AGRO-INVESTMENT CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2018

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I N D E X

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INDEPENDENT AUDITORS' REPORT

To The Board of
Agro-Investment Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Agro-Investment Corporation ("the Corporation") set out on pages 4 to 34, which comprise the statement of financial position as at 31 March 2018, and the statements of comprehensive income, changes in reserves and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Corporation's financial reporting process.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Board of
Agro-Investment Corporation

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Board of
Agro-Investment Corporation

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

Chartered Accountants

16 August 2018

AGRO-INVESTMENT CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2018

	Note	2018 $	2017 $
REVENUE	6	244,258,271	160,995,583
Other income	7	14,446,098	16,257,371
		258,704,369	177,252,954
EXPENDITURE:			
Operating expenses – Minard Farms		14,898,716	11,209,597
Agricultural projects development costs		25,313,481	21,857,244
Administrative expenses		217,572,028	91,391,568
		257,784,225	124,458,409
SURPLUS		920,144	52,794,545
Transfer from capital reserve and capital grant an amount equivalent to depreciation charge on capital assets		2,176,864	2,176,864
NET SURPLUS		3,097,008	54,971,409
OTHER COMPREHENSIVE INCOME:			
Item that will or may be reclassified to surplus or deficit:			
Available-for-sale investments		397,897	220,474
Item that will not be reclassified to surplus or deficit:			
Re-measurement of defined benefit pension plan		2,745,000	(26,424,000)
		3,142,897	(26,203,526)
TOTAL COMPREHENSIVE INCOME		6,239,905	28,767,883

AGRO-INVESTMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

31 MARCH 2018

	Note	2018 $	2017 $
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	10	320,414,051	306,099,983
Investments	11	2,482,616	2,084,719
Biological assets	12	47,586,766	43,034,063
Post-employment benefit assets	13	6,518,000	5,878,000
Related party	21	-	35,094,755
		377,001,433	392,191,520
CURRENT ASSETS:			
Receivables	14	2,568,914	16,700,609
Taxation recoverable		372,648	372,578
Related party	21	-	26,051,683
Cash and cash equivalent	15	51,772,859	10,555,478
		54,714,421	53,680,348
		431,715,854	445,871,868
RESERVES AND LIABILITIES			
RESERVES:			
Capital reserve	16	303,201,627	304,054,627
Fair value reserve	17	2,398,161	2,000,264
Accumulated surplus		58,184,351	52,342,343
		363,784,139	358,397,234
NON-CURRENT LIABILITIES:			
Capital grant	18	5,220,684	6,544,548
Long term loan	19	3,800,089	4,960,649
		9,020,773	11,505,197
CURRENT LIABILITIES:			
Payables	20	57,106,985	73,379,018
Current portion of long term loan	19	1,803,957	2,590,419
		58,910,942	75,969,437
		431,715,854	445,871,868

Approved for issue by the Board of Directors on 16 August 2018 and signed on its behalf by:

Grace Burnett - Chairman

Vitus Evans - Deputy Chairman

AGRO-INVESTMENT CORPORATION

STATEMENT OF CHANGES IN RESERVES

YEAR ENDED 31 MARCH 2018

	Accumulated surplus $	Fair Value Reserve $	Capital Reserve $	Total $
BALANCE AT 31 MARCH 2016	23,794,934	1,779,790	304,907,627	330,482,351
Surplus for the year	54,971,409	-	-	54,971,409
Other comprehensive income	(26,424,000)	220,474	-	(26,203,526)
Total Comprehensive Income	28,547,409	220,474	-	28,767,883
Transfer to income from capital reserve	-	-	(853,000)	(853,000)
	28,547,409	220,474	(853,000)	27,914,833
BALANCE AT 31 MARCH 2017	52,342,343	2,000,264	304,054,627	358,397,234
Surplus for the year	3,097,008	-	-	3,097,008
Other comprehensive income	2,745,000	397,897	-	3,142,897
Total Comprehensive Income	5,842,008	397,897	-	6,239,905
Transfer to income from capital reserve	-	-	(853,000)	(853,000)
	5,842,008	397,897	(853,000)	5,386,905
BALANCE AT 31 MARCH 2018	58,184,351	2,398,161	303,201,627	363,784,139

