
Coconut Industry Board

**Financial Statements
31 December 2014**



Coconut Industry Board

Index

31 December 2014

Page

COCONUT INDUSTRY BOARD

Independent Auditor's Report to the Members

Financial Statements

Statement of comprehensive income	1
Statement of financial position	2-3
Statement of changes in equity	4
Statement of cash flows	5
Notes to the financial statements	6 – 43

COCONUT WINDSTORM INSURANCE FUND

Independent Auditor's Report to the Members

Financial Statements

Statement of comprehensive income	44
Statement of financial position	45
Statement of cash flows	46
Notes to the financial statements	47 – 54



Independent Auditors' Report

To the Members of
Coconut Industry Board

Report on the Financial Statements

We have audited the accompanying financial statements of Coconut Industry Board, set out on pages 1 to 43, which comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: 876 922 7581, www.pwc.com/jm

L.A. McKnight P.E. Williams L.E. Augier A.K. Jain B.L. Scott B.J. Denning G.A. Reece P.A. Williams R.S. Nathan



**Members of Coconut Industry Board
Independent Auditor's Report
Page 2**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Coconut Industry Board as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers' with a horizontal line underneath.

Chartered Accountants
8 October 2015
Kingston, Jamaica

Coconut Industry Board

Statement of Comprehensive Income

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	Restated 2013 \$'000
Revenue		126,967	96,715
Direct expenses		<u>(80,625)</u>	<u>(65,822)</u>
Gross Profit		46,342	30,893
Other operating income	5	72,567	84,124
Distribution expenses		(1,307)	(419)
Research and extension expenses		(56,645)	(55,398)
Administration expenses -			
Movement in retirement benefit		(21,900)	(8,700)
Other		(81,764)	(75,674)
Other operating expenses		<u>(43,108)</u>	<u>(37,175)</u>
Operating Deficit		(85,815)	(62,349)
Share of profits of associated company, net of taxes		<u>283,386</u>	<u>243,004</u>
Net Surplus		197,571	180,655
Other Comprehensive Income			
Items that will not be reclassified to profit or loss -			
Re-measurements of retirement benefit		(86,437)	(17,359)
Items that may be subsequently reclassified to profit or loss -			
Fair value adjustments to available-for-sale financial assets		<u>82,256</u>	<u>57,610</u>
Total Comprehensive Income for the Year		<u><u>193,390</u></u>	<u><u>220,906</u></u>

Coconut Industry Board

Statement of Financial Position

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	Restated 2013 \$'000	Restated 2012 \$'000
Non-Current Assets				
Property, plant and equipment	8	58,920	54,566	45,209
Investment in associated company	9	3,098,579	2,910,427	2,700,776
Investments	10	201,159	120,608	97,869
Loans receivable	11	1,820	1,953	1,887
Deferred expenditure	12	6,854	9,492	9,897
		3,367,332	3,097,046	2,855,638
Current Assets				
Inventories	13	3,102	1,645	1,805
Biological assets	14	13,562	15,489	14,179
Receivables	15	25,762	30,003	50,946
Short-term investments	10	517,401	507,195	449,815
Coconut Windstorm Insurance Fund		-	4,118	-
Cash at bank and in hand	16	8,916	15,453	18,590
		568,743	573,903	535,335
Current Liabilities				
Payables	17	10,430	5,087	5,160
Coconut Windstorm Insurance Fund		2,093	-	7,366
		12,523	5,087	12,526
Net Current Assets				
		556,220	568,816	522,809
		<u>3,923,552</u>	<u>3,665,862</u>	<u>3,378,447</u>

Coconut Industry Board

Statement of Financial Position

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

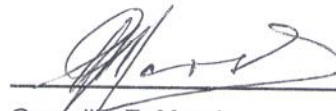
	Note	2014 \$'000	Restated 2013 \$'000	Restated 2012 \$'000
Capital and Reserves				
Capital surplus	18	648,913	561,068	513,962
Capital fund	19	292,258	269,036	228,028
Fair value reserve	20	8,661	(3,676)	2,134
Staff contingency fund	21	41,851	31,628	31,138
Coconut replanting fund	22	212,148	175,373	165,093
Reserves	23	<u>2,526,821</u>	<u>2,503,833</u>	<u>2,323,692</u>
Total Capital and Reserves		3,730,652	3,537,262	3,264,047
Non-Current Liabilities				
Retirement benefit obligations	24	<u>192,900</u>	<u>128,600</u>	<u>114,400</u>
		<u><u>3,923,552</u></u>	<u><u>3,665,862</u></u>	<u><u>3,378,447</u></u>

Approved for issue by the Board of Directors on October 5, 2015 and signed on its behalf by:



Leonard S. Green

Director



Granville E. Marsh

Director

Coconut Industry Board

Statement of Changes in Equity

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Capital Surplus \$'000	Capital Fund \$'000	Fair Value Reserve \$'000	Staff Contingency Fund \$'000	Coconut Replanting Fund \$'000	Reserves \$'000	Total \$'000
Balance at 31 December 2012, as restated	26	513,962	228,028	2,134	31,138	165,093	2,323,692	3,264,047
Net surplus for the year		-	-	-	-	-	180,655	180,655
Other comprehensive income -								
Fair value adjustments to available-for-sale financial assets		54,021	6,181	(5,810)	(83)	3,301	-	57,610
Remeasurement of pension		-	-	-	-	-	(17,359)	(17,359)
Total comprehensive income		54,021	6,181	(5,810)	(83)	3,301	163,296	220,906
Transfer to capital fund	19	-	34,827	-	-	-	(34,827)	-
Transfer to staff contingency fund	21	-	-	-	573	-	(573)	-
Transfer to coconut replanting fund	22	-	-	-	-	6,979	(6,979)	-
Transactions with owners of subsidiaries in associated company		(6,915)	-	-	-	-	59,224	52,309
Balance at 31 December 2013, as restated	26	561,068	269,036	(3,676)	31,628	175,373	2,503,833	3,537,262
Net surplus for the year		-	-	-	-	-	197,571	197,571
Other comprehensive income -								
Fair value adjustments to available-for-sale financial assets		87,845	(11,687)	12,337	(2,809)	(3,430)	-	82,256
Remeasurement of pension		-	-	-	-	-	(86,437)	(86,437)
Total comprehensive income		87,845	(11,687)	12,337	(2,809)	(3,430)	111,134	193,390
Transfer to capital fund	19	-	34,909	-	-	-	(34,909)	-
Transfer to staff contingency fund	21	-	-	-	13,032	-	(13,032)	-
Transfer to coconut replanting fund	22	-	-	-	-	40,205	(40,205)	-
Balance at 31 December 2014		648,913	292,258	8,661	41,851	212,148	2,526,821	3,730,652

Coconut Industry Board

Statement of Cash Flows

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	2013 \$'000
Cash Flows from Operating Activities			
Net surplus		197,571	180,655
Adjusted for:			
Unremitted equity income in associated company	9	(136,308)	(107,381)
Depreciation	8	8,554	8,461
Loss/(gain) on disposal of property, plant and equipment		530	(567)
Write off of deferred expenditure	12	4,488	3,597
Interest income	5	(37,366)	(29,667)
Movement in retirement benefit asset and obligation		13,800	900
Foreign exchange gain	5	34,692	(51,070)
		<u>85,961</u>	<u>4,928</u>
Changes in operating assets and liabilities -			
Receivables		4,241	20,943
Inventories		(1,457)	160
Biological assets		1,927	(1,310)
Coconut Windstorm Insurance Fund		6,211	(11,484)
Payables		<u>5,343</u>	<u>(73)</u>
Cash provided by operating activities		<u>102,226</u>	<u>13,164</u>
Cash Flows from Investing Activities			
Loans receivable, net		133	(66)
Purchase of property, plant and equipment	8	(13,480)	(18,101)
Proceeds from disposal of property, plant and equipment		42	850
Purchase of investment		(96,070)	(54,838)
Proceeds from disposal of investments		-	47,221
Deferred expenditure	12	(1,850)	(3,192)
Interest received		<u>37,366</u>	<u>29,667</u>
Cash (used in)/provided by investing activities		<u>(73,859)</u>	<u>1,541</u>
Effect of exchange rate changes on cash and cash equivalents		<u>(24,698)</u>	<u>39,538</u>
Increase in cash and cash equivalents		3,669	54,243
Cash and cash equivalents at beginning of year		<u>522,648</u>	<u>468,405</u>
Cash and Cash Equivalents at End of Year		<u><u>526,317</u></u>	<u><u>522,648</u></u>
Comprising:			
Cash at bank and in hand	16	8,916	15,453
Short-term investments		<u>517,401</u>	<u>507,195</u>
		<u><u>526,317</u></u>	<u><u>522,648</u></u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(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 is located at 18 Waterloo Road, Kingston 10.

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

The Board is responsible for the management of the Coconut Windstorm Insurance Fund which, at year end, has net assets of \$173,355,000 (2013 - \$158,550,000).

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 (IFRSs), 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 action, 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.

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 standards, interpretations and amendments and has determined that the following are relevant to its operations.

- Amendment to IAS 32, 'Financial instruments: Presentation', (effective for annual periods beginning on or after 1 January 2014). This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The Board adopted this amendment effective 1 January 2014. There was no impact from the adoption.

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in the current year (continued)

- Amendment to IAS 36, 'Impairment of assets' (effective for annual periods beginning on or after 1 January 2014). This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Board adopted this amendment effective 1 January 2014. There was no impact from the adoption.

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 its operations, and will impact the Board'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 board as of those dates, unless otherwise noted.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Board is yet to assess IFRS 9's full impact.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Board is in the process of assessing the impact of IFRS 15.

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(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 2014

(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, trade and 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 2014

(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

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 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 2014

(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) Retirement 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 retirement benefits

The Board provides other retirement 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 2014

(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.

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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.

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.

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Market risk (continued)

Currency risk (continued)

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
2014			
Financial Assets			
Non-current investments	26,314	174,845	201,159
Loans receivables	1820	-	1820
Receivables	931	-	931
Short-term investments	217,229	300,172	517,401
Cash at bank and in hand	5,361	3,555	8,916
Total financial assets	251,655	478,572	730,227
Financial Liabilities			
Payables	10,430	-	10,430
Coconut Windstorm Insurance Fund	2,093	-	2,093
Total financial liabilities	12,523	-	12,523
Net financial position	239,132	478,572	717,704
2013			
Financial Assets			
Non-current investments	30,704	89,904	120,608
Loans receivables	1,953	-	1,953
Receivables	7,934	-	7,934
Short-term investments	193,243	313,952	507,195
Cash at bank and in hand	15,203	250	15,453
Coconut Windstorm Insurance Fund	4,118	-	4,118
Total financial assets	253,155	404,106	657,261
Financial Liabilities			
Payables	5,087	-	5,087
Total financial liabilities	5,087	-	5,087
Net financial position	248,068	404,106	652,174

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Market risk (continued)

Currency 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 2014, the Jamaican dollar strengthened/weakened by 1%/(15%) (2013 – 1%(15%)) against the US dollar, with all other variables held constant, net surplus would have (decreased)/increased by approximately (\$4,786,000)/\$71,786,000 (2013 – (\$4,041,000)/\$60,616,000). 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 Boards 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.

