

Tourism Enhancement Fund

Annual Report 2016-2017

‘Protecting the Past and Funding Tourism’s Future’



Ocho Rios, Promenade





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MISSION STATEMENT:

To facilitate the implementation of the Tourism Master Plan through prompt collection of fees, prudent management of funds and deployment of resources, in sustainable development toward the strengthening of Jamaica's tourism industry.

VISION:

For Jamaica to be the most sought-after tourist destination because of its natural beauty, warm and friendly people, well designed and attractive resort towns, rich culture, diverse attractions and commitment to the management and protection of the environment.

Registered Office

64 Knutsford Boulevard
Kingston 5

Senior Officers

Mr. Clyde Harrison
Dr. Carey Wallace
Ms. Deborah Watson
Mrs. Diane Brown-Allen
Mr. Christopher Miller
Mr. Donald Jackson

- Executive Director* (demitted office December 2016)
- Executive Director** (March 2017)
- Director of Finance (demitted office May 2016)
- Acting Director of Finance
- Director of Projects (demitted office July 2016)
- Acting Director of Projects

Auditors

PriceWaterhouseCoopers
Scotiabank Centre
Duke Street
Box 372
Kingston

Bankers

National Commercial Bank Jamaica Ltd.
1 Knutsford Boulevard
Kingston 5

First Global Bank Ltd.
28-48 Barbados Avenue
Kingston 5

Sagicor Bank Jamaica Ltd.
17 Dominica Drive
Kingston 5

BOARD OF DIRECTORS

*Parliament was dissolved on February 5, 2016 ahead of General Elections on February 25, 2016.

**Principle 8 (7) of the Corporate Governance Framework (CGF) indicates that upon the change of a portfolio minister, the existing Board of Public Bodies offers its resignation which does not take effect until a new Board is appointed. A new Board of the Tourism Enhancement Fund was appointed as follows:

Mr. Godfrey Dyer, CD, JP	- Chairman (April 2016)
Mr. Joseph Issa	- Deputy Chairman (April 2016)
Mr. Ian Dear	- Director (April 2016)
Mr. Paul Pennicook	- Director (April 2016)
Mrs. Nicola Madden-Greig	- Director (April 2016 - July 2016)
Mr. David Dobson	- Director (May 2016)
Mrs. Beverley Russell	- Director (May 2016)
Miss Alicia Bish	- Director (May 2016)
Mr. Omar Robinson	- Director (July 2016)
Mrs. Judy Schoenbein	- Director (July 2016)
Mr. Brian Wallace	- Director (July 2016 - February 2017)
Mr. Marc Williams	- Director (July 2016)
Mr. Jordan Samuda	- Director (July 2016)
Mr. Clyde Harrison	- (Ex-Officio; demitted office 2016)
Dr. Carey Wallace	- (Ex-Officio; March 2017)

SUB-COMMITTEES

PROJECTS COMMITTEE:

Joseph Issa (Chairman), Ian Dear, David Dobson, Judy Schoenbein, Nicola Madden-Greig (July 2016), Brian Wallace (February 2017), Omar Robinson, Clyde Harrison (December 2016), Dr. Carey Wallace

FINANCE COMMITTEE:

Jordan Samuda (Chairman), Joseph Issa, Alicia Bish, Clyde Harrison (December 2016), Dr. Carey Wallace

AUDIT COMMITTEE:

Brian Wallace (Chairman), David Dobson, Marc Williams, Clyde Harrison (December 2016), Dr. Carey Wallace

HUMAN RESOURCES COMMITTEE:

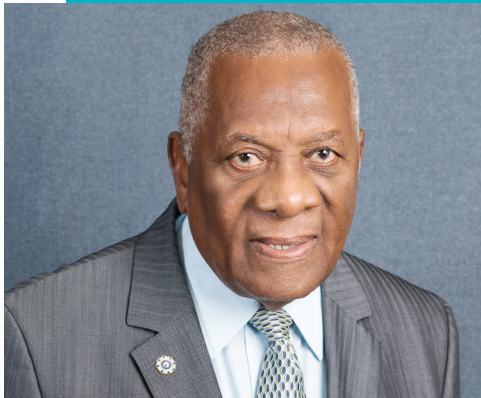
Marc Williams (Chairman), David Dobson, Joseph Issa, Jordan Samuda, Clyde Harrison (December 2016), Dr. Carey Wallace



“Tourism Dollars Working for You”

Board of Directors

Tourism Enhancement Fund - AR 2016-2017



Mr. Godfrey Dyer, CD, JP
- Chairman



Mr. Joseph Issa
- Deputy Chairman



Mr. David Dobson
- Director



Mr. Ian Dear
- Director



Mrs. Judy Schoenbein
- Director



Mr. Jordan Samuda
- Director



Mr. Marc Williams
- Director



Dr. Carey Wallace
- Ex Officio



Mr. Omar Robinson
- Director



Ms. Alicia Bish
- Director



Mrs. Beverley Russell
- Director



Tourism Minister's Message

Hon. Edmund Bartlett, CD, M.P.
Minister of Tourism

There is no doubt that the tourism industry remains a core feature of Jamaica's sustainable development and growth. The sector strives to, among other things, increase arrivals and ensures that each visitor experience is safe, seamless and secure. I am pleased that 2016 saw over 3.8 million visitors arriving to our shores, an increase of 3.9%, and that 2017 was poised to be a record-breaking year. Of note, is that foreign exchange earnings for 2016 amounted to over US\$2.6 billion.

The Tourism Enhancement Fund (TEF) continues to play a critical role in the strategies employed in bolstering the industry as the financial fuel behind the core elements of the tourism product and destination marketing. With the support of TEF, I am sure that my 5X5X5 growth agenda, of five million visitors and US\$5 billion in earnings, over a five (5) year period can be achieved.

For the period under review, there was a strong focus on Small and Medium Tourism Enterprises (SMTEs). Through TEF, we allocated an additional J\$350 million to the National Export-Import (EXIM) Bank of Jamaica to provide loans to SMTE operators. This represents the second tranche of the J\$1 billion TEF/EXIM Bank Jamaica loan facility. This was an important move as these SMTEs contribute significantly to the authenticity and quality of the tourism experience, as these businesses play a substantial role in destination competitiveness.

The Exim Bank's MOU also complemented the TEF-financed \$278 million revolving loan, which is in place with JN Small Business Loans for industry stakeholders. This loan facility seeks to boost the compliance of small tourism properties, attractions and businesses.

I am heartened that the agency has remained committed to its mandate of sustaining the development of the sector, promoting the generation of growth; and facilitating

greater linkages with other sectors among other areas. The agency has a sterling track record of maintaining its integrity to the Master Plan for Sustainable Tourism Development. Through the TEF, we committed over \$J2 billion dollars to major projects throughout the island including the resort towns in Montego Bay, Falmouth and Ocho Rios. These major projects will enhance our tourism product and help us to remain competitive in the global market.

Tourism can bring many economic and social benefits and we continue to see this manifested through increased growth in jobs and foreign exchange earnings. I am committed, through the Ministry of Tourism and its agencies such as the TEF, to position Jamaica in a way that we take full advantage of the opportunities that the sector has to offer, to the benefit of our people.

Hon. Edmund Bartlett, CD, M.P.



Godfrey Dyer, CD, JP
Chairman

Chairman's Message

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The Financial Year 2016-2017 commenced with a new Administration, the nation having gone to the polls for General Elections on February 25, 2016 and the swearing-in of Prime Minister, the Most Hon. Andrew Holness and his Cabinet having taken place in the first week of March, 2016. The Hon. Edmund Bartlett, who had previously served in this capacity between 2007 and 2011, was appointed Minister of Tourism.

.....

I had the honour of being asked to Chair the Tourism Enhancement Fund (TEF) for the second time, having served as the TEF's third Chairman from 2007-2011. This new appointment came at a significant period of introspection and reflection for the TEF, which had just completed ten years of operations as one of the most critical initiatives in the thrust to advance Jamaica's tourist industry in the global market and as a driver for the island's economic and social development.

Tourism partners and the population at large have given the TEF high marks as a national entity reflecting a commitment to realizing a well-defined vision for a sustainable and inclusive tourist industry. Indeed, TEF has been as involved in the most ambitious transformational projects as well as with the welfare of small tourism operators and squatter settlements proximate to luxury resorts.

In the review period, the TEF sought to review its business model, identifying strategic imperatives and necessary organizational changes in line with the broader performance objectives of the Ministry of Tourism and the Government of Jamaica's economic growth agenda.

The TEF maintained its record of sound investment policies while solidifying programmes and projects to upgrade the island's resorts, including infrastructural developments, landscaping, cleaning and beautification. Environmental initiatives, the preservation and enhanced marketability of our heritage sites and manifestations of our unique culture were among the priority areas attracting support from the TEF. TEF-funded support for marketing pursued through the Jamaica Tourist Board (JTB) and Jamaica Vacations Ltd. (JAMVAC) no doubt played a considerable role in the achievement of total visitor arrivals of 3,837,249 persons in 2016, an increase of 3.9 per cent.

Throughout its relatively short history and in the review period, the TEF has responded with significant results to very challenging developments globally and nationally on the economic, social and political fronts, many with potentially devastating effects on travel and tourism. Indeed, the TEF has recognized changing environments, demands and trends as part of its evolution in serving the tourist industry and the people of Jamaica as its wider, critical constituency.

The closing weeks of Financial Year 2016-2017 witnessed a major announcement by the Minister of Finance and the Public Service of plans for the Ministry to consolidate TEF funds under the Government of Jamaica.