AGRO-INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2018

	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES:		
Surplus for the year	3,097,008	54,971,409
Items not affecting cash resources:		
Depreciation	6,268,874	5,326,033
Increase in fair value of biological asset	(4,552,703)	(6,508,900)
Transfer to income from donated assets	(853,000)	(853,000)
Transfer from capital grant	(1,323,864)	(1,323,864)
Interest income	(38,847)	(36,919)
Exchange (gain)/loss on foreign balances	(7,493)	2,932
	2,589,975	51,577,691
Changes in operating assets and liabilities:		
Receivables	14,131,695	(5,912,840)
Taxation recoverable	(70)	(95)
Related parties	61,146,438	(26,051,683)
Post-employment benefits assets	2,105,000	(2,614,000)
Payables	(16,272,033)	(18,860,279)
Cash provided by/(used in) operating activities	63,701,005	(1,861,206)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(20,582,942)	(2,592,481)
Interest received	38,847	36,919
Cash used in investing activities	(20,544,095)	(2,555,562)
CASH FLOWS FROM FINANCING ACTIVITY:		
Loan repayments	(1,947,022)	(1,729,728)
Cash used in financing activity	(1,947,022)	(1,729,728)
	41,209,888	(6,146,496)
Exchange gain/(loss) on foreign cash balances	7,493	(2,932)
Net increase/(decrease) in cash and cash equivalents	41,217,381	(6,149,428)
Cash and cash equivalents at beginning of year	10,555,478	16,704,906
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 15)	51,772,859	10,555,478

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

1. IDENTIFICATION AND PRINCIPAL ACTIVITY:

Agro-Investment Corporation ("the Corporation") is incorporated under the Agricultural Development Corporation Act. It functions as the business facilitation department within the Ministry of Economic Growth and Job Creation, with a focus on agricultural investment promotion and facilitation, project development and market development. The registered office of the Corporation is the AMC Complex, 188 Spanish Town Road, Kingston 11.

The principal objective of the Corporation is to activate, stimulate, facilitate and undertake agricultural development for economic advancement and well-being of the Jamaican people.

On June 1, 2009, the Agricultural Development Corporation's name was changed to Agro-Investment Corporation under the Agricultural Development Corporation (Change of Name) Act 2010, which was passed in the House of Representative on June 2, 2010.

2. REPORTING CURRENCY:

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

3. SIGNIFICANT ACCOUNTING POLICIES:

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

(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, except for certain financial assets and biological assets measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation'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.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

New, revised and amended standards and interpretations that became effective during the year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Corporation has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following amendments are relevant to its operations.

Amendments to IAS 7, 'Statement of Cash Flow*s' (*effective for annual periods beginning on or after 1 January 2017). The amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financial activities. The amendment is part of the IASB'S Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. An entity is required to disclose information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings; and non-cash changes, such as acquisitions, disposals and unrealized exchange differences. There was no significant impact from the adoption of this amendment.

New standards, amendments and interpretation not yet effective and not early adopted

The following new standards, amendments and interpretations, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Corporation's future financial statements:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018). The Corporation is required to adopt IFRS 9, *Financial Instruments* from 1 January 2018. The standard replaces IAS 39, *Financial Instruments: Recognition and Measurement* and sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on preliminary assessment, the Corporation does not believe that the new classification requirements will have a material impact on its accounting for accounts receivable and investments in quoted securities that are managed on a fair value basis. However, the Corporation is still in the process of its assessment and the final impact has not yet been determined.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

New standards, amendments and interpretation not yet effective and not early adopted (cont'd)

IFRS 15, 'Revenue from Contracts with Customers', (effective for periods beginning on or after 1 January 2018). It replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC – 31 Revenue – Barter Transactions involving Advertising Services. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

Amendments to IFRS 15, 'Revenue from Contracts within Customers' (effective for annual periods beginning on or after 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

IFRS 16 'Leases', (effective for accounting periods beginning on or after 1 January 2019). The standard primarily addresses the accounting for leases by lessees. The complete version of IFRS 16 was issued in January 2016. The standard will result in almost all leases being recognized on the statement of financial position, as it removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rental for virtually all these contracts. An option exemption exists for short term and low-value leases. The accounting by lessors will not significantly change.

Annual improvements (2015 – 2017) (effective for annual periods beginning on or after 1 January 2019). IAS 23 borrowing cost eligible for capitalization. The amendments clarify that if any specific borrowings remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The Corporation is assessing the impact that these standards and amendments to standards will have on the financial statements when they are adopted.

There are no other standards, amendments to existing standards or interpretations that are not yet effective that would be expected to have a significant impact on the operations of the Corporation.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(b) **Foreign currency translation**

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Foreign currency transactions are translated into the functional currency of the Corporation, using the exchange rates prevailing at the dates of the transactions. Foreign currency balances at the end of the reporting period are translated at the closing rates of exchange. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in surplus or deficit.

Non-monetary items measured at historical cost are translated using the exchange rates at the dates of the transactions.

(c) **Property, plant and equipment**

Items of property, plant and equipment are recorded at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land is not depreciated and includes expenditure relating to infrastructure, irritation and drainage.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to surplus or deficit during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write off the cost of assets to their residual values over their estimated useful lives. Annual rates are as follows:-

Freehold and leasehold Buildings	2.5-4%
Office machinery, equipment, furniture and fixtures	10%
Motor vehicles	20%
Agro-Park equipment	5%
Farm machinery, furniture & equipment	20%

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining surplus.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(d) **Donated assets**

Where an asset is funded by an external donor (including the Government of Jamaica) with no loan attached, the amount is credited to capital reserve. An amount equivalent to the annual depreciation charge on the relevant property, plant and equipment is transferred from capital reserve to surplus or deficit for each reporting period.