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
2014							
Non-current investments	-	-	159,754	21,225	20,180	-	201,159
Loans receivable	-	-	-	-	802	1,018	1,820
Receivables	-	-	-	-	-	931	931
Short-term investments		316,387	201,014	-	-	-	517,401
Cash at bank and in hand	8,559	-	-	-	-	357	8,916
Total financial assets	8,559	316,387	360,768	21,225	20,982	2,306	730,227

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Market risk (continued)

Interest rate risk (continued)

	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
2013							
Non-current investments	-	10,576	15,982	70,025	24,025	-	120,608
Loans receivable	-	-	-	399	965	589	1,953
Receivables	-	-	-	-	-	7,934	7,934
Short term investments	-	188,187	319,008	-	-	-	507,195
Cash at bank and in hand	15,218	-	-	-	-	235	15,453
Coconut Windstorm Insurance Fund	-	-	-	-	-	4,118	4118
Total financial assets	15,218	198,763	334,990	70,424	24,990	12,876	657,261

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 2014 \$'000	Effect on Equity 2014 \$'000	Effect on Net Surplus 2013 \$'000	Effect on Equity 2013 \$'000
Change in basis points:				
-100% (2013: -100%)	(21)	1,093	(50)	2,699
+250% (2013: +250%)	52	(3,696)	125	(6,281)

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(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.

	Jamaica %	US\$ %
	2014	
Non-current investments	4.65	2.39
Loans receivable	7.00	-
Short-term investments	7.81	6.60
Cash at bank and in hand	1.25	0.30
	2013	
Non-current investments	7.80	7.53
Loans receivable	7.00	-
Short-term investments	7.65	3.32
Cash at bank and in hand	1.50	0.35

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(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.

Maximum exposure to credit risk:

	2014 \$'000	2013 \$'000
Investment securities-		
Non-current investments	201,159	120,608
Short-term investments	517,401	507,195
Loans receivable	1,820	1,953
Receivables	931	7,934
Coconut Windstorm Insurance Fund	-	4,118
Cash at bank and in hand	8,916	15,453
	<u>730,227</u>	<u>657,261</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.

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

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.

(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.

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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.

Retirement benefit

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.

5. Other Operating Income

	2014	2013
	\$'000	\$'000
Interest income	37,366	29,667
Miscellaneous income	509	3,387
Foreign exchange gain	34,692	51,070
	<u>72,567</u>	<u>84,124</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

6. Expenses by Nature

Total direct, administration and other operating expenses:

	2014	2013
	\$'000	\$'000
Auditors' remuneration	1,336	1,040
Cost of inventories recognised as expense	80,601	65,822
Cost of nursery and seeds garden operation	20,105	21,484
Depreciation (Note 8)	8,554	8,461
Field works experiment	1,571	2,109
Insurance	863	1,155
Lethal yellowing research costs	759	557
Motor vehicle expenses	21,731	15,059
Repairs and maintenance	8,230	8,696
Seedling planting programme	18,362	24,209
Special projects	1,954	1,470
Staff costs (Note 7)	96,277	89,510
Subsidy on seedlings	250	1,141
Telephone, postage and telegram	1,191	908
Travelling	5,501	4,948
Utilities	7,938	6,295
Other expenses	10,126	4,805
	<u>285,349</u>	<u>257,669</u>

7. Staff Costs

	2014	2013
	\$'000	\$'000
Wages and salaries	61,289	59,149
Statutory contributions	5,171	4,918
Pension costs (Note 24)	9,400	9,800
Other retirement benefits (Note 24)	12,500	8,700
Other	7,917	6,943
	<u>96,277</u>	<u>89,510</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

8. Property, Plant and Equipment

	2014							
	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 2014	7,121	21,536	1,116	31,665	56,069	2,087	164	119,758
Additions	-	-	-	1,985	11,495	-	-	13,480
Disposals	-	-	-	(501)	(1,700)	-	-	(2,201)
At 31 December 2014	7,121	21,536	1,116	33,149	65,864	2,087	164	131,037
Accumulated Depreciation -								
At 1 January 2013	-	5,275	1,049	21,130	35,793	1,844	101	65,192
Charge for the year	-	590	21	2,330	5,600	13	-	8,554
Relieved on disposals	-	-	-	(399)	(1,230)	-	-	(1,629)
At 31 December 2014	-	5,865	1,070	23,061	40,163	1,857	101	72,117
Net Book Value -								
At 31 December 2014	7,121	15,671	46	10,088	25,701	230	63	58,920
	2013							
	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 2013	7,121	19,687	1,085	29,559	47,430	2,087	164	107,133
Additions	-	1,849	31	2,485	13,736	-	-	18,101
Disposals	-	-	-	(379)	(5,097)	-	-	(5,476)
At 31 December 2013	7,121	21,536	1,116	31,665	56,069	2,087	164	119,758
Accumulated Depreciation -								
At 1 January 2013	-	4,694	1,016	19,183	35,100	1,830	101	61,924
Charge for the year	-	581	33	2,333	5,500	14	-	8,461
Relieved on disposals	-	-	-	(386)	(4,807)	-	-	(5,193)
At 31 December 2013	-	5,275	1,049	21,130	35,793	1,844	101	65,192
Net Book Value -								
At 31 December 2013	7,121	16,261	67	10,535	20,276	243	63	54,566

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

9. Investment in Associated Company

	2014	Restated
	\$'000	2013
		\$'000
At the beginning of the year	2,910,427	2,700,776
Share of profits	283,386	243,004
Dividend received	(147,078)	(135,623)
Movement in other reserves	51,844	102,270
At end of year	<u>3,098,579</u>	<u>2,910,427</u>

These financial statements have been restated to reflect the investment in Seprod Limited as an investment in associate using the equity method of accounting. The investment was previously carried at fair value.

