**Statement of Financial Position (Continued)****31 December 2017****(expressed in Jamaican dollars unless otherwise indicated)**

	Note	2017 \$'000	Restated 2016 \$'000	Restated 2015 \$'000
Capital and Reserves				
Capital surplus	18	498,914	538,897	580,792
Capital fund	19	415,870	428,472	317,135
Fair value reserve	20	8,880	8,892	8,664
Staff contingency fund	21	71,824	67,527	34,776
Coconut replanting fund	22	227,444	236,164	227,515
Reserves	23	<u>2,820,609</u>	<u>2,761,469</u>	<u>2,605,981</u>
Total Capital and Reserves		4,043,541	4,041,421	3,774,863
Non-Current Liability				
Post-employment obligations	24	<u>123,000</u>	<u>129,200</u>	<u>200,700</u>
		<u>4,166,541</u>	<u>4,170,621</u>	<u>3,975,563</u>

Approved for issue by the Board of Directors on September 4, 2018 and signed on its behalf by:


 Christopher Gentles Director


 Stephen Black Director

Coconut Industry Board

Statement of Changes in Equity

Year ended 31 December 2017

(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
Balance at 1 January 2016, as restated		580,792	317,135	8,664	34,776	227,515	2,605,981	3,774,863
Net surplus for the year		-	-	-	-	-	158,769	158,769
Other comprehensive income -								
Fair value adjustments to available-for-sale financial assets		-	-	228	2,632	348	-	3,208
Remeasurement of post-employment benefits		-	-	-	-	-	94,300	94,300
Other reserves		(41,895)	-	-	-	-	52,762	10,867
Transactions with owners		-	-	-	-	-	(586)	(586)
Total comprehensive income		(41,895)	-	228	2,632	348	305,245	266,558
Transfer to capital fund	19	-	111,337	-	-	-	(111,337)	-
Transfer to staff contingency fund	21	-	-	-	30,119	-	(30,119)	-
Transfer to coconut replanting fund	22	-	-	-	-	8,301	(8,301)	-
Balance at 31 December 2016, as restated		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 from capital fund	19	-	(12,602)	-	-	-	12,602	-
Transfer to staff contingency fund	21	-	-	-	4,471	-	(4,471)	-
Transfer from coconut replanting fund	22	-	-	-	-	(8,976)	8,976	-
Balance at 31 December 2017		498,914	415,870	8,880	71,824	227,444	2,820,609	4,043,541

Coconut Industry Board

Statement of Cash Flows

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
Cash Flows from Operating Activities			
Net surplus		19,447	158,769
Adjusted for:			
Share of profits from associated company	9	(205,018)	(276,970)
Depreciation	8	14,258	12,808
Gain on disposal of property, plant and equipment		(27)	(2,564)
(Recoveries)/write off of deferred expenditure	12	(559)	884
Interest income	5	(33,795)	(26,636)
Post-employment benefits		16,000	22,800
Foreign exchange loss/(gain)	5	30,947	(30,628)
		<u>(158,747)</u>	<u>(141,537)</u>
Changes in operating assets and liabilities -			
Receivables		(11,038)	(9,269)
Inventories		(561)	(510)
Biological assets		7,526	(183)
Coconut Windstorm Insurance Fund		1,244	12,509
Payables		(109)	470
		<u>(161,685)</u>	<u>(138,520)</u>
Cash used in operating activities			
Cash Flows from Investing Activities			
Loans receivable		412	(367,616)
Purchase of property, plant and equipment	8	(12,307)	(17,086)
Proceeds from disposal of property, plant and equipment		4,747	2,600
Proceeds from disposal of investments		84,543	28,460
Deferred expenditure	12	(895)	(2,529)
Dividend received		155,250	527,848
Interest received		33,795	26,636
		<u>265,545</u>	<u>198,313</u>
Cash provided by investing activities			
Increase in cash and cash equivalents		103,860	59,793
Effect of exchange rate changes on cash and cash equivalents		(19,217)	26,620
Cash and cash equivalents at beginning of year		756,956	670,543
Cash and Cash Equivalents at End of Year		<u>841,599</u>	<u>756,956</u>
Comprising:			
Cash at bank and in hand	16	27,214	7,508
Short-term investments	10	814,385	749,448
		<u>841,599</u>	<u>756,956</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

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;
- (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 \$209,124,000 (2016 - \$198,239,000).

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 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- **Amendments to IAS 7, Statement of cash flows on disclosure initiative** (effective for annual periods beginning on or after 1 January 2017). In January 2017, the IASB published amendments to IAS 7 to improve information about an entity's financing activities. These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The amendments require disclosure of information enabling users to evaluate changes in liabilities arising from financing activities including both cash and non-cash changes. The adoption of these amendments did not result in additional disclosure in the financial statements.