(e) **Impairment of non-current assets**

Non-current assets are reviewed for impairment deficits whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment deficit is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows. Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) **Capital grant**

These are amounts received for the Agro-Parks Development Programme. The portion of these grants relating to the acquisition of land and amounts spent on infrastructure, irrigation and drainage are included in capital reserve. Capital grants used to acquire depreciable assets are included in long term liabilities and an amount equivalent to the depreciation charge for these assets are transferred to surplus or deficit in each reporting period.

(g) **Financial instruments**

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

Financial assets

(i) **Classification**

The Corporation classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(g) **Financial instruments (cont'd)**

Financial assets (cont'd)

(i) **Classification (cont'd)**

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables) but also incorporate other types of contractual monetary asset.

The Corporation's loans and receivables comprise accounts receivable, cash and cash equivalents. They are included in current assets.

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short term deposits with original maturity of three months or less, and bank overdraft.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the reporting date. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale.

(ii) **Recognition and Measurement**

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Corporation commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through surplus or deficit. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value, with fair value gains or deficits being recorded in other comprehensive income. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(g) **Financial instruments (cont'd)**

Financial assets (cont'd)

(ii) **Recognition and Measurement (cont'd)**

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognized as other comprehensive income are recycled to surplus or deficit.

Dividends on available-for-sale equity instruments are recognized in surplus or deficit as part of other income when the Corporation's right to receive payments is established.

For loans and receivables impairment, provisions are recognized when there is objective evidence that the Corporation will not collect all of the amounts due under the terms receivable. The amount of the provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized in surplus or deficit. On confirmation that the trade receivable is uncollectible, it is written off against the associated allowance. Subsequent recoveries of amounts previously written off are credited to surplus or deficit.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in surplus or deficit – is removed from other comprehensive income and recognized in surplus or deficit. Impairment losses recognized in profit or loss on equity instruments are not reversed through surplus or deficit.

Financial liabilities

The Corporation's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, the following items were classified as financial liabilities: long term loan and accounts payable.

(h) **Biological assets**

Biological assets represent livestock (cattle and horses) held for reproduction. Biological assets are measured at their fair value. Fair value is determined based on market prices of livestock of similar age and breed.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(i) **Borrowings**

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in surplus or deficit over the period of the borrowings.

(j) **Employee benefits**

Defined benefit plan

The Corporation operates a defined benefit plan, the assets of which are held in a separate trustee-administered fund. The plan is funded through payments to a trustee administered fund, determined by periodic actuarial calculations.

The defined benefit plan surplus and deficit are measured at:

- the fair value of plan assets at the reporting date; less
- plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on Government of Jamaica bonds that have maturity dates approximating to the terms of the liabilities; plus
- unrecognised past service costs; less
- the effect of minimum funding requirements agreed with scheme trustees.

Re-measurements of the net defined obligation are recognised directly within equity. The re-measurements include actuarial gains and deficits, return on plan assets (interest exclusive) and any asset ceiling effects (interest exclusive).

Service costs are recognised in surplus or deficit, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (income) is recognised in surplus or deficit, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period. Gains or deficits arising from changes to pension benefits or scheme curtailment are recognised immediately in surplus or deficit.

Settlements of defined benefit plan surplus are recognised in the period in which the settlement occurs.

Leave accrual

All outstanding leave entitlement that are expected to be utilized wholly within 12 months after the end of the reporting period are presented as current liabilities.

AGRO-INVESTMENT CORPORATION

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3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(k) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the goods or services in the ordinary course of the Corporation's activities.

Government subventions

Government subventions to support the Corporation's operating budget are recognized as income in the accounting period when there is reasonable assurance that they will be received.

Interest income

Interest income is recognized in the income statement for all interest bearing instruments on an accrual basis unless collectability is doubtful.

Other income

Revenue from other income is recognized when the significant risk and rewards of ownership have been transferred to the buyer and the Corporation is reasonably certain that economic benefit will be received.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:**

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 Corporation's accounting policies**

In the process of applying the Corporation's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

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

The Corporation 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 and assets and liabilities within the next financial year are discussed below:

(i) **Fair value estimation**

A number of assets included in the Corporation's financial statements require measurement at, and/or disclosure of, at fair value.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):**

(b) **Key sources of estimation uncertainty (cont'd)**

(i) **Fair value estimation (cont'd)**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

The fair value measurement of the Corporation's financial and non financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized.

The standard requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The classification of an item into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfers of items between levels are recognised in the period they occur.

The Corporation measures the following at fair value.