As at April 1, 2017 in this new dispensation, the TEF would continue to collect fees from airline and cruise passengers and lodge funds in a subsidiary account under the Consolidated Fund designated by the Ministry of Finance and the Public Service at the Bank of Jamaica with funds being accessed by monthly cash flow requests made through the Ministry of Tourism. At the end of our reporting period, details attendant on this transition were being settled.

This fundamental shift from the "ring-fencing" of the TEF as a Fund specific to the tourism sector has implications for the structure and operations of the TEF. As has been the case from its inception, however, the TEF is alert to Government's imperative to pursue initiatives consistent with public financial management and the economic

parameters within which it must operate. The TEF, as always, seeks to collaborate in open, frank and transparent discussions on the way forward in the national interest and for the benefit of tourism as an indispensable pillar of the Jamaican economy.

On March 1, 2017, the TEF welcomed a new Executive Director, Dr. Carey Wallace, who brings with him considerable managerial skills and experience of the industry. We wish Dr. Wallace a successful tenure. I wish to thank former Executive Director Mr. Clyde Harrison for his years of faithful service at the TEF from 2007 when he joined the Fund as Director of Finance until December 2016.

I am grateful to the Directors, Management and Staff for their commitment to unrelentingly pursuing the mandate of the TEF. Our pledge is to continue doing so in the interest of Jamaica, its citizens and all who make our island their destination of choice.



Godfrey Dyer, CD, JP



Architectural Restoration, Falmouth

Board of Directors' Report

The Tourism Enhancement Fund (TEF) was established under a 2004 Act of Parliament on the basis of a fee being paid by each person travelling by air or sea into Jamaica (currently US\$20.00 and US\$2.00 respectively) with the intention of returning to any place outside of the island. As such the TEF is inherently vested in the performance of the tourist industry at the global and national levels. Thus, its mission has been both to enhance the international competitiveness of the island's tourism product and the destination's ability to aggressively position itself in the marketplace.

The United Nations World Tourism Organization (UNWTO) reports continued strong demand for international tourism in 2016 with global tourist arrivals having grown by 3.9% to reach a total of 1,235 million. This translates to some 46 million more overnight visitors travelling internationally in 2016 than in the previous year. Indeed, 2016 is recorded as the seventh consecutive year of growth in international tourism following the global financial and economic crisis in 2009.

International arrivals to the Americas increased by 8 million to reach 201 million. The Caribbean, with a 4% uptick in arrivals, was on par with regional growth.

Jamaica's tourist industry performed creditably in the course of the review period. Stopover arrivals to the island between January and December 2016 totaled 2,181,684 — an increase of 2.8% over the comparable period in 2015. Between January and December 2016, cruise passenger arrivals at the three major ports: Montego Bay, Ocho Rios and Falmouth totaled 1,655,565, an increase of 5.5%. With the improvement in stopovers and increased cruise passenger arrivals, total visitor arrivals increased by 3.9 per cent to 3,837,249 persons.

In the last quarter of the Financial Year - January to March 2017, arrivals maintained an upward trajectory of 0.1% with 585,143 stopovers. Cruise passengers arrivals at Jamaica's three major ports over the same period, totaled 632,727 - an increase of 3.2%.

During the review period, the Government pursued measures aimed at sustaining macro-economic stability, boosting employment and raising living standards. There were encouraging out-turns as the Jamaican economy grew by an estimated 1.4 per cent during 2016. Real Gross Domestic Product (GDP) for the January to March 2017 period remained flat partly reflective of adverse weather conditions on the productive industries. Real Value Added for the Hotels & Restaurants industry grew by 0.3% for this period following growth of 2.1% for this sector in 2016.

Significantly, the International Monetary Fund's Executive Board approved a new three-year precautionary Stand-by Agreement (SBA) for US\$1.64 billion for the island. This was on the basis of the successful completion of the Four-Year Extended Fund Facility (EFF) agreement between Jamaica and the IMF.

The TEF recorded total accumulated funds of approximately JM\$3.9 billion at the end of Financial Year 2016-2017 with revenue of JM\$5.9 billion. Currency gains represent approximately JM\$124.5 million. Project expenses for the year totalled JM\$5.33 billion.

The main policies and programmes pursued during the Year in Review reflected the mission of the Tourism Enhancement Fund, commitments to approved projects, and strategies for the TEF in line with the Government's programme for economic advancement.

The objectives of the TEF as delineated in the Tourism Enhancement Act, 2004 provide clear reference points namely:

- The encouragement of sustainable development of the Jamaican tourism sector;
- Promoting the generation of growth in the tourism sector;
- Enhancing the experience of tourists visiting Jamaica;
- Facilitating greater linkages with other sectors in the economy; and
- Encouraging better management of environmental resources in Jamaica.

The TEF's work and effectiveness are measured against high expectations attending major TEF-funded projects being executed in the island's resorts. In the Financial Year 2016-2017, projects were reviewed and implementation advanced in a number of these 'transformational' projects. In Ocho Rios, completion of Phase One of the upgrade of the Turtle River Road, Bus Staging Area and Cruise Terminal Building, along with advanced plans for upgrading Main Street and the Promenade have inspired reversal of the loss of appeal suffered in this resort area.

Historic Falmouth, long recognized for its tourism potential as an authentic Georgian town, benefited from TEF funding which allowed development planning for its Hampden Wharf. This initiative is being undertaken in collaboration with the Port Authority of Jamaica. Other projects being executed sequentially through the Urban Development Corporation are addressing the roadways, streets and historic buildings in keeping with the architecture and scale of this 18th Century town.

In its commitment to supporting environmental sustainability, the TEF continued its established relationship with the National Environment and Planning Agency (NEPA) which has benefited from TEF funding of over JM\$100 million.

In the 2016-2017 review period, the TEF fully supported the policy direction of the Minister of Tourism who, in line with 50% of TEF's revenue being allocated to tourism marketing, emphasised the drive for more new markets as well as product development, investments and multi-cultural activities. The building of human capacity and concomitant job creation were also emphasised in policy decisions and activities for the sustainability and growth of the industry. "Five Networks for Economic Growth through Tourism" were identified as Gastronomy,

Knowledge, Entertainment & Sports, Shopping and Health & Wellness. Supporting developmental projects which have been placed high on the TEF agenda include: a new hospitality school - Jamaica Center for Tourism Innovation (JCTI); artisan villages, a Craft Development Institute (CDI) and the boosting of safety and security within the sector.

Operationally, the TEF refocused on the requirement for Memoranda of Understanding (MOUs) with all key agencies with which the TEF partners, notably the Urban Development Corporation (UDC), the Port Authority of Jamaica (PAJ) and the National Works Agency (NWA). In determining approaches to project appraisal, there has also been emphasis on business plans in determining the viability and sustainability, the quality of project oversight and closer determination of likely return on TEF investment.

Progress on far-reaching and ambitious projects has undoubtedly been marked and measurable even as implementation schedules, in some instances, have been less than ideal. The TEF has sought to analyse and move toward addressing implementation challenges, some specific to tender and procurement processes, which have affected project delivery over the years and in the review period.

Such challenges have been well-documented in timely reports on the large number of TEF projects and programmes. These include some 120 projects of widely varying sizes and levels of completion currently on the books of the Tourism Product Development Company Limited (TPDCo), the primary implementing Agency among those partnering with the TEF.

SISTER AGENCIES

TPDCo

In the course of the Review period the TEF strongly supported TPDCo's programme of capacity building in keeping with the demands on the company for (building out) and monitoring a wide range of TEF-funded projects. TPDCo pursued new technology-driven management models and systems in the thrust to expedite project development and long-term sustainability.

JTB

The TEF is inexorably linked with the operations and success of the Jamaica Tourist Board (JTB), the

agency responsible for marketing Jamaica's tourism. In the aftermath of the global financial crisis in 2009 and its dampening effect on global travel, the fee paid by incoming airline passengers had been doubled in 2011 to more easily accommodate aggressive promotion of destination Jamaica. TEF support for JTB for the Financial Year 2016-2017 stood at US\$22 million.

The TEF Board determined that the original plan of allowing annual TEF allocation of US\$10 per passenger per annum to the JTB would be reinstated for Financial Year 2017-2018 and onward.

MONTEGO BAY CONVENTION CENTRE

The Montego Bay Convention Centre (MBCC) represents a considerable asset and significant potential for increasing Jamaica's share of the Meetings and Conventions Market. Under a Memorandum of Understanding in effect between the Urban Development Corporation, (UDC)/JTB/TEF, the TEF had committed to funding of US\$900,000 for marketing support to the Convention Centre over three years. The sum of US\$600,000 had already been paid over two years.

The remaining sum of US\$300,000 for Financial Year 2016-2017 was approved by the Board. As part of the MOU, JTB/TPDCo/TEF has occupied office space at the Convention Centre, the construction of which was funded by TEF, to be recovered from rental payments from the JTB and TPDCo.

In the course of the Review period, the Ministry of Tourism advised that it was to assume control of the MBCC through acquisition of 22% shares by the TEF through the Ministry of Finance and the Public Service. The UDC/TEF/Ministry of Finance determined the value of 22% of UDC shares and 34 acres of land to be acquired by TEF at US\$15 million.

It was resolved by the Tourism Enhancement Fund that the sum of US\$664,000 would be utilized to provide funding support for outstanding liabilities for the Montego Bay Convention Centre. The acquired shares are held in the name of the Accountant General on behalf of the Ministry of Tourism and the remaining 78% of the shares held in the name of the Accountant General on behalf of the Ministry of Finance. Management of the MBCC falls under the umbrella of the Ministry of Tourism.