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 of this investment in associates and the values indicated by prices quoted on the Jamaica Stock Exchange ("JSE Indicative Value") as at 31 December were as follows:

	2014	2013
	\$'000	\$'000
Seprod Limited -		
163,420,345 (2013 – 163,420,345) stock units	<u>2,083,609</u>	<u>1,961,044</u>

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

Summarised financial information for associate

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

Summarized statement of financial position

	2014	2013
	\$'000	\$'000
Current assets	5,966,390	6,949,037
Non-current assets	8,069,516	6,842,612
	<u>14,035,906</u>	<u>13,791,649</u>
Current liabilities	(2,279,586)	(3,322,478)
Non-current liabilities	(1,965,007)	(1,272,404)
	<u>(4,244,593)</u>	<u>(4,594,882)</u>
Net Asset	<u>9,791,313</u>	<u>9,196,767</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

9. Investment in Associated Company (Continued)

Summarised statement of comprehensive income

	2014	2013
	\$'000	\$'000
Revenue	14,771,943	13,921,759
Other income	685,887	867,368
	<u>15,457,830</u>	<u>14,789,127</u>
Direct expenses	(11,871,421)	(11,378,773)
Selling, administrative and other operating expenses	(2,132,765)	(1,991,036)
Operating Profit	<u>1,453,644</u>	<u>1,418,318</u>
Finance costs	(289,833)	(300,924)
Profit before Taxation	<u>1,163,811</u>	<u>1,118,394</u>
Taxation	(268,436)	(350,516)
Net Profit	<u>895,375</u>	<u>767,878</u>
Other comprehensive income	163,884	157,877
Total Comprehensive Income	<u><u>1,059,259</u></u>	<u><u>925,755</u></u>

Reconciliation of summarised financial information

	2014	2013
	\$'000	\$'000
Opening net assets		
1 January	9,196,767	8,534,281
Profit for the period	895,375	767,878
Other comprehensive income	163,884	157,877
Dividend paid	(464,713)	(428,561)
Transactions with owners of subsidiaries in associated company	-	165,292
Closing net assets	<u>9,791,313</u>	<u>9,196,767</u>
Carrying value - interest in associate – 32.65%	<u><u>3,098,578</u></u>	<u><u>2,910,427</u></u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

10. Investments

	2014 \$'000	2013 \$'000
Non-current assets -		
Government of Jamaica securities	154,793	109,282
Corporate bonds	46,366	11,326
	<u>201,159</u>	<u>120,608</u>
Current assets -		
Reverse repurchase agreements	517,401	507,195
	<u>718,560</u>	<u>627,803</u>

(a) Interest receivable on investments amounted to \$3,292,000 (2013 - \$3,861,000). The effective weighted average interest rates on investments are 4.65% (2013 – 7.80%) and 2.39% (2013 – 7.53%) on Jamaican dollar and United States dollar investments respectively.

(b) Investments have been allocated as follows:

	2014 \$'000	2013 \$'000
Capital Fund (Note 19)	279,989	253,071
Coconut Replanting Fund(Note 22)	205,826	173,594
Staff Contingency Fund (Note 21)	146,032	126,682
Coconut Industry Board	86,713	74,456
	<u>718,560</u>	<u>627,803</u>

(c) Short-term investments

Short-term investments comprise Government of Jamaica Local Registered Stock held under participation agreements/reverse repurchase agreements which mature in less than 90 days. Due to the short-term nature of the instruments, they are regarded as cash equivalents for the purposes of the statement of cash flows. Interest receivable on short term investments amounted to \$1,701,000 (2013 - \$2,472,000).

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

10. Investments (Continued)

(c) Short-term investments (continued)

Short-term investments have been allocated as follows:

Capital Fund

	2014 \$'000	2013 \$'000
Barita Investments Limited	129,200	76,183
First Caribbean International Bank Jamaica Limited	17,854	66,636
Jamaica Money Market Brokers Limited	65,295	58,863
NCB Capital Markets Limited	41,497	48,760
Interest receivable	940	1,099
	<u>254,786</u>	<u>251,541</u>

Coconut Replanting Fund

	2014 \$'000	2013 \$'000
Barita Investments Limited	50,398	44,013
Proven Wealth Limited	3,197	3,001
Jamaica Money Market Brokers Limited	49,041	40,630
NCB Capital Markets Limited	17,836	14,627
Scotia Investments Limited	2,163	2,056
First Caribbean International Securities Limited	1,830	7,771
Interest receivable	1,117	1,088
	<u>125,582</u>	<u>113,186</u>

Staff Contingency Fund

	2014 \$'000	2013 \$'000
Barita Investments Limited	46,893	17,064
Proven Wealth Limited	8,960	8,797
Jamaica Money Market Brokers Limited	7,302	9,828
NCB Capital Markets Limited	33,376	54,747
Scotia Investments Limited	2,242	2,131
First Caribbean International Securities Limited	6,975	17,125
Interest receivable	866	1,015
	<u>106,614</u>	<u>110,707</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

10. Investments (Continued)

(c) Short-term investments (continued)