Financial Investments (note 11)

Biological assets (note 12)

The fair value of financial instruments traded in active markets, such as available-for-sale investments, is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Corporation is the current bid price. These instruments are included in level 1 and comprise equity instruments traded on the Jamaica Stock Exchange.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):**

(b) **Key sources of estimation uncertainty (cont'd)**

(ii) **Depreciable assets**

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Corporation applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in surplus or deficit through impairment or adjusted depreciation provisions.

(iii) **Defined benefit assumptions**

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 and the discount rate. 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.

The Corporation determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations.

In determining the appropriate discount rate, the Corporation considered interest rate of high-quality Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the related obligations. Other key assumptions for the retirement benefits are based on current market conditions.

5. **FINANCIAL RISK MANAGEMENT:**

The Corporation is exposed through its operations to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

In common with all other businesses, the Corporation is exposed to risks that arise from its use of financial instruments. This note describes the Corporation's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

There have been no substantive changes in the Corporation's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) **Principal financial instruments**

The principal financial instruments used by the Corporation, from which financial instrument risk arises, are as follows:

- Accounts receivable
- Cash and cash equivalent
- Investments in quoted equity
- Accounts payable
- Long term loan

(b) **Financial instruments by category**

Financial assets

	Loans and Receivable		Available-for-sale	
	2018	2017	2018	2017
	$	$	$	$
Accounts receivable	1,959,665	16,261,326	-	-
Cash and cash equivalent	51,772,859	10,555,478	-	-
Investments (equity)	-	-	2,482,616	2,084,719
Total financial assets	53,732,524	26,816,804	2,482,616	2,084,719

Financial liabilities

	Financial liabilities at amortised cost	
	2018	2017
	$	$
Accounts payable	31,667,473	26,640,518
Long term loan	5,604,046	7,551,068
Total financial liabilities	37,271,519	34,191,586

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial instruments not measured at fair value**

Financial instruments not measured at fair value includes cash and cash equivalents, receivables, accounts payables and long term liabilities.

Due to their short-term nature, the carrying value of cash and cash equivalents, receivables, bank overdraft and accounts payables approximates their fair value.

(d) **Financial instruments measured at fair value**

The fair value hierarchy of financial instruments measured at fair value is provided below:

	Level 1	
	2018	2017
	$	$
Financial asset		
Investments (equity)	2,482,616	2,084,719
Total financial asset	2,482,616	2,084,719

There were no financial assets valued using level 2 or level 3 measurements.

(e) **Financial risk factors**

The Board of Directors has overall responsibility for the determination of the Corporation's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Corporation's finance function. The Board receives monthly reports from the Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Corporation's internal auditors also review the risk management policies and processes and report her findings to the Board.

The overall objective of the Corporation's Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Corporation's activities. Further details regarding these policies are set out below:

(i) **Market risk**

Market risk arises from the Corporation's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(e) **Financial risk factors (cont'd)**

(i) **Market risk (cont'd)**

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from US dollar cash and bank balances.

The Corporation manages this risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Corporation further manages this risk by holding net foreign currency assets.

Concentration of currency risk

The Corporation is exposed to foreign currency risk in respect of US dollar cash and bank balances amounting to $445,726 (2017 - $456,687).

Foreign currency sensitivity

The following table indicates the sensitivity of surplus before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank balances, and adjusts their translation at the year-end for 4% (2017 – 6%) depreciation and a 2% (2017 – 1%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	% Change in Currency Rate 2018	Effect on Surplus before Tax 2018 $	% Change in Currency Rate 2017	Effect on Deficit before Tax 2017 $
Currency:				
USD	-4	17,829	-6	27,401
USD	+2	(8,915)	+1	(4,567)

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(e) **Financial risk factors (cont'd)**

(i) **Market risk (cont'd)**

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Corporation is exposed to equity securities price risk arising from its holding of available-for-sale investments.

As the Corporation does not have a significant exposure, market price fluctuations are not expected to have a material effect on the net results or stockholders' equity.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The corporation attempts to manage this risk by monitoring it interest-bearing instruments closely and procuring the most advantageous rates under contracts with interest rates that are fixed for the life of the contract where possible.

Short term deposits and borrowings are the only interest bearing assets and liabilities respectively, within the Corporation. The Corporation invests excess cash in short-term deposits and maintains interest-earning bank accounts with licensed financial institutions. The Corporation's short term deposits and borrowings are due to mature and re-price respectively, within 3 months of the reporting date.

Interest rate sensitivity

As interest rates on the Corporation's short term deposits and long-term loan are fixed up to maturity and interest earned from the Corporation's interest-earning bank accounts is immaterial, there would be no material impact on the results of the corporation's operations as a result of fluctuation in interest rates.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(e) **Financial risk factors (cont'd)**

(ii) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial deficit. Credit risk arises from trade receivables and cash and bank balances.

Receivables

Revenue transactions in respect of the Corporation's primary operations are settled either in cash or by using major credit cards. For its operations done on a credit basis, the Corporation has policies in place to ensure that it provides services to customers with an appropriate credit history.