PARTNERSHIPS FOR GROWTH

The TEF's committed support of small tourism operators as critical participants in growing Jamaica's industry found early expression in its partnership with Jamaica National Small Business Loans Ltd. (JNSBL). The loans facility funded by TEF and managed by JNSBL represents a maximum pool of JM\$260 million in funds available on a revolving scheme allowing on-lending of JM\$5 million at 5% interest over 5 years.

TEF's outreach to small hoteliers, transportation operators and other small tourism enterprises was expanded in the review period with approval received from the Ministry of Finance and the Public Service for TEF partnership with the EXIM Bank to provide, without collateral, a loan fund of JM\$1 billion. This is to be disbursed in three tranches - JM\$300 million, JM\$350 million, JM\$350 million, with a tenure of 6 years and an interest rate of 1.75% per annum.

TEF in collaboration with Jamaica Promotions Corporation (JAMPRO) maintained its support of the concept of "Shovel Ready Projects" to expedite investment in Jamaica's tourist industry. In this programme, TEF funds are advanced for preparatory activities to make Greenfield properties investment-ready, these funds to be reimbursed when the property is sold.

Similarly, as a supporting partner, the TEF has been encouraged by the expansion of the 'Tourism Linkages Council', launched by the Ministry of Tourism in 2013 in the thrust to increase the industry's demand for goods and services that can be competitively sourced in Jamaica.

HUMAN RESOURCES

The TEF has played an increasing role in the development of human resources and promoting the welfare of workers within the island's tourist industry. A major development in the review period was the advance of a long-awaited pension scheme for tourism workers. The scheme has had the approval of Cabinet to enact legislation that will bring the plan into effect with the provision by the TEF of seed funds of JM\$1.3 billion to be disbursed over 5 years.

Other worker-centred projects included funds allocated to the TPDCo for preliminary works, a business plan and indicative costings for a proposed Tourism Innovation Centre and TEF support for Disaster Risk-Management Capacity Building for the Tourism Sector in 2017-2018.

The Board of Directors is satisfied that the TEF has adopted sound investment policies and risk management systems in strict accordance with international standards, ensuring balance, transparency and integrity in financial reporting. The TEF's broad sweep of programmes and projects pursued in the Reporting Period has built on past achievements to further advance growth and development for the island's tourism.

The tourism fraternity as a whole, has expressed anxiety in respect of the decision by the Ministry of Finance and the Public Service to divert revenue from the Tourism Enhancement Fund into the Government's Consolidated Account as part of a new structural benchmark under the International Monetary Fund's Standby Agreement. While the de-earmarking of funds previously in full control of the TEF signals a significant shift in the means of accessing resources for developmental programmes for the industry, the Board is confident that all parties and partners in the public and private sectors are at one in recognizing and seeking to protect tourism's critical role in the drive for economic growth and national development.

In the new dispensation, the Board of the Tourism Enhancement Fund stands ready to play its part in determining optimum approaches to ensuring continued sustainable growth for tourism within the national economy.



Dr. Carey Wallace
Executive Director



Streetscape, Falmouth

Executive Director's Report

I have the pleasure of presenting the Financial and Operational Report on the Tourism Enhancement Fund (TEF) for the period April 1, 2016 to March 31, 2017. Year-end income performance is shown to have exceeded budget by approximately JM\$320 million due to increased passenger arrivals and gains from devaluation of the Jamaican dollar.

As at March 31, 2017, the Tourism Enhancement Fund's total accumulated fund balance was JM\$3.99 billion (2016: JM\$3.52 billion). This comprised mainly cash and cash equivalents of JM\$2.52 billion (2016: JM\$2.39 billion) and Airline & Other Receivables of JM\$930 million (2016: JM\$1.165 billion). The Fund's total interest income was JM\$118.35 million (2016: JM\$130 million). Operating expenditure for the year was JM\$397.1 million (2016: JM\$450 million). Project expenditure was JM\$5.33 billion (2016: JM\$4.92 billion).

Revenue as at March 31, 2017, was JM\$6.3 billion (2016: JM\$5.76 billion). Fees earned amounted to JM\$5.93

billion (2016: JM\$5.51 billion). Of this amount, airlines, both scheduled and chartered, accounted for JM\$5.78 billion (2016: JM\$5.37 billion) and cruise fees JM\$142.8 million (2016: JM\$138.2 million).

Embedded in these figures are foreign currency gains of JM\$124.9 million. Current year surplus at March 2017 was JM\$478.4 million (2016: JM\$362.6 million).

At the end of 2016, the exchange rate was JM\$128.44 per US\$1.00 representing depreciation of 6.7% during the year as compared to 5% depreciation in 2015. At the end of March 2017 the average exchange rate was JM\$128.66 per US\$1.00.

TEF's investment portfolio continued to grow and at the end of the review period, stood at JM\$1.5 billion. Investment rates averaged 6.3% on JM\$ investments and 1.9% on US\$ investments. In March 2017, TEF's ratio of US\$: JM\$ investment in the portfolio mix stood at 52% : 48% as compared to 50% : 50% in the previous year.

Operations were in the context of a relatively stable macro-economic environment within which inflation at 1.7% in 2016 was the lowest in 40 years, fiscal consolidation was sustained and improvements were recorded in the external accounts. This facilitated an increase in confidence levels.

PARTNERSHIPS/INVESTMENTS

The TEF's inflows reflected another year of growth for Jamaica's tourist industry which saw total arrivals increasing by 3.9% to 3,837,249 persons in 2016 and total arrivals increasing 1.7% to 1,217,870 in first quarter 2017.

TEF support for marketing initiatives by the Jamaica Tourist Board (JTB) during Financial Year 2016-2017 stood at US\$22 million, and this included a number of unanticipated items.

These included funding support of US\$100,000 for TUI UK/JTB Cooperative Advertising and US\$134,000 for cruise marketing activities for the period November 2016 - March 2017 consequent on cruise marketing being transferred to the Ministry of Tourism and becoming the responsibility of the JTB.

There was support of US\$700,000 for the JTB's Rescue Plan for Canada executed to reverse a decline in arrivals out of that significant market for the island.

Management of cash flow required accommodation of unbudgeted commitments notably funding support for outstanding liabilities for the Montego Bay Convention Centre and establishment of the EXIM Bank/TEF Loan facility for small operators within the tourist industry.

There was funding support to the Ministry of Tourism for the Tourism Linkages Network for the financial year 2016-2017 for the amount of JM\$27.5 million.

SPECIAL DISTRIBUTION

In the course of the year, there was a Special Financial Distribution of JM\$150,000,000 to the Ministry of Finance and the Public Service. This request was made under the Public Bodies Management and Accountability Act (PBMA) which provides for an annual distribution, normally 5% of net surplus, or a special financial distribution which was the request to the TEF.

PROGRAMMES AND PROJECTS

The volume of programmes and projects pursued by the Tourism Enhancement Fund during the review period demonstrates the extent of the needs to be met, among them infrastructural, environmental and social, in advancing the vision for Jamaica's tourist industry. An overview of current TEF projects, found in succeeding pages of this report, shows further, the challenges of sequencing major projects and the requirement for collaborating successfully with numerous stakeholders in moving toward robust, sustainable and inclusive growth for Jamaica's tourism.

OPERATIONAL

The TEF has sought to improve its own capacity for project management and that of its implementing partners. The utilization of a multi-agency approach to procurement and project implementation is one strategy that has been identified in seeking to achieve timely and satisfactory outcomes.

PERSONNEL

A number of key positions became vacant in the course of the financial year. Mr. Clyde Harrison demitted office as Executive Director with the incumbent assuming duties on March 1, 2017. Senior Officers are currently acting in the positions of Director of Finance and Director of Projects in the respective Departments.

At year-end, operations at the TEF were adjusted in light of changes flowing from the decision to divert revenues from the TEF into the main Consolidated Account of the Government of Jamaica. TEF fees collected from airline and cruise passengers are lodged in a subsidiary account under the Consolidated Fund designated by the Ministry of Finance and the Public Service at the Bank of Jamaica. Access by TEF to funds is through monthly cash flow requests made through the Ministry of Tourism (MoT). Allocations to sister agencies, TPDCo and the JTB, which are heavily dependent on TEF funds are to be disbursed directly to them by the MoT.