Coconut Industry Board

	2014 \$'000	2013 \$'000
Barita Investments Limited	-	13,103
Jamaica Money Market Brokers Limited	11,588	1,664
NCB Capital Markets Limited	18,462	16,162
First Caribbean International Securities Limited	-	173
Interest receivable	369	659
	<u>30,419</u>	<u>31,761</u>
Total short-term investments	<u>517,401</u>	<u>507,195</u>

11. Loans Receivable

Loans were disbursed from:

	2014 \$'000	2013 \$'000
The Board's working capital	674	493
Capital Fund	1,146	1,460
	<u>1,820</u>	<u>1,953</u>

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

12. Deferred Expenditure

Comprising expenditure incurred on seed garden projects:

	2014 \$'000	2013 \$'000
Balance as at the beginning of the year	9,492	9,897
Additions during the year	1,850	3,192
Write-offs during the year	(4,488)	(3,597)
Balance as at the end of the year	<u>6,854</u>	<u>9,492</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

13. Inventories

	2014 \$'000	2013 \$'000
Bags, pesticides, weedicides and miscellaneous items	3,102	1,645

14. Biological Assets

	2014 \$'000	2013 \$'000
Seeds in nurseries	13,562	15,489

15. Receivables

	2014 \$'000	2013 \$'000
Withholding tax	22,628	15,562
GCT recoverable	1,195	5,820
Prepayments	1,008	687
Staff loans	213	375
Other	718	7,559
	<u>25,762</u>	<u>30,003</u>

16. Cash at Bank and in Hand

	2014 \$'000	2013 \$'000
Cash at bank	8,558	15,218
Petty cash	358	235
	<u>8,916</u>	<u>15,453</u>

17. Payables

	2014 \$'000	2013 \$'000
Trade payables	4	224
Accruals	5,835	2,524
Other	4,591	2,339
	<u>10,430</u>	<u>5,087</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

18. Capital Surplus

	2014 \$'000	2013 \$'000
Capital distribution received	6,158	6,158
Coconut Lethal Yellowing Fund	702	702
Copra Production Acceleration Fund	3,750	3,750
Donation of equipment	1,790	1,790
Donation of motor vehicle	5	5
Gain on disposal of stock units	14,018	14,018
Share of reserves of associated company	622,487	534,642
Surplus on disposal of premises	3	3
	<u>648,913</u>	<u>561,068</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:

	2014 \$'000	Restated 2013 \$'000
Non-current investment	25,203	1,530
Short term investments (Note 10)	254,786	251,541
	<u>279,989</u>	<u>253,071</u>
Investment in associate	3,554	3,554
Loans receivable (Note 11)	1,146	1,460
Receivables -		
Withholding tax recoverable	7,568	10,951
	<u>292,257</u>	<u>269,036</u>

- (b) Transfer from income and expenditure account

	2014 \$'000	2013 \$'000
Interest and investment income	34,909	35,323
Less: Authorised expenditure	-	(496)
	<u>34,909</u>	<u>34,827</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

20. Fair Value Reserve

	2014 \$'000	2013 \$'000
Balance at beginning of year	(3,676)	2,133
Unrealised gain/(loss) on investments	12,337	(5,809)
Balance at end of year	<u>8,661</u>	<u>(3,676)</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.

	2014 \$'000	2013 \$'000
Non-current investment	39,418	37,305
Short term investments (Note 10)	106,614	89,377
	<u>146,032</u>	<u>126,682</u>
Receivables -		
Withholding tax recoverable	7,219	12,146
Supplementary Fund - Pension and health benefits	18,100	4,200
	<u>171,351</u>	<u>143,028</u>
Less: Retirement benefit obligation	(129,500)	(111,400)
	<u>41,851</u>	<u>31,628</u>

- (b) Transfer from income and expenditure account

	2014 \$'000	2013 \$'000
Interest and investment income	20,450	12,654
Less:		
Increase in retirement benefit obligation	11,200	9,600
Authorised expenditure	(18,618)	(21,681)
	<u>13,032</u>	<u>573</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(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:

	2014	2013
	\$'000	\$'000
Non-current investment	80,244	60,408
Short term investments (Note 10)	<u>125,582</u>	<u>113,186</u>
	205,826	173,594
Receivables -		
Withholding tax recoverable	<u>6,322</u>	<u>1,779</u>
	<u><u>212,148</u></u>	<u><u>175,373</u></u>

- (b) Transfer to income and expenditure account

	2014	2013
	\$'000	\$'000
Interest and investment income	40,205	24,608
Less: Authorised expenditure	<u>-</u>	<u>(17,629)</u>
	<u><u>40,205</u></u>	<u><u>6,979</u></u>

23. General Reserve

- (a) This 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:

	2014	2013
	\$'000	\$'000
The Board	54,264	131,582
Associated company	<u>2,472,537</u>	<u>2,372,231</u>
	<u><u>2,526,801</u></u>	<u><u>2,503,813</u></u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

24. Retirement Benefits

	2014 \$'000	2013 \$'000
Amounts recognised in the statement of financial position -		
Pension plan benefits	(63,400)	(17,200)
Other retirement benefits	<u>(129,500)</u>	<u>(111,400)</u>
	<u>(192,900)</u>	<u>(128,600)</u>
Amounts recognised in profit or loss -		
Pension plan benefits	9,400	9,800
Other retirement benefits	<u>12,500</u>	<u>(1,200)</u>
Amounts recognised in other comprehensive income -		
Pension plan benefits	39,300	2,600
Other retirement benefits	<u>11,200</u>	<u>10,800</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 2014.