Cash and cash equivalent

Cash transactions are limited to high credit quality financial institutions. The Corporation has policies that limit the amount of credit exposure to any one financial institution.

Maximum exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of receivables and cash and cash equivalents in the statement of financial position.

The aging of trade receivables is:

	2018 $	2017 $
0 – 30 days	430,000	1,760,976
31 – 60 days	360,987	352,799
61 – 90 days	1,168,678	2,113,769
91 days and over	12,209,949	12,033,782
	14,169,614	16,261,326

Trade receivables that are past due but not impaired

As at 31 March 2018, trade receivables of $1,529,665 (2018 - $14,500,350) were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

Trade receivables that are past due and impaired

As at 31 March 2018, trade receivables of $12,209,949 (2017 - $nil) that were impaired. The amount of provision was $12,209,949 (2017 $nil). These receivables were aged over 90 days.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(e) **Financial risk factors (cont'd)**

(ii) **Credit risk (cont'd)**

Trade receivables that are past due and impaired (cont'd)

The movement in the provision for impairment of trade receivables are as follows:

	2018 $	2017 $
At 1 April	-	-
Provision for receivables impairment	12,209,949	-
At 31 March	12,209,949	-

(iii) **Liquidity risk**

Liquidity risk is the risk that the Corporation will be 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, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The Corporation's liquidity management process, as carried out within the Corporation and monitored by the Finance Department, includes:

(i) Monitoring future cash flows and liquidity on a regular basis.
(ii) Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
(iii) Maintaining committed lines of credit.
(iv) Optimising cash returns on investments.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(e) **Financial risk factors (cont'd)**

(iii) **Liquidity risk (cont'd)**

Cash flows of financial liabilities

The maturity profile of the Corporation's financial liabilities, based on contractual undiscounted payments, is as follows:

	Within 1 Year $	1 to 2 Years $	2 to 5 Years $	Over 5 Years $	Total $
31 March 2018					
Accounts payable	31,667,473	-	-	-	31,667,473
Long term loan	2,364,362	2,183,966	2,195,745	-	6,744,073
Total financial liabilities (contractual maturity dates)	34,031,835	2,183,966	2,195,745	-	38,411,546

	Within 1 Year $	1 to 2 Years $	2 to 5 Years $	Over 5 Years $	Total $
31 March 2017					
Accounts payable	26,640,518	-	-	-	26,640,518
Long term loan	1,334,032	1,413,712	5,029,519	1,522,519	9,299,782
Total financial liabilities (contractual maturity dates)	27,974,550	1,413,712	5,029,519	1,522,519	35,940,300

(f) **Capital management**

The Board of Directors' policy is to maintain adequate capital to be able to continue to carry out the objectives the corporation was formed to achieve. The Corporation relies on government subventions for resources to support the various programmes undertaken. It also seeks to manage its budget so as to retain adequate surplus.

There were no changes to the Corporation's approach to capital management.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

6. **REVENUE:**

	2018 $	2017 $
Sales of cattle	8,137,800	7,384,175
Government subvention	236,120,471	153,611,408
	244,258,271	160,995,583

7. **OTHER INCOME:**

	2018 $	2017 $
Lease rental	12,583,573	11,213,130
Interest and dividend income	38,847	36,919
Foreign exchange gain	21,249	54,953
Other	1,802,429	4,952,369
	14,446,098	16,257,371

8. **EXPENSES BY NATURE:**

Total operating, administrative and other expenses

	2018 $	2017 $
Staff costs (note 22)	117,146,789	76,512,853
Motor vehicle allowance	10,792,760	9,188,855
Repairs and maintenance	9,599,037	3,928,055
Travelling and subsistence	1,158,789	2,946,928
Depreciation	6,268,874	5,326,033
Professional fees	2,444,498	2,811,861
Audit fees-current	900,000	976,600
-prior year over accrual	(139,203)	-
Utilities	3,932,742	8,949,100
Agro parks other expense	3,543,113	3,957,284
Property tax	405,776	-
Increase in provision for bad debt including related party balance	89,352,982	-
Increase in fair value of biological asset	(4,552,703)	(6,508,900)
Meeting seminars/training	4,649,583	4,700,502
Rates and taxes	7,675,755	4,827,602
General insurance	3,545,699	1,892,227
Other	1,059,734	4,949,409
	257,784,225	124,458,409

9. **TAXATION:**

The Corporation is exempted from Income Tax under the Agricultural Development Corporation Act.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