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

At the date of authorisation of these financial statements a number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Board, except the following set out below:

- **IFRS 9, 'Financial Instruments'** (effective for annual periods beginning on or after 1 January 2018). The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities, in order to ensure that relevant and useful information is presented to users of financial statements. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The determination of classification is made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

IFRS 9 introduces a new model for the recognition of impairment losses - the expected credit losses model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities have to record an immediate loss equal to the 12-month expected credit losses on initial recognition of financial assets that are not credit impaired (or lifetime expected credit losses for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime expected credit losses rather than 12-month expected credit losses. The model includes operational simplifications for lease and trade receivables. The analysis of the impact of the new impairment model requires the identification of the credit risk associated with counterparties. The counterparties are for trade receivables from customers for products sold. The Board does not have any trade receivables as all sales are cash transaction.

There is no expected impact on the Board's accounting for financial liabilities, as the company does not currently have any financial liabilities to which the standard applies. Changes in accounting policies resulting from adoption will be applied retrospectively as at 1 January 2018, but with no restatement of comparative information for prior years. Consequently, the Board will recognise any adjustments to the carrying amounts of financial assets between IAS 39 and IFRS 9 in the opening retained earnings.

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

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 (continued)

- ***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 confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. 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 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 is currently assessing the impact of future adoption of the new standard on its financial statements.
- ***Amendment to IFRS 15, 'Revenue from contracts with customers'*** (effective for accounting periods beginning on or after 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.
- ***IFRS 16, 'Leases'***, (effective for annual periods beginning on or after 1 January 2019). In January 2017, the IASB published IFRS 16 which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of use asset' for virtually all lease contracts. There is an optional exemption for lessees for certain short-term leases and leases of low-value assets. The Board is assessing the impact of future adoption of the amendments on its financial statements.
- ***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. The Board is assessing the impact of future adoption of this interpretation 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 Board.

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

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) 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 2017

(expressed in Jamaican dollars unless otherwise indicated)

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, and balances due from related parties.

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 2017

(expressed in Jamaican dollars unless otherwise indicated)

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 2017

(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 2017

(expressed in Jamaican dollars unless otherwise indicated)

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 2017

(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.

	Jamaican J\$'000	US\$ J\$'000	Total J\$'000
	2017		
Financial Assets			
Non-current investments	5,027	-	5,027
Loans receivable	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
Financial Liabilities			
Payables	11,486	-	11,486
Coconut Windstorm Insurance Fund	12,960	-	12,960
Total financial liabilities	24,446	-	24,446
Net financial position	183,772	997,020	1,180,792

Coconut Industry Board

Notes to the Financial Statements

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(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
	2016		
Financial Assets			
Non-current investments	-	38,634	38,634
Loans receivables	890	368,019	368,909
Receivables	4,067	-	4,067
Short-term investments	198,380	603,094	801,474
Cash at bank and in hand	5,749	1,759	7,508
Total financial assets	209,086	1,011,506	1,220,592
Financial Liability			
Payables	11,595	-	11,595
Coconut Windstorm Insurance Fund	11,716	-	11,716
Total financial liabilities	23,311	-	23,311
Net financial position	185,775	1,011,506	1,197,281

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 2017, the Jamaican dollar strengthened/weakened by 2 %/(4%) (2016 – 1 %(6%) against the US dollar, with all other variables held constant, net surplus would have (decreased)/increased by approximately (\$19,940,000)/\$39,880,000 (2016 – (\$10,115,000)/\$ 60,690,000). 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

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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
2017							
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
	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
2016							
Non-current investments	-	-	-	38,634	-	-	38,634
Loans receivable	-	-	-	368,325	584	-	368,909
Receivables	-	-	-	-	-	4,067	4,067
Short-term investments	518,129	228,965	51,788	-	-	2,592	801,474
Cash at bank and in hand	-	-	-	-	-	7,508	7,508
Total financial assets	518,129	228,965	51,788	406,959	584	14,167	1,220,592

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(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 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 2017 \$'000	Effect on Equity 2017 \$'000	Effect on Net Surplus 2016 \$'000	Effect on Equity 2016 \$'000
United States dollar:				
Change in basis points:				
-50 (2016: -100)	-	42	-	427
+50 (2016: +50)	-	(42)	-	(854)
Jamaican dollar:				
Change in basis points:				
-100 (2016: -100)	(50)	2	(50)	21
+100 (2016: +100)	(50)	(2)	50	(23)

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(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\$ %
	2017	
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
	2016	
Non-current investments	-	5.94
Loans receivable	7.00	3.00
Short-term investments	5.60	1.79
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 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

Maximum exposure to credit risk:

	2017	2016
	\$'000	\$'000
Investment securities-		
Non-current investments	5,027	38,634
Short-term investments	814,385	801,474
Loans receivable	357,316	368,909
Receivables	1,296	4,067
Cash at bank and in hand	27,214	7,508
	<u>1,205,238</u>	<u>1,220,592</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 2017

(expressed in Jamaican dollars unless otherwise indicated)

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 available for sale 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 2017

(expressed in Jamaican dollars unless otherwise indicated)

5. Other Operating Income

	2017 \$'000	2016 \$'000
Interest income	33,795	26,636
Miscellaneous income	558	2,867
Foreign exchange (loss)/ gain	(30,947)	30,628
	<u>3,406</u>	<u>60,131</u>