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

	2014 \$'000	2013 \$'000
Fair value of plan assets	(220,200)	(209,900)
Present value of funded obligations	<u>283,600</u>	<u>227,100</u>
Liability in the statement of financial position	<u>63,400</u>	<u>17,200</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

24. Retirement Benefits (Continued)

Pension plan benefits (continued)

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

	2014 \$'000	2013 \$'000
Current service cost	7,100	8,200
Interest cost	22,000	23,600
Interest income on plan assets	<u>(19,700)</u>	<u>(22,000)</u>
Included in staff costs (Note 7)	<u>9,400</u>	<u>9,800</u>

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

	2014 \$'000	2013 \$'000
At beginning of year	17,200	7,200
Amounts recognised in profit or loss in the statement of comprehensive income	9,400	9,800
Amounts recognised in other comprehensive income	39,300	2,600
Contributions paid	<u>(2,500)</u>	<u>(2,400)</u>
Liability at end of year	<u>63,400</u>	<u>17,200</u>

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

	2014 \$'000	2013 \$'000
At beginning of year	209,900	213,500
Interest income on plan assets	19,700	22,000
Re-measurement gains on obligation	(3,600)	(18,400)
Contributions	6,900	6,700
Benefits paid	<u>(12,700)</u>	<u>(13,900)</u>
At end of year	<u>220,200</u>	<u>209,900</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

24. Retirement Benefits (Continued)

Pension plan benefits (continued)

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

	2014	2013
	\$'000	\$'000
At beginning of year	227,100	220,700
Current service cost	9,600	10,600
Interest cost	22,000	23,700
Re-measurement gains on obligation	35,700	(15,900)
Benefits paid	(12,700)	(13,900)
Voluntary contribution	1,900	1,900
At end of year	<u>283,600</u>	<u>227,100</u>

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately \$177,700,000 relating to active employees, \$105,900,000 relating to members in retirement.

Expected contributions to the plan for the year ending 31 December 2014 amount to \$1,392,124.

The distribution of plan assets was as follows:

	2014	2013
	%	%
Quoted equities	23	21.1
Real estate	17	28.1
Government of Jamaica securities	42.7	42.2
Repurchase agreements	8.9	3.3
Corporate bonds	0.4	0.4
Other	8	4.9
	<u>100</u>	<u>100.0</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

24. Retirement 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%	(30,700)	38,400
Future salary increases	1%	8,400	(7,400)
Pension increase	1%	29,400	(24,400)

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 retirement benefits

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, 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:

	2014 \$'000	2013 \$'000
Present value of unfunded obligations	129,500	111,400

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 2014

(expressed in Jamaican dollars unless otherwise indicated)

24. Retirement Benefits (Continued)

Other retirement benefits (continued)

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

	2014	2013
	\$'000	\$'000
At beginning of year	111,400	107,200
Current service cost	1,800	2,200
Interest cost	10,500	11,200
Past service cost	200	(14,600)
Benefits paid	(5,600)	(5,400)
Re-measurement loss/(gain) on obligation	11,200	10,800
At end of year	<u>129,500</u>	<u>111,400</u>

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

	2014	2013
	\$'000	\$'000
Current service cost	1,800	2,200
Interest cost	10,500	11,200
Interest income on plan assets	-	(14,900)
Past service cost	200	(14,600)
Included in staff costs (Note 7)	<u>12,500</u>	<u>(16,100)</u>

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately \$74,000,000 relating to active employees, \$37,400,000 relating to members in retirement.

The effects of a 1% movement in the post-retirement health care cost were as follows:

	Impact on Post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		\$'000	\$'000
Discount rate	1%	(15,400)	15,400
Future salary increases	1%	900	(1,000)
Medical cost increase	1%	<u>15,000</u>	<u>(11,600)</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

24. Retirement Benefits (Continued)

Other retirement benefits (continued)

Principal actuarial assumptions used in valuing retirement benefits

The principal actuarial assumptions used were as follows:

	2014	2013
Discount rate	9.50%	9.50%
Future salary increases	5.50%	5.00%
Future pension increases	4.00%	3.50%
Medical cost trend rate	<u>8.00%</u>	<u>8.00%</u>

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 Company believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Company's long term strategy to manage the plans efficiently. See below for more details on the Company'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 2014

(expressed in Jamaican dollars unless otherwise indicated)

24. Retirement 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 2013 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 2015. 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:

	2014 \$'000	2013 \$'000
Loans receivable -		
Directors	419	2,365
Receivables -		
Coconut Windstorm Insurance Fund	-	4,118
Payables -		
Coconut Windstorm Insurance Fund	2,093	-

The loan amounting to \$419,000 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 2014

(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:

	2014 \$'000	2013 \$'000
Purchases of goods -		
Directors	<u>26,092</u>	<u>23,269</u>
Insurance expense -		
Coconut Windstorm Insurance Fund	<u>-</u>	<u>638</u>

(c) Sales of services:

	2014 \$'000	2013 \$'000
Cess income -		
Seprod Limited	<u>4,340</u>	<u>5,098</u>

(d) Other transactions:

	2014 \$'000	2013 \$'000
Dividend received -		
Seprod Limited	<u>147,078</u>	<u>135,623</u>

(e) Key management compensation:

	2014 \$'000	2013 \$'000
Salaries and other short-term employee benefits	14,969	13,994
Statutory contributions	948	862
Pension benefits	<u>577</u>	<u>545</u>
	<u>16,494</u>	<u>15,401</u>
Directors' emoluments –		
Fees	<u>1,971</u>	<u>1,685</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

26. Restatement

The financial statements of the Board for the years ended 31 December 2013 and 31 December 2012 have been restated to reflect the effect of the change in accounting for the investment in associated company, Seprod Limited. The investment was previously accounted for as an available for sale financial instrument, with changes in fair value of investment being included in profit or loss. The investment is now being accounted for in accordance with IAS 28, Investment in Associates and Joint Venture, using the equity method of accounting, whereby the investment is carried at cost plus the Board's share of post-acquisition reserves of the associate.