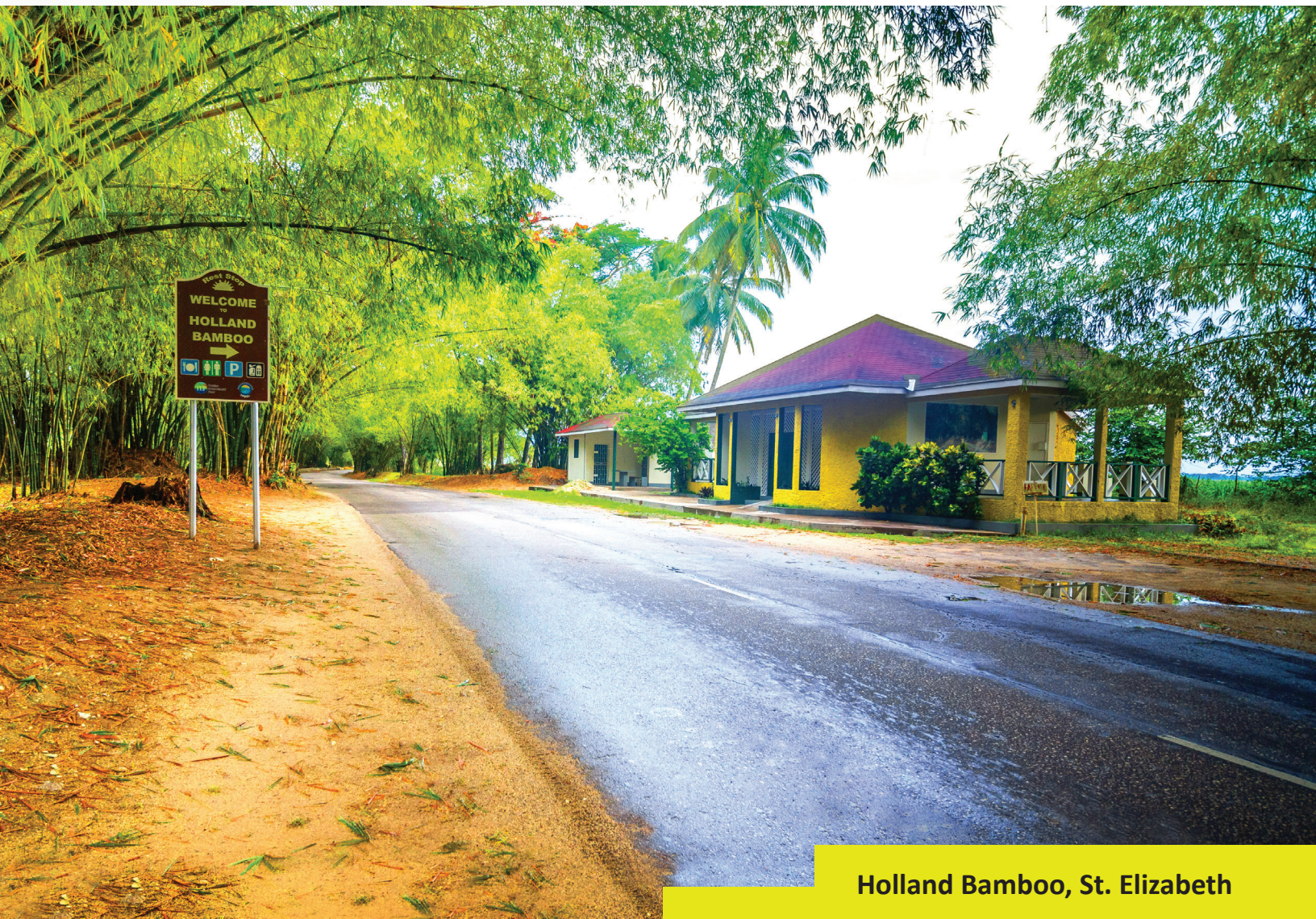
The total budgeted sum to TEF for the financial year 2016-2017 is JM\$3.049 billion: JM\$508 million for operational expenses, including salaries and JM\$2.541 billion for TEF projects. Of significance, prior to the transition, TEF operated with the ability to accrue committed but unspent funds. However, under the new arrangement, unspent funds would be absorbed by the Consolidated Fund at the end of the Financial Year.

A close review of TEF listed projects and timetabled disbursement within the new financial year has been required in view of changes attending the decision to “de-earmark” TEF funds. There has been agreement with the MoF that for financial year 2017-2018, the TEF will honour commitments termed ‘roll over projects’ amounting to JM\$2.175 billion to be accessed from the Reserves.

Discussions with the MoF continue regarding the treatment of TEF funds within the Consolidated Fund and improvements in the operation of the new processes have been apparent.

I am deeply appreciative to the Board for their guidance and strong leadership, particularly during this period of adjustment. The members of the TEF staff must be commended on their unfailing commitment to ‘getting the job done’ for the TEF, tourism and the country we serve.


Dr. Carey Wallace



Holland Bamboo, St. Elizabeth

PROJECTS UPDATE

"TOURISM DOLLARS WORKING FOR YOU"

During the review period 2016-2017, the TEF in fulfilment of its mandate, selected, funded and monitored the implementation of tourism projects on the basis of the potential impact of such projects on the sustainable growth and development of the island's tourism sector. In performing this function, on-going programmes to upgrade the major resort areas were pursued even as the TEF remained alert to opportunities for collaborating with other agencies to grow the industry in areas such as heritage, entertainment, culture, environment and community-based tourism.

RESORTS - Montego Bay

The experience of the island's resorts literally begins with a memorable entrance. TPDCo was provided with funding for re-creation of the eastern entrance to the City of Montego Bay as well for rehabilitation of the traffic islands and enhancement of the Montego Bay Airport round-a-bout. The Elegant Corridor, running from the Sangster International Airport has been a signature project for the resort city. TEF had allocated JM\$20 million to the St. James Parish Council (SJPC) towards electrical expenses for two years in advance of programmed handing over to the SJPC.

Funds were provided to the St. James Parish Council to improve the visual impact of the historic Dome, Montego Bay while simultaneously creating a green area proximate to this structure erected in Montego Bay in 1837 over the creek that supplied water to the town. Projects in Montego Bay have also included Phase 2 of the renovation of the Harbour Street Craft Market.

Negril

The extensive Negril Suite of Projects included upgrades to Phase 1 of the 'Shared Use Pathway' executed by the National Works Agency. This extensive work involved land acquisition for drainage easement.



Sheffield Main Road, Negril

Falmouth

Historic Falmouth continued to be a focal point for investment aimed at enhancing the town with its Georgian structures, and enticing cruise and other visitors to view touring Falmouth as an authentic step back into its halcyon days in the 18th Century.



Trelawny Parish Church, Falmouth

In the review period, development planning by the Port Authority of Jamaica (PAJ) and APEC Consultants proceeded apace for the Hampden Wharf Development,

a project in the making since 2014. Hampden Wharf sits on 1.6 hectares of land with a number of historic structures including Tharpe House, which is currently benefiting from restorative work. Tharpe House was one of three in Falmouth owned by John Tharpe, proprietor of Good Hope, Trelawny and a foremost slave owner in 18th Century Jamaica.

The mandate for this development is seamless integration with what exists on the cruise ship pier, by developing commercial opportunities and recreational tourism with a strong heritage theme.

The Falmouth streetscape, being carried out sequentially by the UDC and PAJ has seen the upgrading of Market Street nearing completion with plans for Tharpe Street, the accommodation of vendors and other stakeholders under discussion.

TIME SHARE REGISTRY

The TEF has seen itself as an integral part of building and sustaining a multi dimensional industry. As such, the TEF provided additional funding for training and to complete design of the database for operation of the Timeshare Registry. This follows its 2014 allocation of JM\$24 million to establish the Time Share Registry subsequent to passing of Timeshare Legislation.



Minister of Tourism, Hon. Edmund Bartlett (centre) symbolically breaks grounds for the establishment of Jamaica's first Hard Rock Café, at the former Seawind Club in Montego Freeport, on Friday, July 29

JAMAICA ATTRACTIONS LIMITED (AJAL)

TEF supported the Association of Jamaica Attractions Limited (AJAL) in printing of the Association's brochures.

SAFETY AND SECURITY

The TEF continued to support Resort security measures notably in funding the Tourism Courtesy Corps (TCC). The TCC programme was revisited by the Tourism Product Development Company Ltd. with a view to developing a closer relationship with the Jamaica Constabulary Force (JCF) to train District Constables. In the review period, 100 District Constables were trained to complement the TCC.



Funding was provided for repairs of ninety damaged service vehicles to improve the mobility of the JCF within resort areas. In addition, JM\$10,000,000 was allocated by the TEF for the purchase of additional motor vehicles for the JCF.

Other requests to facilitate the work of the security forces were accommodated, for example, the purchase of a standby Generator for the Clark's Town Police Station. Aligned with the concern for public safety, support was provided for remedial works to the Ironshore Fire Department, Montego Bay, St. James.

HEALTH

The TEF lent support to a joint effort by the Ministry of Health and the Regional Authorities to respond to the threat of the Zika Virus in Jamaica. In the review period, a further allocation of JMS\$69 million was made for a national clean-up programme to assist with measures to reduce the impact/spread of the Zik-V and H1N1 viruses. The Western Regional Health Authority received funding support for a stand-by generator for the Health Centre which currently houses the Cornwall Regional Hospital's Accident & Emergency Department, and also to implement a rodent control programme.



The Good Shepherd Foundation was assisted with completion of the medical centre which serves communities between Lucea and St. Ann, while at the Mount Salem Health Centre, the TEF assisted with the erection of suitable covering for the waiting area.

HERITAGE SITES, MONUMENTS AND ATTRACTIONS

The TEF provided funding to improve operational efficiencies at the historic Milk River Hotel and Spa, Clarendon and for the fabrication and installation of directional signs leading to the 226-year old attraction.

For the Financial Year 2016-2017, the TEF also assisted with operational expenses to manage and maintain the Roaring River Park and Cave attraction, Westmoreland.

As Downtown Kingston, rich in its natural and built heritage, is once again brought into focus for resuscitation, TEF funding allowed the commencement of emergency repairs at the Coke Memorial Methodist Church, a national monument at East Parade, pending a larger Churches Development Programme being crafted by TPDCo/TEF. The Christ Church, Morant Bay, St. Thomas on the eastern side of the island and the Burchell Baptist Church, St. James were also among churches which have benefited from TEF-funded rehabilitation.

The TEF has been supportive of past conservation and restorative efforts at the historic Ward Theatre in Downtown Kingston, a gift to the city in 1912. The TEF continued its engagement with the Ward Theatre Foundation in its renewed efforts for restorative works to facilitate the theatre's doors being opened once again for special functions and cultural events.