10. **PROPERTY, PLANT AND EQUIPMENT:**

	Freehold Land & Buildings $	Leasehold Land & Buildings $	Agro Park Equipment $	Furniture & Equipment $	Office Equipment Machinery & Furniture Fixtures $	Machinery Motor Vehicles $	Total $
At cost-							
1 April 2016	220,504,258	73,080,668	10,516,140	22,281,760	4,122,399	9,823,500	340,328,725
Additions	-	-	-	-	2,592,481	-	2,592,481
31 March 2017	220,504,258	73,080,668	10,516,140	22,281,760	6,714,880	9,823,500	342,921,206
Additions	-	-	-	7,043,622	5,747,801	7,791,519	20,582,942
31 March 2018	220,504,258	73,080,668	10,516,140	29,325,382	12,462,681	17,615,019	363,504,148
Depreciation -							
1 April 2016	805,890	5,648,206	2,647,728	14,657,902	3,013,599	4,721,865	31,495,190
Charge for year	48,622	344,584	1,323,864	1,436,874	369,089	1,803,000	5,326,033
31 March 2017	854,512	5,992,790	3,971,592	16,094,776	3,382,688	6,524,865	36,821,223
Charge for year	48,622	344,584	1,323,862	1,259,692	1,359,255	1,932,859	6,268,874
31 March 2018	903,134	6,337,374	5,295,454	17,354,468	4,741,943	8,457,724	43,090,097
Net Book Value -							
31 March 2018	219,601,124	66,743,294	5,220,686	11,970,914	7,720,738	9,157,295	320,414,051
31 March 2017	219,649,746	67,087,878	6,544,548	6,186,984	3,332,192	3,298,635	306,099,983

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

11. INVESTMENTS:

	2018 $	2017 $
Quoted equities – available for sale at fair value:		
Jamaica Broilers Group Limited –		
130,458 ordinary shares (cost - $69,300)	2,482,616	2,084,719

12. BIOLOGICAL ASSETS:

The movement in biological assets during the year was as follows:

	2018 $	2017 $
Balance at start of year	43,034,063	36,525,163
Increase in fair value of assets	4,552,703	6,508,900
Balance at end of year	47,586,766	43,034,063

The following represents the number of animals on hand at year end –

	2018 $	2017 $
Cattle reared for sale and reproduction	568	533
Horses held for reproduction	10	18
	578	551

13. POST-EMPLOYMENT BENEFIT ASSETS:

The Corporation participates in a defined benefit plan (The Agricultural Development Corporation Pension Plan) which is open to permanent employees and administered for Agro-Investments Corporation by Employee Benefits Administrator Limited. The plan which commenced on 6 December 1972 is funded by employee's contribution of 5% of their pensionable salary (a voluntary contribution of up to an additional 5% of pensionable salary is allowed) and employer's contribution not exceeding 10% of the employees' pensionable salaries, except where required to cover unfunded liabilities as determined by an Actuary. The pension payable at the date of retirement is 2% of the employee's pensionable salary at the date of determination multiplied by his pensionable service, at the date of determination.

The latest actuarial valuation which was carried out as at 31 March 2018 indicated that the plan was adequately funded.

The Pension Plan is legally separate from the Corporation and is administered by Employee Benefits Administrator Limited.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

13. **POST-EMPLOYMENT BENEFIT ASSETS (CONT'D):**

The plan is exposed to a number of risks, including:

- Investment risk: movement of discount rate used (Government of Jamaica) against the return from plan assets.

- Interest rate risk: decrease/increase in the discount rate used (Government of Jamaica bonds) will increase/ decrease the defined benefit obligation.

- Longevity risk: changes in the estimation of morality rate of current and former employees.

- Salary risk: Increases in future salaries, increase the gross defined benefit obligation.

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

	2018 $	2017 $
Fair value of plan assets	44,436,000	34,766,000
Present value of obligation	(37,918,000)	(28,888,000)
Asset recognized in the statement of financial position	6,518,000	5,878,000

The movement in the fair value of pension plan assets for the year is as follows:

	2018 $	2017 $
Balance at beginning of year	34,766,000	55,808,000
Contribution by the employer and plan participants	2,208,000	2,098,000
Calculated return on plan assets	5,806,000	5,040,000
Benefits paid and administrative expenses	(3,531,000)	(1,720,000)
Re-measurement of plan assets	3,977,000	(960,000)
Changes in effect of asset ceiling	1,210,000	(25,500,000)
Balance at end of year	44,436,000	34,766,000

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

13. **POST-EMPLOYMENT BENEFIT ASSETS (CONT'D):**

The movement in the present value of the defined benefit obligation over the year is as follows:

	2018 $	2017 $
Balance at beginning of year	28,888,000	26,120,000
Current service Cost	1,735,000	2,043,000
Past service cost	3,026,000	-
Settlement	(3,026,000)	-
Interest cost	2,775,000	2,322,000
Benefits paid on admin expenses	(345,000)	(1,560,000)
Re-measurement on defined benefit obligation	4,865,000	(37,000)
Balance at the end of the year	37,918,000	28,888,000

The amount recognized in surplus or deficit was as follows:

	2018 $	2017 $
Current service cost	746,000	1,117,000
Past service cost	3,025,000	-
Interest cost	(448,000)	(2,558,000)
Total included in staff cost (note 22)	3,323,000	(1,441,000)

The amount recognized in other comprehensive income were as follows:

	2018 $	2017 $
Re-measurement of the defined benefit obligation	4,865,000	(37,000)
Re-measurement on plan assets	(3,977,000)	960,000
Change in effect of Asset Ceiling	(3,633,000)	25,501,000
Components of defined benefit (income)/cost recognised in other comprehensive income	(2,745,000)	26,424,000

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

13. **POST-EMPLOYMENT BENEFIT ASSETS (CONT'D):**

The distribution of the market value of plan assets by type of security is as follow; The distribution was deemed to be identical to that of the underlying Sagicor pooled investment funds.