The financial statements for the years ended 31 December 2013 and 2012 have been restated to reflect the financial position and results for these amendments. The financial effects of these amendments are as follows:

Reconciliation of statement of financial position at 31 December 2012:

	2012 Previous \$'000	Restatement \$'000	2012 Restated \$'000
Non-Current Assets			
Investment in associates	2,533,016	167,760	2,700,776
Other non-current assets	154,862	-	154,862
	<u>2,687,878</u>	<u>167,760</u>	<u>2,855,638</u>
Current Assets	535,335	-	535,335
Current Liabilities	(12,526)	-	(12,526)
Net Current Assets	<u>522,809</u>	<u>-</u>	<u>522,809</u>
	<u>3,210,687</u>	<u>167,760</u>	<u>3,378,447</u>
Capital and Reserves			
Capital surplus	26,426	487,536	513,962
Capital fund	268,111	(40,083)	228,028
Fair value reserve	2,491,512	(2,489,378)	2,134
Staff contingency fund	31,138	-	31,138
Coconut replanting fund	165,093	-	165,093
Reserves	<u>114,007</u>	<u>2,209,685</u>	<u>2,323,692</u>
	3,096,287	167,760	3,264,047
Non-Current Liabilities			
Retirement benefit obligations	<u>114,400</u>	<u>-</u>	<u>114,400</u>
	<u>3,210,687</u>	<u>167,760</u>	<u>3,378,447</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

26. Restatement (Continued)

Reconciliation of statement of financial position at 31 December 2013:

	2013 Previous \$'000	Restatement \$'000	2013 Restated \$'000
Non-Current Assets			
Investment in associates	1,961,044	949,383	2,910,427
Other non-current assets	186,619	-	186,619
	<u>2,147,663</u>	<u>949,383</u>	<u>3,097,046</u>
Current Assets	573,903	-	573,903
Current Liabilities	<u>(5,087)</u>	<u>-</u>	<u>(5,087)</u>
Net Current Assets	<u>568,816</u>	<u>-</u>	<u>568,816</u>
	<u>2,716,479</u>	<u>949,383</u>	<u>3,665,862</u>
Capital and Reserves			
Capital surplus	26,426	534,642	561,068
Capital fund	293,207	(24,171)	269,036
Fair value reserve	1,929,643	(1,933,319)	(3,676)
Staff contingency fund	31,628	-	31,628
Coconut replanting fund	175,373	-	175,373
Reserves	<u>131,602</u>	<u>2,372,231</u>	<u>2,503,833</u>
	2,587,879	949,383	3,537,262
Non-Current Liabilities			
Retirement benefit obligations	<u>128,600</u>	<u>-</u>	<u>128,600</u>
	<u>2,716,479</u>	<u>949,383</u>	<u>3,665,862</u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

26. Restatement (Continued)

Reconciliation of statement of comprehensive income at 31 December 2013:

	2013 Previous \$'000	Restatement \$'000	2013 Restated \$'000
Gross Profit	30,893	-	30,893
Other operating income	219,747	(135,623)	84,124
Distribution expenses	(419)	-	(419)
Research and extension expenses	(55,398)	-	(55,398)
Administrative expenses -			
Movement in retirement benefit	(8,700)	-	(8,700)
Other	(75,674)	-	(75,674)
Other operating expenses	<u>(37,175)</u>	<u>-</u>	<u>(37,175)</u>
Operating deficit	73,274	(135,623)	(62,349)
Share of associate's profits	<u>-</u>	<u>243,004</u>	<u>243,004</u>
Net Surplus	73,274	107,381	180,655
Other Comprehensive Income -			
Re-measurement of retirement benefits	(13,300)	(4,059)	(17,359)
Fair value adjustment to available-for-sale financial assets	<u>(568,382)</u>	<u>625,992</u>	<u>57,610</u>
Total Comprehensive Income	<u><u>(508,408)</u></u>	<u><u>729,314</u></u>	<u><u>220,906</u></u>

Coconut Industry Board

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

26. Restatement (Continued)

Reconciliation of the statement of cash flows at 31 December 2013:

	2013 Previous \$'000	Restatement \$'000	2013 Restated \$'000
Cash Flows from Operating Activities			
Net surplus	73,274	107,381	180,655
Adjusted for:			
Unremitted equity income in associated company	-	(107,381)	(107,381)
Other adjustments	(68,346)	-	(68,346)
Changes in operating assets and liabilities	8,236	-	8,236
Cash provided by operating activities	13,164	-	13,164
Cash used in investing activities	1,541	-	1,541
Effect of exchange rate changes on cash and cash equivalents	39,538	-	39,538
Increase in cash and cash equivalents	54,243	-	54,243
Cash and cash equivalents at beginning of year	468,405	-	468,405
Cash and Cash Equivalents at End of Year	522,648	-	522,648

Coconut Windstorm Insurance Fund

**Financial Statements
31 December 2014**





Independent Auditors' Report

To the Members of
Coconut Windstorm Insurance Fund

Report on the Financial Statements

We have audited the accompanying financial statements of Coconut Windstorm Insurance Fund, set out on pages 44 to 54, which comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: 876 922 7581, www.pwc.com/jm

L.A. McKnight P.E. Williams L.E. Augier A.K. Jain B.L. Scott B.J. Denning G.A. Reece P.A. Williams R.S. Nathan



**Members of Coconut Windstorm Insurance Fund
Independent Auditor's Report
Page 2**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Coconut Windstorm Insurance Fund as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting.