The Devon House mansion in Kingston, considered one of the finest examples of 19th Century domestic architecture in Jamaica, continued to receive support from the TEF which allocated funding to the Devon House Development Company Ltd. (DHDC) for the construction of additional bathroom facilities at this popular attraction.



Culture Yard, Trench Town

Investments and Shovel Ready Projects



Excellence Ground Breaking – Prime Minister, the Most Hon. Andrew Holness (3rd right); Minister of Tourism, Hon. Edmund Bartlett (4th left); and Chief Executive Officer of the Excellence Group, Monserrate Amengual (right), break ground for construction of the Excellence Group's Oyster Bay hotel in Blue Waters, Trelawny, on March 30, 2017. Others looking on (from left) are Member of Parliament for Northern Trelawny, Victor Wright; Custos of Trelawny, Paul Muschett; Mayor of Falmouth, His Worship Colin Gager; Minister without portfolio in the Ministry of Economic Growth and Job Creation, Hon. Daryl Vaz; and Member of Parliament for Southern Trelawny, Marisa Dalrymple-Philibert.



TEF/EXIM Bank Loan – Minister of Tourism, Hon. Edmund Bartlett (third left) presents a cheque valuing J\$350 million to Managing Director of the National Export-Import Bank of Jamaica (EXIM Bank), Lisa Bell (second right) towards the further development of the Tourism Enhancement Fund (TEF)/EXIM Bank Small Medium Tourism Enterprises (SMTE) Loan Facility. The loan facility was launched in September 2016, with an overall commitment of \$1 billion by TEF, to provide well needed loans to SMTEs to boost the sustainable growth of the industry. Also photographed are TEF's Executive Director Dr. Carey Wallace, Chairman Godfrey Dyer and the Ministry of Tourism's Senior Director Technical Services Mr. David Dobson. The occasion was the press briefing providing an update on the loan facility, at the offices of the Ministry's New Kingston offices on August 30, 2017.



Opening of Royal Decameron Cornwall Beach – President of Decameron All Inclusive Hotels & Resorts, Fabio; Minister of Tourism, Hon Edmund Bartlett and Prime Minister The Most Hon Andrew Holness cut the ribbon signaling the official opening of Royal Decameron Cornwall Beach resort in Montego Bay on Saturday, February 18, 2017. The 146-room all-inclusive hotel was built on the site of the former Cornwall Beach at a cost of US\$24.8 million and offers 100 direct jobs plus 200 indirectly.



Hardrock Café Ground breaking – COO of Rockin Restaurant Group, Andre Dixon shows Minister of Tourism, Hon. Edmund Bartlett the design concept for the Hard Rock Café Montego Bay following the official ground breaking ceremony for the cafe on July 29, 2016. Minister Bartlett noted that once open, Hard Rock will aid in building out the island's entertainment experience so that growth targets and earning requirements can be achieved.



Karisma Resorts – Karisma Hotel and Resorts' Vice-President of Corporate Affairs & Business Development, Ruben Becerra (centre) shows the development plans for their new hotel, Sugarcane by Karisma Jamaica, to (from left) Chairman of the Jamaica Tourist Board, John Lynch; Minister of Tourism, Hon. Edmund Bartlett; Chairman of the Tourism Enhancement Fund, Godfrey Dyer and Chairman of the Tourism Product Development Company, Ian Dear. The occasion was a contract signing at Devon House on June 14, 2016, to place Karisma's new development under the Ministry's Shovel-Ready Initiative. Once completed, the St. Ann-based project will add some 5,000 new rooms, provide at least 8,000 direct jobs and 10,000 indirect jobs.



Lyssons Beach - St. Thomas

TEF Beaches Upgrade Programme



ARTS, CULTURE, CUISINE



Building of cultural expressions is at the heart of differentiating a tourist destination and the TEF, in carrying out its mandate to enhance the overall tourist experience has strongly supported the Arts and Culture.

In the review period, funding was provided for the National Visual Arts Competition and Exhibition 2016 under the aegis of the Jamaica Cultural Development Commission (JCDC). Other events under the banner of Culture included:

- Emancipation Jubilee 2016 - staging by the Jamaica National Heritage Trust of the 19th Annual Emancipation Jubilee at the Seville Heritage Park, St. Ann;
- Emancifest Celebrations 2016 - staging by the Sligoville Heritage Foundation;
- Taste of the Caribbean Culinary Competition - sponsorship of participation by the Jamaica Culinary Federation's contingent in 2016. Competition was

held in Miami, Florida over the period June 6-10, 2016;

- Rastafari Rootzfest Festival - hosted by the Rastafari Coral Gardens Benevolent Society in Negril December 9-11, 2016;
- One World Ska/Rocksteady Music Festival - inaugural event presented by Sounds and Pressure;
- Emancipation Vigil - Flames of Freedom Celebrations - presented by the St. James Social and Economic Development Trust;
- Exhibition - "The Spirit of Budo: The History of Japan's Martial Arts" - a travelling exhibition with attendant public programme mounted by the Institute of Jamaica (IOJ), in Jamaica for three months and next, Canada. This was a collaborative effort between the Japanese Embassy and the IOJ;

- The IOJ was also assisted with air-conditioning for the area housing the exhibition, "Uprising, Morant Bay 1865 and its Afterlives".

The Montego Bay Cultural Centre, a certified Visitor Attraction dedicated to the retention of Jamaica's history and the promotion and development of its artistic treasures, was established in 2014 with the support of the Tourism Enhancement Fund. The TEF provided Operational Support of JM\$37 million for the Financial Year 2016-2017 to the Centre which houses the National Gallery West, an extension of National Gallery of Jamaica, the National Museum West featuring a 'permanent' Museum of History and a 'revolving' museum.

In further support of the Arts, the TEF allocated funding to upgrade selected schools' auditoriums and acquire lighting and sound equipment to assist with improving students' theatrical performance skills and outturns in the Caribbean Secondary Education Certificate Examination in Theatre Arts.

Montego Bay Roundabout Project



CENTRES OF EXCELLENCE PHASE 3

The TEF's Centres of Excellence Programme for high schools was initiated in 2014 with the commitment of JM\$20 million in funding and aims to assist in the improvement of educational outcomes particularly in areas considered to be feeders for the tourist industry. In the review period, the Montego Bay High School received funding support for construction, rehabilitation and equipping of two science laboratories. The Knockalva Agricultural School was the beneficiary of funding for the improvement of its pig production infrastructure.

MEETINGS AND CONVENTIONS

Jamaica's capacity to host meetings of special interest groups has long been recognized as important in growing and diversifying its tourism sector. The island's hosting of international meetings in the course of the review period was seen as both advancing this objective and positioning the country advantageously in discussions with global partners. The TEF played its role in facilitating funding support as follows:

- Forty-sixth Annual Board of Governors Meeting of the Caribbean Development Bank as requested by the Ministry of Finance & Planning - JM\$4 million;
- International Organization of Securities Commissions (IOSCO) Annual Global Conference 2017, Montego Bay as requested by the Financial Services Commission (FSC) - US\$250,000;
- Tourism Outlook Seminar (TOS) scheduled for May 2017: as requested by the Jamaica Tourist Board - JM\$21,200,000, Montego Bay Convention Centre;
- XII Annual Inter-American Network on Government Procurement (INGP) Conference 2016, Montego Bay as requested by the Economic Growth Council - US\$14,000 November, 2016, Montego Bay;
- United Nations International Year of Sustainable Tourism Development – as requested by the Ministry of Tourism (MoT) in support of the UNWTO's designation of 2017 as the International Year for Sustainable Tourism Development; UNWTO Conference Montego Bay scheduled for, November 2017 - JM\$157,750,000.

INFRASTRUCTURE AND MAINTENANCE

The improvement and upkeep of roads, bridges and other infrastructural systems and services in tourism centres

have presented a challenge in the context of the island's tight fiscal space. Accordingly, the TEF in collaboration with the National Works Agency (NWA) supported the rehabilitation of a number of roads leading to various attractions. Support was also accorded to the Selected Area Maintenance Programme for Resorts designed and implemented by the Tourism Product Development Company Ltd. at a cost of JM\$75,800,000.

TEF-supported infrastructural works included:

- Road rehabilitation - Providence Drive to Morgan Road as requested by the St. James Parish Council;
- Rehabilitation of the Griffin Gully Bridge, St. Andrew as requested by the National Works Agency;
- Rehabilitation of the Virgin Valley Road and Amity Hall roadway in St. James;
- Sheffield to Negril Road rehabilitation - variations to the scope of works as requested by the National Works Agency;
- Road markings along North Coast Highway – Oracabessa to Runaway Bay as requested by the National Works Agency;
- Emergency repairs in affected areas island wide in the aftermath of Tropical Storm Matthew;
- Rehabilitation of sidewalks and road furniture within the township of Montego Bay;
- Fabrication and installation of signage in Trench Town as requested by the Tourism Product Development Company Ltd.

Maintenance projects facilitated by the TEF included:

- All-island Maintenance 2016 managed by the Tourism Product Development Company Ltd. funding support of JM\$500,234,657.62;
- Cleaning of debris from and de-bushing of Howard Cooke Boulevard along the North Gully Banks, Montego Bay as requested by the St. James Municipal Council;
- Labour Day Clean-Up 2016 in Resort Areas as requested by the Tourism Product Development Company Ltd. including enhancement of verges and medians, painting of curb walls and cleaning of drains;
- "Spruce-Up the Community" for Emancipation and Independence celebrations islandwide as requested by TPDCo/Ministry of Culture, Gender, Entertainment and Sports & Gender;

- “Spruce Up Jamaica – Pon Di Corner” programme projects island wide in collaboration with the Parish Councils, National Works Agency, Rural Agricultural Development Agency and the Social Development Commission;
- Clean-Up Winter Tourist Season 2016 - for maintenance and beautification of verges for the 2016-2017 Winter Tourist Season;
- Islandwide Beautification Programme as requested by the National Works Agency (NWA);
- Cleaning and maintenance of drains in Ocho Rios as requested by the St. Ann Municipal Council.