	2018 %	Market Value of Assets $	2017 %	Market Value of Assets $
Fixed income securities	10.60	7,290,000	10.86	6,542,000
Money market	5.27	3,620,000	5.43	3,270,000
Foreign currency	9.56	6,570,000	10.78	6,497,000
Other assets	74.57	51,250,000	72.93	43,957,000
	100.00	68,730,000	100.00	60,266,000

The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate	7.50%	9.50%
Inflation rate	4.50%	5.50%
Return on assets	10.00%	9.00%
Future salary increases	4.50%	6.50%
Future pension increases	Valuation assumes no future pension increases	

The actual return on plan assets was $9,783,000.

The sensitivity of the present value of obligation to changes in the principal assumptions is:

	Changes in Assumptions	Impact on post-employment obligations			
		Increase in Assumption		Decrease in Assumption	
		2018 $'000	2017 $'000	2018 $'000	2017 $'000
Discount rate	1%	(3,148)	(2,301)	(3,824)	(2,807)
Salary growth rate	1%	(404)	503	(333)	432

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

14. RECEIVABLES:

	2018 $	2017 $
Accounts receivable	14,169,614	16,261,326
Less provision for bad debt	(12,209,949)	-
	1,959,665	16,261,326
Livestock development	-	284,000
Other	609,249	155,283
	2,568,914	16,700,609

The Corporation does not hold any collateral over receivable balances.

15. CASH AND CASH EQUIVALENTS:

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and cash in hand as follows:

	2018 $	2017 $
Cash in hand and at bank	51,708,238	10,490,884
Short-term deposits	64,621	64,594
	51,772,859	10,555,478

16. CAPITAL RESERVE:

	2018 $	2017 $
Capital grant - Agro-Parks Development	210,094,934	210,094,934
Property, plant and equipment adjustment	2,300,000	2,300,000
Unrealised surplus on revaluation of assets	80,326,650	80,326,650
Holding Farms	1,784,562	1,784,562
Accrued interest waived	4,516,877	4,516,877
Insurance proceeds	1,490,431	1,490,431
Ministry of Agriculture loan write off	549,849	549,849
Proceeds from hurricane insurance claim	1,454,147	1,454,147
Donated assets	684,177	1,537,177
	303,201,627	304,054,627

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

16. **CAPITAL RESERVE (CONT'D):**

Capital Grants - Agro-Parks Development represents government grants received which were used to carry out infrastructural works, irrigation and drainage to facilitate the establishment of the Agro-Parks.

Unrealised surplus on revaluation of assets was recorded on the revaluation of the Corporation's property, plant and equipment in 1989 and 1995.

The amount for Holding Farms represents the valuation placed on livestock purchased by the Government of Jamaica, through the Commissioner of Lands and given to the Corporation for livestock development.

Donated assets represent assets owned by the Corporation that is funded by external donors with no loan condition attached.

17. **FAIR VALUE RESERVE:**

This represents unrealized surplus on the revaluation of available-for-sale investments.

18. **CAPITAL GRANTS:**

This represents portions of government grants received for the development of the Agro-Parks, which were used to acquire machinery, fencing etc. An amount equivalent to the depreciation charge relating to these assets is transferred to surplus or deficit for each reporting period.

19. **LONG TERM LOAN:**

	2018 $	2017 $
Development Bank of Jamaica	5,604,046	7,551,068
Less – current portion	(1,803,957)	(2,590,419)
	3,800,089	4,960,649

This represents a loan of $16 million received on 25 January 2012 for the construction of a packing house facility. The loan is repayable over a period of twelve (12) years at an interest rate of 10% per annum and is secured by; Promissory notes, first mortgage over property at Hartlands, Amity Hall, St. Catherine and Assignment of lease payment from GraceKennedy Foods & Services.