6. Expenses by Nature

Total direct, administration and other operating expenses:

	2017 \$'000	2016 \$'000
Auditor's remuneration		
Current year	2,872	2,189
Prior year under accrual	718	610
Cost of inventories recognised as expense	116,607	92,576
Cost of nursery and seeds garden operation	29,170	16,750
Depreciation (Note 8)	14,258	12,808
Field works experiment	2,115	2,042
Insurance	627	549
Lethal yellowing research costs	1,839	335
Motor vehicle expenses	17,928	19,748
Repairs and maintenance	9,192	8,360
Seedling planting programme	14,528	15,781
Special projects	2,280	2,446
Staff costs (Note 7)	105,259	111,842
Subsidy on seedlings	512	385
Telephone, postage and telegram	1,534	1,533
Travelling	9,018	7,109
Utilities	7,433	5,268
Other expenses	24,808	16,626
	<u>360,698</u>	<u>316,957</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

7. Staff Costs

	2017 \$'000	2016 \$'000
Wages and salaries	65,807	66,791
Statutory contributions	5,531	5,479
Pension costs (Note 24)	8,500	15,500
Other post-employment benefits (Note 24)	16,100	15,900
Other	9,321	8,172
	<u>105,259</u>	<u>111,842</u>

8. Property, Plant and Equipment

	2017							
	Freehold Land	Freehold Buildings	Research Library Stock	Furniture Fixtures & Equipment	Motor Vehicles	Irrigation Equipment	Fence Improvement	Total
	\$'000	\$'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

Coconut Industry Board

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

8. Property, Plant and Equipment (Continued)

	2016						
	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 2016	7,121	21,536	1,116	32,054	71,854	2,087	164
Additions	-	446	-	812	14,894	934	-
Disposals	-	-	-	(817)	(6,605)	-	-
At 31 December 2016	7,121	21,982	1,116	32,049	80,143	3,021	164
Accumulated Depreciation -							
At 1 January 2016	-	6,414	1,082	24,696	40,648	1,857	101
Charge for the year	-	552	9	1,697	10,550	-	-
Relieved on disposals	-	-	-	(781)	(6,605)	-	-
At 31 December 2016	-	6,966	1,091	25,612	44,593	1,857	101
Net Book Value -							
At 31 December 2016	7,121	15,016	25	6,437	35,550	1,164	63

9. Investment in Associated Company

	2017 \$'000	Restated 2016 \$'000	Restated 2015 \$'000
At the beginning of the year	2,840,479	3,080,490	3,098,577
Share of profits	205,018	276,970	182,567
Dividends received	(155,250)	(527,848)	(155,250)
Movement in other reserves (i)	(38,986)	10,867	(45,404)
At end of year	2,851,261	2,840,479	3,080,490

(i) Movement in other reserves is broken down as follows:

	2017 \$'000	Restated 2016 \$'000	Restated 2015 \$'000
Re-measurement of post-employment benefit obligations	997	52,762	22,714
Unrealised fair value gains on other available for sale investments	(39,983)	(41,895)	(68,118)
	(38,986)	10,867	(45,404)

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

9. Investment in Associated Company (Continued)

Seprod Limited has share capital consisting solely of ordinary shares, 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Seprod Limited -				
163,420,345 (2016 – 163,420,345) stock units	<u>2,851,261</u>	<u>2,840,479</u>	<u>5,066,031</u>	<u>4,869,926</u>

This investment represents 31.65% of the issued share capital of Seprod Limited in both 2017 and 2016. 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

	2017 \$'000	Restated 2016 \$'000	Restated 2015 \$'000
Current assets	11,597,518	7,362,980	6,420,288
Non-current assets	<u>8,410,538</u>	<u>9,853,770</u>	<u>8,875,914</u>
	<u>20,008,056</u>	<u>17,216,750</u>	<u>15,296,202</u>
Current liabilities	(8,890,870)	(6,660,515)	(3,516,447)
Non-current liabilities	<u>(2,107,374)</u>	<u>(1,580,493)</u>	<u>(2,045,595)</u>
	<u>(10,998,244)</u>	<u>(8,241,008)</u>	<u>(5,562,042)</u>
Net Asset	<u>9,009,812</u>	<u>8,975,742</u>	<u>9,734,160</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

9. Investment in Associated Company (Continued)

Summarised statement of comprehensive income

	2017	2016
	\$'000	\$'000
Revenue	16,511,206	15,781,917
Other income	753,103	1,051,619
	17,264,309	16,833,536
Direct expenses	(12,687,358)	(12,291,448)
Selling, administrative and other operating expenses	(3,300,218)	(2,981,533)
Operating Profit	1,276,733	1,560,555
Finance costs	(337,773)	(374,631)
Profit before Taxation	938,960	1,185,924
Taxation	(291,117)	(310,715)
Net Profit	647,843	875,209
Other comprehensive income	(123,195)	34,340
Total Comprehensive Income	524,648	909,549