The TEF has responded to urgent social and infrastructural needs in depressed communities proximate to the resort areas. In the course of the review period, funding support of JM\$125 million was provided for Community Renewal & Electrical Upgrade in the Montego Bay Resort area at the request of the Housing Agency of Jamaica (HAJ) under its Resort Squatter Settlement Project.

Urgent development works to the Retirement Dump Site was funded by the TEF through the National Solid Waste Management Authority in the amount of JM\$37.2 million to improve efficiency in manoeuvring waste, construction of fire breaks to reduce the spread of fires and construction of roadways on the dump site during the rehabilitation of the landfill.

In ‘New Kingston’, a hub for business travel in the capital city, the TEF facilitated servicing, replacement and installation of fire hydrants.

TRANSPORT AND COMMUNICATION

The TEF continued to partner with the Passport, Immigration and Citizenship Agency (PICA) to improve airport services thus shortening waiting in lines and reducing the processing time of passengers. Revenue support to PICA was also facilitated in TEF’s continuation of the ‘Waiver of Visa Requirements Programme’ implemented in 2012 in the amount of JM\$10,700,000.

This has served to offset the loss of revenue by PICA consequent on the waiver of visa requirements for visitors from Eastern European Countries (Russia, Ukraine, Poland, Czech Republic, Hungary, Slovakia) as well as China as supported by a Cabinet decision.

ENVIRONMENT

A principal object of the Tourism Enhancement Act 2004 is the “encouragement of better management of environmental resources in Jamaica”. One manifestation of this has been the TEF’s funding of the ‘Clean Coast Project’ under the aegis of the Jamaica Environment Trust (JET). Phase 3 of this Project received support in the sum of JM\$49.37 million for one year, August 1, 2016 – July 31, 2017.

Other environmental initiatives attracting TEF support included JM\$15.18 million funding to the Oracabessa Foundation to establish “The Dive Shop at Oracabessa Bay”, plant 8,000 pieces of coral over two years and the commissioning of an iconic underwater sculpture.

The Portland Environment Protection Association (PEPA) received support of US\$142,550 to establish a community-based dive and water sports facility in Portland. The project received support as falling within the TEF’s Fish Sanctuaries programme to protect the shorelines, reefs, the fish population and replacement of the livelihood of fisher folk.

Operational support of JM\$9.69 million was provided to the Montego Bay Marine Park Trust for the Financial Year 2016-2017.

COMMUNITY TOURISM/SPORTS/SOCIAL SUPPORT

TEF has been committed to supporting community-based tourism as a necessary condition for an inclusive and sustainable industry in which the host population sees and experiences the benefits of its involvement in the sector.

The Treasure Beach Loan Programme approved during the review period, has allowed interest-free funding, lower than JM\$5 million and payable over 5 years for upgrading of this un-spoilt, popular South Coast area for swimming, surfing and fishing. The TEF support/co-sponsorship of JM\$20 million is designed to facilitate the Treasure Beach community’s ability to acquire the Attractions/Place of Interest licensing needed to be able to benefit from ‘Compete Caribbean’ grant funding. ‘Compete Caribbean’ is a programme to support private sector development and competitiveness in 15 Caribbean countries. A joint initiative of the Inter-American Development Bank (IDB), the Canadian International Development Agency (CIDA),

and the United Kingdom's Department of International Development (DFID), it provides technical assistance and investment funding to support clustering initiatives, and promote small and medium-sized enterprises (SMEs) throughout the region.

There was continuation of the TEF Public Beaches Programme under which a number of beaches islandwide have been targeted for development and upgrading. These include: Lyssons Beach, Markings Stone Beach, Great Bay Beach, Terminal Beach, Tryall Beach, Salem Beach, Success Beach and Annotto Bay Beach.

The TEF has strongly supported sporting endeavours as a unifying force at the community, national and global levels and a remarkable marketing tool for Jamaica.

In the review period, the TEF provided funding of JM\$20 million for upgrading of the Barrett Town Sports Centre, inclusive of rehabilitation of the playing field, upgrading the multi-purpose court, construction of bleachers and chain link fencing of the facility. The 'Negril Mini Stadium'

benefited from grant funding of JM\$34.6 million and the Flankers Sports and Vending Complex from funding support of JM\$37.7 million for upgrading works.

Among the sporting teams supported, TEF was responsive to an appeal from the Jamaica Cricket Association (JCA) for funding of Jamaica's hosting of the WICB Women's International Cricket Series and preparation camp. Funding support to the JCA allowed for improvements to the Trelawny Multi-Purpose Stadium in advance of Jamaica's hosting of the Women's International Cricket series between West Indies and England in October, 2016.

The TEF has extended its community outreach to areas of obvious social need in tourism centres. This category of support in the review period included the 'Child Resiliency Programme' under the aegis of the Violence Prevention Alliance. The TEF facilitated expansion of the programme, which provides successful intervention for at-risk children, to Montego Bay and its continuation in Falmouth.



Forecast and Projection

of Key Financial and Operating Measures



INDUSTRY OVERVIEW

Based on current trends and assessment by the United Nations World Tourism Organization (UNWTO), international tourist arrivals are expected to increase by 3% to 4% in 2018 with additional arrivals to the Americas projected at 4% to 5%.

These views are bolstered by analyses of transport and booking trends by the International Civil Aviation Organization (ICAO) and the International Air Transport Association (IATA) as well as anticipation by "ForwardKeys" of future travel patterns.

Total contribution of travel and tourism to the world's economy is forecast to grow by 3.5%. Continued growth is expected across main economic indicators of Gross Domestic Product, Contribution to Job Creation, Investment and Visitor Exports.

A key challenge in 2018, however, is seen in an expected general

slowdown in consumer spending power which will affect spending on travel and tourism. The combination of higher inflation caused by recovering oil prices and its possible 'knock-on' impact on air fares; rising debt servicing costs as interest rates rise; and a slowdown in job creation across the globe curbing global spending power will potentially weaken economic growth rates.

In assessing the outlook across different outbound markets, analysts expect the Dollar strength to persist. The forecast is for 2018 to be another strong year for the USA with growth of 5.4% in outbound travel and tourism expected.

In this scenario, Caribbean destinations are among the most likely beneficiaries. However, there is some uncertainty seen surrounding the policy of the new US administration and how these might affect projections for growth.

China, having enjoyed seven consecutive years of annual growth in excess of 20% will see a slowing in outbound spending, which is still expected to be strong at 12%.

The depreciation of the Pound Sterling is forecast to continue in 2018 leading to substantial slowdown in outbound travel and tourism spending from the United Kingdom. Industry watchers see a contraction from 8.0% in 2016 to 4.2% in 2018 with European destinations and longer-haul travel to the USA and the Caribbean as most likely to suffer.

In Jamaica, the expectation is for increased economic activity in 2017-2018, supported by the anticipated increase in global economic growth, stability and attendant strengthening of investor and consumer confidence based on continued robust implementation of macro-economic reforms.

Jamaica's tourism is set to benefit from the addition of 3,000 rooms between 2017 and 2018 which will provide

an impetus for stronger growth in the industry. Over the past year, the island has seen the commencement of new flights by Southwest Airlines, American Airlines, Xtra Airways and Frontier Airlines from the USA; the introduction of fortnightly flights from Europe by Thomas Cook Airlines Scandinavia, Condor and Eurowings and greater frequency of flights by JetBlue Airways, Southwest Airlines, Delta Airlines and United Airlines from the USA.

Additional flights, higher load factors and the utilization of larger aircrafts by a number of other airlines all point to a positive outlook for destination Jamaica.

The Jamaica Tourist Board expects to capitalize on the traditional markets: USA, Canada and UK while also targeting Eastern Europe (given a boost with establishment of a recent flight from that Region); Asia, (Japan, China and South Korea); Latin America and the Caribbean.

Longer term growth and strength of the travel and tourism sector are inextricably linked to Governments' continued investment in the necessary infrastructure and destinations' commitment to sustainability in tourism development.

Significantly, the United Nations 70th General Assembly has designated 2017 the "International Year of Sustainable Tourism for Development" highlighting the role of travel and tourism in creating jobs, driving exports and generating prosperity across the world.

The International Year is promoted as providing an opportunity to showcase the economic, social, cultural, environmental and heritage value of sector. The Year "aims

to support a change in policies, business practices and consumer behaviour toward a more sustainable tourism sector that can contribute to the Sustainable Development Goals."

TOURISM ENHANCEMENT FUND – FORECAST

Revenues flowing from fees collected on behalf of the Tourism Enhancement Fund are based on projections from the Jamaica Tourist Board for stopover arrivals and all indications are for continued stability in fees payable to the TEF by incoming visitors travelling by air to the island. Fees payable to TEF by cruise visitors are also included in the projections.

Fee collection expense is estimated at approximately 3.1% of revenue, all other projections are based on current expenses with an inflationary rate of 5%.

Expenditure for JTB for marketing and JAMVAC for airlift support is 50% of revenue after operating expenses of JM\$542 million.