AGRO-INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

20. **PAYABLES:**

	2018 $	2017 $
Accounts payable	31,667,473	26,640,518
Gratuity payable	10,111,367	15,352,324
Contracts payable	-	9,084,051
Performance security contract	-	8,353,209
Property taxes	9,323,000	9,323,000
Vacation leave	3,509,257	3,509,257
Others	2,495,888	1,116,659
	57,106,985	73,379,018

21. **RELATED PARTY TRANSACTIONS AND BALANCES:**

Included in the statement of comprehensive income are the following related party transactions:

	2018 $	2017 $
Government of Jamaica - Subvention	236,120,471	153,611,408
Directors' fees	1,439,587	621,934
Year-end balance –		
Due from –		
Agricultural Marketing Corporation	77,143,032	61,146,438
Less: Current portion	-	26,051,683
Provision for doubtful debt	(77,143,032)	-
	-	35,094,755

This balance represents reimbursable expenses paid by Agro-Investment Corporation on behalf of Agricultural Marketing Corporation. The terms of repayment in respect of the amount owed by the related party have not yet been agreed.

22. **STAFF COSTS:**

	2018 $	2017 $
Salaries, wages and allowances	109,823,508	76,871,639
Pension (note 13)	3,323,000	(1,441,000)
Staff welfare and benefits	4,000,281	1,082,214
	117,146,789	76,512,853

The Corporation employed 51 persons at the end of the year (2017: 44).

AGRO-INVESTMENT CORPORATION

DETAILED STATEMENT OF SURPLUS OR DEFICIT

YEAR ENDED 31 MARCH 2018

	2018 $	2017 $
REVENUE		
Subvention	236,120,471	153,611,408
Sale of cattle	8,137,800	7,384,175
	244,258,271	160,995,583
Other income	14,446,098	16,257,371
	258,704,369	177,252,954
EXPENDITURE:		
Operating expense – Minard Farms (page 36)	14,898,716	11,209,597
Agricultural projects development cost (page 36)	25,313,481	21,857,244
Administrative expenses (page 37)	217,572,028	91,391,568
	257,784,225	124,458,409
SURPLUS	920,144	52,794,545
Transfer from capital reserve and capital grant an amount equivalent to depreciation charge on capital assets	2,176,864	2,176,864
NET SURPLUS	3,097,008	54,971,409

AGRO-INVESTMENT CORPORATION

OPERATING EXPENSES

YEAR ENDED 31 MARCH 2018

	2018 $	2017 $
OPERATING EXPENSES MINARD FARMS:		
Salaries, allowances and statutory contributions	13,173,071	13,007,300
Staff welfare and canteen	493,892	642,761
Increase in fair value of biological assets	(4,552,703)	(6,508,900)
Cattle feed	1,275,122	844,896
Medicine and drugs	125,875	193,591
Barb wire and staples	17,672	64,676
Miscellaneous, hay, twine etc.	189,314	300,278
Repairs and maintenance – tractor/truck	64,595	56,563
Repairs and maintenance – pasture, fences, walls	-	25,000
Repairs and maintenance – machinery and equipment	410,326	105,660
Repairs and maintenance – other	2,313,582	276,433
Fuel and lubricants	379,289	434,656
Agricultural show	173,606	260,497
Office and general	413,148	190,753
Utilities	96,432	478,950
Travelling	52,995	319,483
Rental/transportation charges	272,500	237,000
Professional fees	-	280,000
	14,898,716	11,209,597

	2018 $	2017 $
AGRICULTURAL PROJECT DEVELOPMENT COSTS:		
Salaries, allowances and statutory contributions	20,795,555	17,179,363
Travelling and subsistence	902,491	1,996,846
Agro parks other expenses	3,543,113	2,536,650
Utilities	72,322	144,385
	25,313,481	21,857,244

AGRO-INVESTMENT CORPORATION

ADMINISTRATIVE EXPENSES

YEAR ENDED 31 MARCH 2018

	2018 $	2017 $
Salaries, allowances and statutory contributions	72,487,651	46,684,976
Directors' fees	1,439,587	621,934
Travelling and subsistence	2,276,987	901,362
Staff welfare and canteen	2,683,343	439,453
Pension	3,324,000	(1,441,000)
Motor vehicle allowance	10,792,760	9,188,855
Repairs and maintenance – motor vehicles	3,671,706	1,559,573
Repairs and maintenance – equipment	1,438,260	903,286
Legal and professional fees	2,444,498	2,531,861
Audit fees-current	900,000	976,600
-prior year over accrual	(139,203)	-
Utilities	3,667,988	8,325,764
Office and general	957,249	555,390
Subscription and donations	379,829	90,275
General insurance	5,223,879	1,892,227
Rates and taxes	7,675,755	4,827,602
Security	70,111	62,263
Miscellaneous	170,469	553,285
Computer supplies	2,366,109	1,119,833
Advertising and promotion	1,517,212	420,650
Meetings, seminars and training	3,273,312	4,197,848
Printing and stationery	912,709	689,704
Finance charges	320,435	311,405
Accommodation	1,795,082	349,584
Rental/transportation charges	978,719	302,805
Write off of accounts payable balance	(9,084,051)	-
Increase in provision for bad debt – accounts receivable	12,209,949	-
- related party balance	77,143,032	-
Property tax	405,776	-
Depreciation	6,268,874	5,326,033
	217,572,028	91,391,568