Reconciliation of summarised financial information

	2017	Restated 2016	Restated 2015
	\$'000	\$'000	\$'000
Opening net assets			
1 January	8,975,742	9,734,160	9,791,313
Profit for the period	647,843	875,209	576,900
Other comprehensive income	(123,195)	34,340	66,082
Dividends paid	(490,578)	(1,667,967)	(490,579)
Adjustment for change in fair value of investment	-	-	(209,556)
Closing net assets	9,009,812	8,975,742	9,734,160
Carrying value - interest in associate – 31.65%	2,851,261	2,840,479	3,080,490

Coconut Industry Board

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10. Investments

	2017 \$'000	2016 \$'000
Non-current assets -		
Government of Jamaica securities	-	25,874
Corporate bonds	5,027	12,760
	<u>5,027</u>	<u>38,634</u>
Current assets -		
Corporate bonds	-	52,026
Reverse repurchase agreements	814,385	749,448
	<u>814,385</u>	<u>801,474</u>
	<u>819,412</u>	<u>840,108</u>

(a) Interest receivable on investments amounted to \$2,257,000 (2016 - \$2,591,000). The effective weighted average interest rates on investments are 4.48% (2016 - 5.63%) and 1.73% (2016 - 2.04%) on Jamaican dollar and United States dollar investments respectively.

(b) Investments have been allocated as follows:

	2017 \$'000	2016 \$'000
Capital Fund (Note 19)	312,249	321,126
Coconut Replanting Fund (Note 22)	220,608	227,081
Staff Contingency Fund (Note 21)	175,295	167,799
Coconut Industry Board	111,260	124,102
	<u>819,412</u>	<u>840,108</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 \$2,230,000 (2016 - \$2,109,000).

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

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10. Investments (Continued)

(c) Short-term investments (continued)

Short-term investments have been allocated as follows:

Capital Fund

	2017 \$'000	2016 \$'000
Barita Investments Limited	137,284	118,688
First Caribbean International Bank Jamaica Limited	3,539	11,348
Jamaica Money Market Brokers Limited	75,658	77,130
NCB Capital Markets Limited	95,046	113,315
Interest receivable	722	645
	<u>312,249</u>	<u>321,126</u>

Coconut Replanting Fund

	2017 \$'000	2016 \$'000
Barita Investments Limited	32,414	35,679
Proven Wealth Limited	3,660	1,979
Jamaica Money Market Brokers Limited	108,547	109,788
NCB Capital Markets Limited	70,892	72,919
Scotia Investments Limited	2,437	3,517
First Caribbean International Securities Limited	2,045	2,337
Interest receivable	613	862
	<u>220,608</u>	<u>227,081</u>

Staff Contingency Fund

	2017 \$'000	2016 \$'000
Barita Investments Limited	42,525	34,371
Proven Wealth Limited	10,259	9,859
Jamaica Money Market Brokers Limited	3,493	3,561
NCB Capital Markets Limited	108,584	88,733
Scotia Investments Limited	2,526	2,422
First Caribbean International Securities Limited	2,264	2,193
Interest receivable	617	786
	<u>170,268</u>	<u>141,925</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

10. Investments (Continued)

(c) Short-term investments (continued)

Coconut Industry Board

	2017 \$'000	2016 \$'000
Jamaica Money Market Brokers Limited	13,088	13,344
NCB Capital Markets Limited	97,894	97,699
Interest receivable	278	299
	<u>111,260</u>	<u>111,342</u>
Total short-term investments	<u>814,385</u>	<u>801,474</u>

11. Loans Receivable

Loans were disbursed from:

	2017 \$'000	2016 \$'000
The Board's working capital		
(i) Related party loan	356,838	368,018
(ii) Computer revolving loan	45	307
Capital Fund (Note 19)	433	584
	<u>357,316</u>	<u>368,909</u>

(i) On 22 November 2016, the Board lent US\$2,886,855 to Seprod Limited, an associated company. The principal is repayable at the maturity date, 28 November 2018. The loan attracts a fixed interest rate of 3% per annum, which is payable quarterly.

(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:

	2017 \$'000	2016 \$'000
Balance as at the beginning of the year	6,115	4,470
Additions during the year	895	2,529
Recoveries /(write-offs) during the year	559	(884)
Balance as at the end of the year	<u>7,569</u>	<u>6,115</u>

Coconut Industry Board

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13. Inventories

	2017 \$'000	2016 \$'000
Bags, pesticides, weedicides and miscellaneous items	3,233	2,672

14. Biological Assets

	2017 \$'000	2016 \$'000
Seeds in nurseries	13,068	20,594

15. Receivables

	2017 \$'000	2016 \$'000
Withholding tax	48,610	34,693
General Consumption Tax (GCT) recoverable	1,195	1,195
Prepayments	2,108	2,217
Staff loans	473	791
Other	823	3,275
	53,209	42,171

16. Cash at Bank and in Hand

	2017 \$'000	2016 \$'000
Cash at bank	27,104	7,384
Petty cash	110	124
	27,214	7,508