TPDCo receives project management fees of 10% for the projects they manage and it is estimated that TPDCo will manage 30% of projects of JM\$1.471 million.

Under the new Dispensation by which TEF inflows are now deposited in Central Government's Consolidated Fund, funds allocated to TPDCo and the JTB would be disbursed directly to them by the MoT.

TEF's budget for 2017-2018 accords with guidelines from the Ministry of Finance and the Public Service. The likely movement in interest rates and depreciation in the Jamaican dollar vis a vis the US dollar are also significant elements in the forecast and projections for TEF finances in

the months ahead.

Revenues chargeable for airline travelers are projected to be JM\$6.130 billion and for cruise visitors are projected to be JM\$127.3 million.

Projections are for investment income of JM\$103 million.

{Prior to new arrangements under which TEF inflows are now deposited in Central Government's Consolidated Fund, TEF operated with the ability to accrue committed but unspent funds and manage its Investment Portfolio.

Unspent funds will now be absorbed by the Consolidated Fund at the end of the financial year.

Project expenditure for the coming year will consist of approved projects being carried forward as well as new projects and is budgeted at JM\$5,813.54.

JM\$2,056.25 million is allocated to JTB and JM\$404 million is allocated to JAMVAC.

Projected Operating Expenses -Year Ending 31 March 2018	
	J\$ M
Project Management	93.53
Collections	190.03
Staff Cost	134.40
Administrative	101.44
Property	22.78
Projected Operating Expenses	542.17

Projected Income & Expense Statement -Year Ending 31 March 2018	
	J\$M
Projected Fees	6,257.16
Projected Interest & Other Income	103.25
TOTAL PROJECTED INCOME	6,360.41
Projected Financing & Support	5,813.54
Projected Operating Expenses	542.17
TOTAL PROJECTED EXPENSES	6,355.71
Projected Surplus	4.70

Senior Executive Compensation

Year Ended March 31, 2017

Position of Senior Executive	Salary	Gratuity and /Incentive/ Vacation Leave/Retro payments	Travelling Allowance or Value of assigned Vehicle	Pension or Other Retirement Benefits	Other Allowances / Benefits	Non Cash Benefits	Total
Executive Director	7,713,116	3,431,828	1,089,168				12,234,112
Director of Projects	5,063,305	270,353	1,341,624				6,675,282
Director of Finance	4,988,777	2,989,201	1,284,957				9,262,936
TOTAL	17,765,199	6,691,382	3,715,749	-	-	-	28,172,329

Directors Compensation

Year Ended March 31, 2017

Position of Director	FEES	Motor Vehicle Upkeep/Travelling or Value of Assigned Motor Vehicle	Honoraria	All Other Compensation including Non-Cash Benefits as applicable	Total
CHAIRMAN	243,800	867,063			1,110,863
DEPUTY CHAIRMAN	236,400				236,400
DIRECTOR 1	188,100	213,843			401,943
DIRECTOR 2	202,100	108,824			310,924
DIRECTOR 3	112,000				112,000
DIRECTOR 4	209,000	22,196			231,196
DIRECTOR 5	151,300	17,296			168,596
DIRECTOR 6	99,900				99,900
DIRECTOR 7	34,900				34,900
DIRECTOR 8	56,000				56,000
DIRECTOR 9	84,000				84,000
DIRECTOR 10	84,000				84,000
DIRECTOR 11	111,600	17,296			128,896
	1,813,100	1,246,519			3,059,619



Water Square, Falmouth



Tourism
Enhancement
Fund



2016-2017 Financials



Tourism Enhancement Fund

Financial Statements
31 March 2017

Tourism Enhancement Fund

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31 March 2017

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Independent auditor's report

To the Members of Tourism Enhancement Fund

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Tourism Enhancement Fund as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Responsibilities of management for the financial statements

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

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

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

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



Auditor's responsibilities for the audit of the financial statements

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

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

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



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

A handwritten signature in black ink that reads "Rhianthorn Cooper".

Chartered Accountants
20 September 2017
Kingston, Jamaica

Tourism Enhancement Fund

Statement of Comprehensive Income

Year ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
Income		5,927,752	5,511,285
Other income	6	429,380	250,040
Project expenditure	7	(5,331,629)	(4,920,240)
Operating expenses	8	<u>(397,099)</u>	<u>(450,032)</u>
Operating Surplus		628,404	391,053
Taxation	11	<u>-</u>	<u>-</u>
Net Surplus, being Total Comprehensive Income for the Year		<u><u>628,404</u></u>	<u><u>391,053</u></u>

Tourism Enhancement Fund

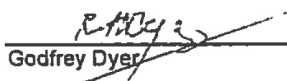
Statement of Financial Position


31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
Non-Current Assets			
Property, plant and equipment	12	18,191	6,111
Long-term receivables	13	548,145	193,844
Related parties	17	151,097	-
		717,433	199,955
Current Assets			
Trade and other receivables	14	930,069	1,165,481
Short term deposits	15	1,496,247	2,255,829
Cash and cash equivalents	15	1,020,129	143,486
		3,446,445	3,564,796
Current Liability			
Trade and other payables	16	168,829	248,106
Net Current Assets		<u>3,277,616</u>	<u>3,316,690</u>
		<u>3,995,049</u>	<u>3,516,645</u>
Accumulated Funds			
Accumulated surplus		<u>3,995,049</u>	<u>3,516,645</u>

Approved for issue by the Board of Directors on 20 September 2017 and signed on its behalf by:


 Godfrey Dyer Director


 Jordan Samuda Director

Tourism Enhancement Fund

Statement of Changes in Equity

Year ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Accumulated Surplus
	\$'000
Balance at 31 March 2015	3,159,252
Appropriation to the Consolidated Fund	(33,660)
Net surplus, being total comprehensive income for the year	<u>391,053</u>
Balance at 31 March 2016	3,516,645
Appropriation to the Consolidated Fund	(150,000)
Net surplus, being total comprehensive income for the year	<u>628,404</u>
Balance at 31 March 2017	<u><u>3,995,049</u></u>

Tourism Enhancement Fund

Statement of Cash Flows

Year ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
Cash Flows from Operating Activities			
Net surplus		628,404	391,053
Adjustment for:			
Depreciation	12	2,246	2,668
Interest income	6	(117,594)	(124,397)
Loss on disposal of property, plant and equipment		57	252
		<u>513,113</u>	<u>269,576</u>
Changes in operating assets and liabilities			
Trade and other receivables		235,412	(294,746)
Trade and other payables		<u>(79,277)</u>	<u>46,054</u>
Net cash provided by operating activities		<u>669,248</u>	<u>20,884</u>
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	12	(14,532)	(1,660)
Proceeds from disposals		149	
Interest received		126,769	113,621
Long-term receivables, net		<u>(505,398)</u>	<u>(5,116)</u>
Net cash (used in)/provided by investing activities		<u>(393,012)</u>	<u>106,845</u>
Cash Flows from Financing Activities			
Appropriation to the Consolidated Fund		<u>(150,000)</u>	<u>(33,660)</u>
Net cash used in financing activities		<u>(150,000)</u>	<u>(33,660)</u>
Increase in cash and cash equivalents		126,236	94,069
Cash and cash equivalents at beginning of year		<u>2,381,476</u>	<u>2,287,407</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	<u><u>2,507,712</u></u>	<u><u>2,381,476</u></u>

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

The Tourism Enhancement Fund (the Fund), was established under the Tourism Enhancement Act (the Act), and commenced operations on 1 May 2005. It is a body corporate governed by section 28 of the Interpretation Act.

The main objects of the Fund are to implement projects and programmes which impact the growth and development of the tourism sector, enhance the tourism experience in Jamaica, provide for sustainable development in the tourism sector and encourage better management of environmental resources.

Under the provisions of the Act, the Fund is financed by the tourism enhancement fee payable by each traveller to Jamaica (subject to certain exceptions) as follows:

- (i) US\$20 in respect of travel by air;
- (ii) US\$2 in respect of travel by sea.

Effective 1 April 2017, the Fund has been directed by the Ministry of Finance and Public Services to transfer all monies collected from airline and cruise ship passengers to the nation's Consolidated Fund. Under this new dispensation, the Tourism Enhancement Fund will access funds by submitting a monthly cash flow request to the Bank of Jamaica.

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention.

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 Fund's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

New and amended standards adopted by the Fund

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

Amendment to IAS 1, 'Presentation of Financial Statements', (effective for annual periods beginning on or after 1 January 2016). This amendment forms part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. It clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies and notes to the financial statements. The amendment is not expected to have a significant impact on the Fund's financial statements.

There are no other IFRS or IFRIC interpretations that are effective that would be expected to have a material impact on the Fund.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New standards and interpretations not yet adopted

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

IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018). This standard specifies how an entity should classify and measure financial instruments, including some hybrid contracts. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and subsequently measured at amortised cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the two impairment methods in IAS 39 that arise from the different classification categories. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. There has been no significant change in the recognition and measurement of financial liabilities carried at amortised cost from what obtained under IAS 39. The Fund is considering the implications of the standard, the impact on the Fund and the time of its adoption.

IFRS 15, 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 January 2018). The standard 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 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 Fund is considering the implications of the standard, the impact on the Fund and the time of its adoption.

Amendments to IAS 7, 'Statement of Cash Flows', (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 financing 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 unrealised exchange differences. Future adoption of these amendments will result in additional disclosure in the financial statements.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New standards and interpretations not yet adopted (continued)

IFRS 16, 'Leases', (effective for annual periods beginning on or after 1 January 2019). In January 2017, the IASB published IFRS 16 which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for lessees for certain short-term leases and leases of low-value assets. The Fund is considering the implications of the standard, the impact on the Fund and the time of its adoption.