A handwritten signature in blue ink that reads "PricewaterhouseCoopers". The signature is written in a cursive style and is positioned above the printed name of the firm.

Chartered Accountants
8 October 2015
Kingston, Jamaica

Coconut Industry Board

Coconut Windstorm Insurance Fund

Statement of Comprehensive Income

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	2014 \$'000	2013 \$'000
Income		
Contractual insurance premium	3,118	3,013
Interest	12,265	8,433
	<u>15,383</u>	<u>11,446</u>
Expenditure		
Audit fees	334	260
Telephone, postage and telegrams	73	66
Salaries and management fees	100	188
Stationery and general expenses	71	120
	<u>578</u>	<u>634</u>
Net Surplus, being Total Comprehensive Income	14,805	10,812
Accumulated fund at beginning of year	<u>158,550</u>	<u>147,738</u>
Accumulated Fund	<u><u>173,355</u></u>	<u><u>158,550</u></u>

Coconut Industry Board
Coconut Windstorm Insurance Fund
Statement of Financial Position
31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	2013 \$'000
Current Assets			
Sundry debtors	4	8,439	5,343
Short term investments	6	162,158	156,778
Coconut Industry Board		2,093	-
Cash at bank		666	547
		173,356	162,668
Current Liabilities			
Payables		1	-
Coconut Industry Board		-	4,118
Net Current Assets		<u>173,355</u>	<u>158,550</u>
Accumulated Fund		<u>173,355</u>	<u>158,550</u>

Approved for issue by the Board of Directors on October 5, 2015 and signed on its behalf by:



Leonard S. Green

Director



Granville E. Marsh

Director

Coconut Industry Board

Coconut Windstorm Insurance Fund

Statement of Cash Flows

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	2014 \$'000	2013 \$'000
Cash Flows from Operating Activities		
Net surplus	14,805	10,812
Adjusted for:		
Interest income	<u>(12,265)</u>	<u>(8,433)</u>
	2,540	2,379
Changes in operating assets and liabilities		
Sundry debtors	(3,096)	6,117
Payables	1	-
Coconut Industry Board	<u>(6,211)</u>	<u>11,484</u>
Net cash (used in)/provided by operating activities	<u>(6,766)</u>	<u>19,980</u>
Cash Flows from Investing Activities		
Interest received	<u>12,384</u>	<u>8,085</u>
Cash provided by investing activities	<u>12,384</u>	<u>8,085</u>
Increase in cash and cash equivalents	5,618	28,065
Cash and cash equivalents at beginning of year	<u>156,607</u>	<u>128,542</u>
Cash and Cash Equivalents at End of Year	<u><u>162,225</u></u>	<u><u>156,607</u></u>

Coconut Industry Board

Coconut Windstorm Insurance Fund

Notes to the Financial Statements

31 December 2014

(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 (IFRSs), 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 action, actual results could differ from those estimates. At 31 December 2014, 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 within the next year.

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

- Amendment to IAS 36, 'Impairment of assets' (effective for annual periods beginning on or after 1 January 2014). This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Fund adopted this amendment effective 1 January 2014. There was no impact from the adoption.
- Amendment to IAS 36, 'Impairment of assets' (effective for annual periods beginning on or after 1 January 2014). This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Fund adopted this amendment effective 1 January 2014. There was no impact from the adoption.

Coconut Industry Board

Coconut Windstorm Insurance Fund

Notes to the Financial Statements

31 December 2014

(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 Fund has concluded that the following standards which are published but not yet effective, are relevant to its 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 board as of those dates, unless otherwise noted.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Fund is yet to assess IFRS 9's full impact.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Fund is in the process of assessing the impact of IFRS 15.

Coconut Industry Board

Coconut Windstorm Insurance Fund

Notes to the Financial Statements

31 December 2014

(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 investment securities are classified as available-for-sale. The Board's management determines the classification of its investments at the time of the 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

Coconut Windstorm Insurance Fund

Notes to the Financial Statements

31 December 2014

(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

Coconut Windstorm Insurance Fund

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(d) Income recognition (continued)

Contractual Insurance Premium

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 not exposed to foreign exchange risk arising from various currency exposures.

Coconut Industry Board

Coconut Windstorm Insurance Fund

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Market risk (continued)

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.

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.

Coconut Industry Board

Coconut Windstorm Insurance Fund

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (continued)

Financial liabilities and assets held for managing liquidity risk

(c) Liquidity risk (continued)

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

	2014	2013
	\$'000	\$'000
Withholding tax	<u>8,439</u>	<u>5,343</u>

5. Contingent Liabilities

During the year, the potential liability of the Fund for coconut windstorm damage was \$68,812,000 (2013 - \$73,438,000).

6. Short-term Investments

	Cost		Income for Year	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Government securities	<u>161,559</u>	<u>156,060</u>	<u>12,265</u>	<u>8,433</u>

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

Coconut Industry Board

Coconut Windstorm Insurance Fund

Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

7. Related Party Transactions**(a) Year-end balances arising from transactions with related parties:**

	2014 \$'000	2013 \$'000
Receivables -		
Coconut Industry Board	<u>2,093</u>	<u>-</u>
Payables -		
Coconut Industry Board	<u>-</u>	<u>4,118</u>

(b) Sales of services:

	2014 \$'000	2013 \$'000
Premium income -		
Coconut Industry Board	-	638
Directors	<u>3,118</u>	<u>2,375</u>
	<u>3,118</u>	<u>3,013</u>