17. Payables

	2017 \$'000	2016 \$'000
Accruals	8,660	7,514
Other	2,826	4,081
	11,486	11,595

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

18. Capital Surplus

	2017 \$'000	Restated 2016 \$'000	Restated 2015 \$'000
Capital distribution received	6,158	6,158	6,158
Coconut Lethal Yellowing Fund	702	702	702
Copra Production Acceleration Fund	3,750	3,750	3,750
Donation of equipment	1,790	1,790	1,790
Donation of motor vehicle	5	5	5
Gain on disposal of stock units	14,018	14,018	14,018
Share of reserves of associated company	472,488	512,471	554,366
Surplus on disposal of premises	3	3	3
	<u>498,914</u>	<u>538,897</u>	<u>580,792</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:

	2017 \$'000	2016 \$'000
Short term investments (Note 10)	312,249	321,126
Investment in associate	94,398	94,799
Loans receivable (Note 11)	433	584
Receivables -		
Withholding tax recoverable	8,790	11,963
	<u>415,870</u>	<u>428,472</u>

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

	2017 \$'000	2016 \$'000
Interest and investment income	1,219	32,439
Add: Authorised (expenditure)/income	(13,821)	78,898
	<u>(12,602)</u>	<u>111,337</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

20. Fair Value Reserve

	2017 \$'000	2016 \$'000
Balance at beginning of year	8,892	8,664
Unrealised (loss)/gain on investments	(12)	228
Balance at end of year	<u>8,880</u>	<u>8,892</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.

	2017 \$'000	2016 \$'000
Non-current investment	5,027	25,874
Short term investments (Note 10)	<u>170,268</u>	<u>141,925</u>
	175,295	167,799
Receivables -		
Withholding tax recoverable	7,931	11,130
Supplementary Fund - Pension and health benefits	<u>39,698</u>	<u>38,698</u>
	222,924	217,627
Less: Post-employment benefits	<u>(151,100)</u>	<u>(150,100)</u>
	<u>71,824</u>	<u>67,527</u>

- (b) Transfer to income and expenditure account

	2017 \$'000	2016 \$'000
Interest and investment income	7,141	9,643
(Less)/add:		
Decrease in post-employment benefit obligation	(9,200)	(13,900)
Authorised income	<u>6,530</u>	<u>34,376</u>
	<u>4,471</u>	<u>30,119</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(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:

	2017 \$'000	2016 \$'000
Short term investments (Note 10)	220,608	227,081
Receivables -		
Withholding tax recoverable	6,836	9,083
	<u>227,444</u>	<u>236,164</u>

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

	2017 \$'000	2016 \$'000
Interest and investment (loss)/income	(108)	16,621
Less: Authorised expenditure	<u>(8,868)</u>	<u>(8,320)</u>
	<u>(8,976)</u>	<u>8,301</u>

23. Reserve

- (a) The reserve account include general reserves of \$20,000 (2016:\$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:

	2017 \$'000	2016 \$'000
The Board	168,226	159,852
Associated company	<u>2,652,383</u>	<u>2,601,617</u>
	<u>2,820,609</u>	<u>2,761,469</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

24. Post-employment Benefits

	2017 \$'000	2016 \$'000
Amounts recognised in the statement of financial position -		
Pension plan benefits	28,100	20,900
Other post-employment obligation	(151,100)	(150,100)
	<u>(123,000)</u>	<u>(129,200)</u>
Amounts recognised in profit or loss -		
Pension plan benefits	8,500	15,500
Other post-employment benefits	<u>16,100</u>	<u>15,900</u>
Amounts recognised in other comprehensive income -		
Pension plan benefits	(13,000)	(80,400)
Other post-employment benefits	<u>(9,200)</u>	<u>(13,900)</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 2017.

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

	2017 \$'000	2016 \$'000
Fair value of plan assets	(388,500)	(336,400)
Present value of funded obligations	<u>360,400</u>	<u>315,500</u>
Asset in the statement of financial position	<u>(28,100)</u>	<u>(20,900)</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(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:

	2017 \$'000	2016 \$'000
Current service cost	6,100	10,600
Interest cost	28,800	28,500
Interest income on plan assets	(29,900)	(23,600)
Administration expenses	3,500	-
Included in staff costs (Note 7)	<u>8,500</u>	<u>15,500</u>

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

	2017 \$'000	2016 \$'000
At beginning of year	(20,900)	46,700
Amounts recognised in profit or loss in the statement of comprehensive income	8,500	15,500
Amounts recognised in other comprehensive income	(13,000)	(80,400)
Contributions paid	<u>(2,700)</u>	<u>(2,700)</u>
Asset at end of year	<u>(28,100)</u>	<u>(20,900)</u>

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

	2017 \$'000	2016 \$'000
At beginning of year	336,400	280,700
Interest income on plan assets	29,900	23,600
Administration expense	(3,500)	-
Re-measurement recognised on obligation	29,900	38,300
Contributions	7,400	7,500
Benefits paid	<u>(11,600)</u>	<u>(13,700)</u>
At end of year	<u>388,500</u>	<u>336,400</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(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:

	2017 \$'000	2016 \$'000
At beginning of year	315,500	327,400
Current service cost	8,700	13,300
Interest cost	28,800	28,500
Re-measurement gains on obligation	16,800	(42,100)
Benefits paid	(11,600)	(13,700)
Voluntary contribution	2,200	2,100
At end of year	<u>360,400</u>	<u>315,500</u>

As at the last valuation date, 31 December 2017, the present value of the defined benefit obligation was comprised of approximately \$236,000,000 relating to active employees, \$124,400,000 relating to members in retirement.

Expected contributions to the plan for the year ended 31 December 2018 amount to approximately \$1,461,000.

The distribution of plan assets was as follows:

	2017 %	2016 %
Quoted equities	33.5	32.9
Real estate	7.4	7.4
Government of Jamaica securities	25.8	29.8
Repurchase agreements	9.6	11.8
Promissory notes	5.3	5.9
Corporate bonds	9.4	4.6
Other	<u>9.0</u>	<u>7.6</u>
	<u>100.0</u>	<u>100.0</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(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	1%	(36,700)	45,700
Future salary increases	1%	10,400	(7,800)
Pension increase	1%	35,900	(29,900)

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:

	2017 \$'000	2016 \$'000
Present value of unfunded obligations	151,100	150,100

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 2017

(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:

	2017 \$'000	2016 \$'000
At beginning of year	150,100	154,000
Current service cost	2,600	2,800
Interest cost	13,500	13,100
Benefits paid	(5,900)	(5,900)
Re-measurement recognised on obligation	(9,200)	(13,900)
At end of year	<u>151,100</u>	<u>150,100</u>

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

	2017 \$'000	2016 \$'000
Current service cost	2,600	2,800
Interest cost	<u>13,500</u>	<u>13,100</u>
Included in staff costs (Note 7)	16,100	15,900
Interest income on plan asset	<u>(12,200)</u>	<u>(11,000)</u>
Net cost recognized in statement of comprehensive income	<u>3,900</u>	<u>4,900</u>

The effects of a 1% 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%	92,700	110,600
Medical cost increase	0.5%	<u>110,600</u>	<u>92,700</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(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:

	2017	2016
Discount rate	8.00%	9.00%
Future salary increases	5.00%	6.00%
Future pension increases	0.00%	0.00%
Medical cost trend rate	7.50%	8.50%

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 2017

(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 2017 and 2016 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:

	2017 \$'000	2016 \$'000
Loans receivable -		
Directors	<u>246</u>	<u>490</u>
Payables -		
Coconut Windstorm Insurance Fund	<u>12,960</u>	<u>11,716</u>

The loan amounting to \$246,000 is to be repaid by deductions of \$50,000 from the payment for each delivery of coconut oil to the Board. The loan is interest free.

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(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:

	2017 \$'000	2016 \$'000
Purchases of goods - Directors	<u>55,945</u>	<u>35,367</u>
Insurance expense - Coconut Windstorm Insurance Fund	<u>863</u>	<u>817</u>

(c) Sales of services:

	2017 \$'000	2016 \$'000
Cess income - Seprod Limited (Associated company)	<u>6,921</u>	<u>6,575</u>

(d) Other transactions:

	2017 \$'000	2016 \$'000
Dividends received - Seprod Limited (Associated company)	<u>155,250</u>	<u>527,848</u>

(e) Key management compensation:

	2017 \$'000	2016 \$'000
Salaries and other short-term employee benefits	17,692	17,391
Statutory contributions	1,077	1,062
Pension benefits	<u>698</u>	<u>686</u>
	<u>19,467</u>	<u>19,139</u>
Directors' emoluments - Fees	<u>3,600</u>	<u>3,072</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

26. Restatement

The financial statements of the Board for the years ended 31 December 2016 and 31 December 2015 have been restated to reflect the effect of a certain transaction which occurred in Seprod Limited, an associate company.

Seprod Limited owns 42,214 ordinary shares and 20,486 preference shares in Facey Group Limited, a related company. The investment is carried as available-for-sale, with fair value and foreign exchange gains and losses reflected in capital reserves.

Facey Group Limited issued additional ordinary shares in 2014 to facilitate an equity investment. Consequently, Seprod Limited's percentage ownership of Facey Group Limited ordinary shares decreased. While the number of ordinary shares of Facey Group Limited owned by Seprod Limited was unchanged, the financial statements for the year ended 31 December 2016 and 2015 were restated to reflect Seprod Limited's lower percentage ownership of Facey Group Limited.

There was no effect on the statement of comprehensive income and the statement of cash flow for the year ended 31 December 2016. The only impact on the statement of changes in equity relates to the reduction in the capital reserves as shown in the statements of financial position below. The effect on the statements of financial position as at 31 December 2016 and 2015 is summarised as follows:

Reconciliation of statement of financial position at 31 December 2015:

	2015 Previous \$'000	Restatement \$'000	2015 Restated \$'000
Non-Current Assets			
Investment in associates	3,146,809	(66,319)	3,080,490
Other non-current assets	178,001	-	178,001
	<u>3,324,810</u>	<u>(66,319)</u>	<u>3,258,491</u>
Current Assets	728,197	-	728,197
Current Liabilities	<u>(11,125)</u>	<u>-</u>	<u>(11,125)</u>
Net Current Assets	<u>717,072</u>	<u>-</u>	<u>717,072</u>
	<u>4,041,882</u>	<u>(66,319)</u>	<u>3,975,563</u>
Capital and Reserves			
Capital surplus	647,111	(66,319)	580,792
Capital fund	317,135	-	317,135
Fair value reserve	8,664	-	8,664
Staff contingency fund	34,776	-	34,776
Coconut replanting fund	227,515	-	227,515
Reserves	<u>2,605,981</u>	<u>-</u>	<u>2,605,981</u>
	3,841,182	(66,319)	3,774,863
Non-Current Liability			
Post-employment benefit obligations	<u>200,700</u>	<u>-</u>	<u>200,700</u>
	<u>4,041,882</u>	<u>(66,319)</u>	<u>3,975,563</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

26. Restatement (Continued)

Reconciliation of statement of financial position at 31 December 2016:

	2016 Previous \$'000	Restatement \$'000	2016 Restated \$'000
Non-Current Assets			
Investment in associates	2,906,798	(66,319)	2,840,479
Other non-current assets	531,060	-	531,060
	<u>3,437,858</u>	<u>(66,319)</u>	<u>3,371,539</u>
Current Assets	822,393	-	822,393
Current Liabilities	<u>(23,311)</u>	<u>-</u>	<u>(23,311)</u>
Net Current Assets	<u>799,082</u>	<u>-</u>	<u>799,082</u>
	<u>4,236,940</u>	<u>(66,319)</u>	<u>4,170,621</u>
Capital and Reserves			
Capital surplus	605,216	(66,319)	538,897
Capital fund	428,472	-	428,472
Fair value reserve	8,892	-	8,892
Staff contingency fund	67,527	-	67,527
Coconut replanting fund	236,163	-	236,163
Reserves	<u>2,761,470</u>	<u>-</u>	<u>2,761,470</u>
	4,107,740	(66,319)	4,041,421
Non-Current Liabilities			
Post-employment benefit obligations	129,200	-	129,200
	<u>4,236,940</u>	<u>(66,319)</u>	<u>4,170,621</u>



Independent auditor's report

To the Members of Coconut Windstorm Insurance Fund

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Coconut Windstorm Insurance Fund (the Fund) as at 31 December 2017, 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 Fund's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income 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.

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 Fund 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.

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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Kingston, Jamaica

T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

L.A. McKnight P.E. Williams A.K. Jain B.L. Scott, B.J. Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Beil-Wisdam G.K. Moore



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 Fund'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 Fund'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 Fund 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.

PricewaterhouseCoopers

Chartered Accountants
19 September 2018
Kingston, Jamaica

Coconut Industry Board
Coconut Windstorm Insurance Fund
Statement of Comprehensive Income
Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	2017 \$'000	2016 \$'000
Income		
Contractual insurance premiums	3,319	3,233
Interest	8,104	9,026
	<u>11,423</u>	<u>12,259</u>
Expenditure		
Audit fees	260	220
Telephone, postage and telegrams	80	80
Salaries and management fees	100	100
Stationery and general expenses	98	96
	<u>538</u>	<u>496</u>
Net Surplus, being Total Comprehensive Income	10,885	11,763
Accumulated fund at beginning of year	<u>198,239</u>	<u>186,476</u>
Accumulated Fund	<u>209,124</u>	<u>198,239</u>

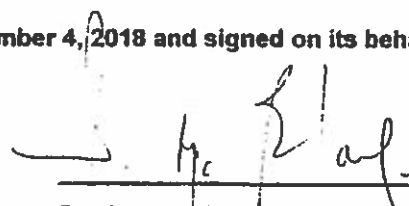
Coconut Industry Board
Coconut Windstorm Insurance Fund
Statement of Financial Position
31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
Current Assets			
Sundry debtors	4	10,382	13,317
Short term investments	6	184,826	173,109
Coconut Industry Board		12,960	11,715
Cash at bank		957	99
		209,125	198,240
Current Liability			
Payables		1	1
Net Current Assets		209,124	198,239
Accumulated Fund		209,124	198,239

Approved for issue by the Board of Directors on September 4, 2018 and signed on its behalf by:


 Christopher Gentles Director


 Stephen Black Director

Coconut Industry Board

Coconut Windstorm Insurance Fund

Statement of Cash Flows

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	2017 \$'000	2016 \$'000
Cash Flows from Operating Activities		
Net surplus	10,885	11,763
Adjusted for:		
Interest income	<u>(8,104)</u>	<u>(9,025)</u>
	2,781	2,738
Changes in operating assets and liabilities		
Sundry debtors	2,935	(2,346)
Provided to Coconut Industry Board	<u>(1,245)</u>	<u>(12,508)</u>
Net cash provided/(used in) by operating activities	<u>4,471</u>	<u>(12,116)</u>
Cash Flows from Investing Activity		
Interest received	<u>8,104</u>	<u>9,025</u>
Cash provided by investing activity	<u>8,104</u>	<u>9,025</u>
Increase/(decrease) in cash and cash equivalents	12,575	(3,091)
Cash and cash equivalents at beginning of year	<u>173,208</u>	<u>176,299</u>
Cash and Cash Equivalents at End of Year	<u><u>185,783</u></u>	<u><u>173,208</u></u>
Comprising:		
Cash at bank and in hand	957	99
Short-term investments	<u>184,826</u>	<u>173,109</u>
	<u><u>185,783</u></u>	<u><u>173,208</u></u>

Coconut Industry Board

Coconut Windstorm Insurance Fund

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

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 2017, 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.

- **Amendments to IAS 7, Statement of cash flows on disclosure initiative** (effective for annual periods beginning on or after 1 January 2017). In January 2017, the IASB published amendments to IAS 7 to improve information about an entity's financing activities. These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The amendments require disclosure of information enabling users to evaluate changes in liabilities arising from financing activities including both cash and non-cash changes. The adoption of these amendments did not result in additional disclosure in the financial statements.

Coconut Industry Board
Coconut Windstorm Insurance Fund
Notes to the Financial Statements
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(expressed in Jamaican dollars unless otherwise indicated)

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.

- **IFRS 9, 'Financial Instruments'** (effective for annual periods beginning on or after 1 January 2018). The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities, in order to ensure that relevant and useful information is presented to users of financial statements. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The determination of classification is made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

IFRS 9 introduces a new model for the recognition of impairment losses - the expected credit losses model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities have to record an immediate loss equal to the 12-month expected credit losses on initial recognition of financial assets that are not credit impaired (or lifetime expected credit losses for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime expected credit losses rather than 12-month expected credit losses. The model includes operational simplifications for lease and trade receivables. The analysis of the impact of the new impairment model requires the identification of the credit risk associated with counterparties. The counterparties are for trade receivables from customers for products sold. The Board does not have any trade receivables as all sales are cash transaction.

There is no expected impact on the Fund's accounting for financial liabilities, as the company does not currently have any financial liabilities to which the standard applies. Changes in accounting policies resulting from adoption will be applied retrospectively as at 1 January 2018, but with no restatement of comparative information for prior years. Consequently, the Fund will recognise any adjustments to the carrying amounts of financial assets between IAS 39 and IFRS 9 in the opening retained earnings.

- **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 does not expect the adoption of this standard to have any impact on the Fund's financial statements.

Coconut Industry Board
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Notes to the Financial Statements
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(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

- ***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 confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The Board does not expect the Fund's financial statement to be impacted by this amendment as the Fund does not currently have any financial liabilities to which the amendment applies.
- ***Amendment to IFRS 15, 'Revenue from contracts with customers'*** (effective for accounting periods beginning on or after 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.
- ***IFRS 16, 'Leases'***, (effective for annual periods beginning on or after 1 January 2019). In January 2017, the IASB published IFRS 16 which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of use asset' for virtually all lease contracts. There is an optional exemption for lessees for certain short-term leases and leases of low-value assets. The Board does not expect the adoption of this standard to have any impact on the Fund's financial statements.
- ***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. The Board is assessing the impact of future adoption of this interpretation on the Fund's 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
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Notes to the Financial Statements
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(expressed in Jamaican dollars unless otherwise indicated)

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.

Investment securities

The Fund's investment securities are classified as available-for-sale. The Board'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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Notes to the Financial Statements
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(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(c) 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 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
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(expressed in Jamaican dollars unless otherwise indicated)

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 \$18,104,000 (2016 - \$18,452,000).

Coconut Industry Board
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(expressed in Jamaican dollars unless otherwise indicated)

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 2017, the Jamaican dollar strengthened/weakened by 2%/(4%) (2016 – 1 %/(6%)) against the US dollar, with all other variables held constant, net surplus would have (decreased)/increased by approximately (\$362,000)/\$1,448,000 (2016 – (\$185,000)/\$1,110,000). 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.

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(expressed in Jamaican dollars unless otherwise indicated)

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

	2017 \$'000	2016 \$'000
Withholding tax	<u>10,382</u>	<u>13,316</u>

5. Contingent Liability

During the year, the potential liability of the Fund for coconut windstorm damage was \$72,851,000 (2016 - \$73,284,000).

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(expressed in Jamaican dollars unless otherwise indicated)

6. Short-term Investments

	Cost		Interest receivable		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Government securities	<u>184,519</u>	<u>172,592</u>	<u>307</u>	<u>517</u>	<u>184,826</u>	<u>173,109</u>

These investments are reverse repurchase agreements which mature in less than 90 days, and are regarded as cash equivalents.

7. Related Party Transactions

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

	2017 \$'000	2016 \$'000
Receivables -		
Coconut Industry Board	<u>12,960</u>	<u>11,716</u>

(b) Sales of services

	2017 \$'000	2016 \$'000
Premium income -		
Coconut Industry Board	863	817
Directors	<u>2,456</u>	<u>2,416</u>
	<u>3,319</u>	<u>3,233</u>