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

(b) Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

Foreign currency transactions are translated in the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(c) Income taxes

The Fund is exempt from taxation on normal operating activities.

Deferred taxation is not recognised in these financial statements as a result of the Fund's exemption from taxation on normal operating activities and no significant temporary differences in respect of income subject to taxation.

(d) Income recognition

Income represents tourism enhancement fees received from certain travellers to the island, through the carriers, and is recognised on the accruals basis.

Interest income is recognised on a time-proportionate basis using the effective interest method.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(e) Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line basis at rates estimated to write off the carrying value of property, plant and equipment over the period of their expected useful lives. The expected useful lives are as follows:

Furniture and fixtures	10 years
Computers and equipment	3 years
Office equipment	10 years
Motor vehicles	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

Repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are 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 Fund. Major renovations are depreciated over the remaining useful life of the related asset.

(f) 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 an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(g) Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. 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 the receivables.

The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. The amount of the provision is recognised in the statement of comprehensive income.

(h) Cash and cash equivalents

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 balances with maturity dates of less than 365 days from the dates of acquisition including cash at bank and in hand and deposits held at call with banks.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(i) Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost.

(j) Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(k) Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(l) 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 of another entity.

Financial assets

The Fund's financial assets comprise cash and short-term deposits and receivables.

Financial liabilities

The Fund's financial liabilities comprise trade and other payables.

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The determination of the fair values of the Fund's financial instruments is discussed in Note 4.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management

The Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk). The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

The Fund'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. The Fund regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Fund's risk management framework. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The Board has established departments/committees for managing and monitoring risks, as follows:

(i) Finance Department

The Finance Department is responsible for managing the Fund's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Fund. The department identifies, evaluates and hedges financial risks in close co-operation with the Fund's operating unit.

(ii) Audit Committee

The Audit Committee oversees how management monitors compliance with the Fund's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund.

The most important types of risks are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk and interest rate risk.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk

The Fund takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Fund by failing to discharge their contractual obligations. Credit risk is the most important risk for the Fund's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Fund's receivables from customers and investment activities. The Fund structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties.

Credit review process

Management performs ongoing analyses of the ability of borrowers and other counterparties to meet repayment obligations. This does not include airlines as, by law, the Fund is required to conduct business with all airlines regardless of their creditworthiness.

(i) Trade and other receivables

The Fund's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management is bound to transact with each airline through its agent, regardless of its credit history.

Customer credit risk is monitored according to their credit characteristics such as aging profile. Trade and other receivables relate mainly to the Fund's airline customers.

The Fund establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The Fund addresses impairment assessment on an individual basis.

The Fund's average credit period on the collection of airline fees is 30 days. The Fund has provided for receivables based on historical experience. Trade receivables 90 days and over are provided for based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

(ii) Cash and short term deposits

Cash transactions are limited to high credit quality financial institutions; each account must be approved by the Ministry of Finance and Planning. There are no specific policies with regards to limits at financial institutions holding operating cash balances; however, the Fund limits its exposure to credit risk by investing mainly in Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk

The Fund's maximum exposure to credit risk at year end was as follows:

	2017 \$'000	2016 \$'000
Long-term receivables	548,145	193,844
Trade and other receivables	926,593	1,162,380
Related parties	151,097	-
Short term deposits	1,496,247	2,255,829
Cash and bank	1,020,129	143,486
	<u>4,142,211</u>	<u>3,755,539</u>

Exposure to credit risk for investment securities

The following table summarises the Fund's credit exposure for investment securities at their carrying amounts, as categorised by issuer:

	2017 \$'000	2016 \$'000
Government of Jamaica Securities	<u>1,496,247</u>	<u>2,255,829</u>

Exposure to credit risk for trade receivables

The following table summarises the Fund's credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector:

	2017 \$'000	2016 \$'000
Receivables – airlines	898,350	1,106,179
– cruise ships	28,659	52,434
Less: Provision for bad debts - airlines	<u>(5,958)</u>	<u>(2,428)</u>
	<u>921,051</u>	<u>1,156,185</u>

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Ageing analysis of trade receivables that are past due but not impaired

Trade receivables relating to airline and cruise ship passengers that are less than 90 days past due are not considered impaired. As of 31 March 2017, trade receivables of \$920,434,000 (2016 – \$1,111,470,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables was as follows:

Airline passengers	2017 \$'000	2016 \$'000
0 – 30 days	889,777	1,047,549
31 – 60 days	1,992	8,026
61 – 90 days	-	3,461
	<u>891,769</u>	<u>1,059,036</u>
 Cruise ship passengers		
0 – 30 days	28,662	45,259
31 – 60 days	3	-
61 – 90 days	-	7,175
	<u>28,665</u>	<u>52,434</u>
	<u>920,434</u>	<u>1,111,470</u>

Ageing analysis of trade receivables that are past due and impaired

As of 31 March 2017, trade receivables of approximately \$6,575,000 (2016 – \$47,143,000) were impaired. The amount of the provision was approximately \$5,958,000 (2016 – \$2,428,000) relating to airline and cruise ship passengers. The individually impaired receivables mainly relate to airlines. It was assessed and is expected to be recovered. The ageing of these receivables was as follows:

Airline passengers	2017 \$'000	2016 \$'000
Over 90 days	<u>6,575</u>	<u>47,143</u>

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Movement analysis of provision for impairment of trade receivables

The movement on the provision for impairment of trade receivables was as follows:

	2017	2016
	\$'000	\$'000
At 1 April	2,428	193
Provision for impairment of receivables	3,530	2,235
At 31 March	5,958	2,428

The creation and release of provisions for impaired receivables have been included in expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) 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.

Liquidity risk management process

The Fund's liquidity management process includes:

- (i) Monitoring future cash flows and liquidity on a weekly basis. This incorporates an assessment of expected cash flows.
- (ii) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Optimising cash returns on invested cash;
- (iv) Managing the concentration and profile of project obligations.

The maturities of assets and liabilities are important factors in assessing the liquidity of the Fund and its exposure to changes in interest rates and exchange rates.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted cash flows of financial liabilities

The maturity profile of the Fund's financial liabilities at year end based on contractual undiscounted payments was as follows:

	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	Total \$'000
Financial Liabilities				
Payables -				
31 March 2017	51,220	69,133	48,476	168,829
31 March 2016	43,310	138,352	66,444	248,106

Assets available to meet all of the liabilities and to cover financial liabilities include cash and short term deposit and receivables.

(c) Market risk

The Fund takes on exposure to market risks, which is the risk that the fair value of 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 exposures are measured using sensitivity analysis. There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Fund manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Fund further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

The Fund's exposure to foreign currency exchange rate risk at year end was as follows:

	Jamaican\$ J\$'000	US\$ J\$'000	Total J\$'000
	2017		
Financial Assets			
Long-term receivables	548,145	-	548,145
Trade and other receivables	-	926,593	926,593
Related parties	151,097	-	151,097
Short term deposits	713,424	782,823	1,496,247
Cash and bank	285,743	734,386	1,020,129
Total financial assets	1,698,409	2,443,802	4,142,211
Financial Liabilities			
Payables	168,829	-	168,829
Total financial liabilities	168,829	-	168,829
Net financial position	1,529,580	2,443,802	3,973,382
	2016		
Financial Assets			
Long term receivables	193,844	-	193,844
Trade and other receivables	6,195	1,156,185	1,162,380
Short term deposits	1,131,026	1,124,803	2,255,829
Cash and bank	104,130	39,356	143,486
Total financial assets	1,435,195	2,320,344	3,755,539
Financial Liabilities			
Payables	115,098	133,008	248,106
Total financial liabilities	115,098	133,008	248,106
Net financial position	1,320,097	2,187,336	3,507,433

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

The Fund had significant exposure on its US dollar monetary assets and its forecast future cash flows. The following change in currency rate represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 6% devaluation (2016 – 8%) and 1% revaluation (2016 – 1%) change in foreign currency rates. The sensitivity of the surplus was a change of \$24,438,000 (2016 – \$21,873,000) in respect of a revaluation and \$146,628,000 (2016 – \$174,987,000) in respect of a devaluation. 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 each variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Fund to cash flow interest risk, whereas fixed interest rate instruments expose the fund to fair value interest risk.

The following table summarises the Fund's exposure to interest rate risk. It includes the Fund's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Non- Interest Bearing \$'000	Total \$'000
	2017					
Assets						
Long-term receivables	13,314	42,434	119,234	320,133	53,030	548,145
Trade and other receivables	-	-	-	-	926,593	926,593
Related parties	-	-	-	151,097	-	151,097
Short term deposits	587,995	705,086	194,502	-	8,664	1,496,247
Cash and bank	1,020,089	-	-	-	40	1,020,129
Total financial assets	1,621,398	747,520	313,736	471,230	988,327	4,142,211
Liabilities						
Payables	-	-	-	-	168,829	168,829
Total financial liabilities	-	-	-	-	168,829	168,829
Total interest repricing gap	1,621,398	747,520	313,736	471,230	819,498	3,973,382

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) 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	Non- Interest Bearing \$'000	Total \$'000
	2016					
Assets						
Long term receivables	2,974	1,111	3,470	184,325	1,964	193,844
Trade and other receivables	139	468	1,184	2,805	1,157,784	1,162,380
Short term deposits	177,389	811,450	1,266,990	-	-	2,255,829
Cash and bank	143,446	-	-	-	40	143,486
Total financial assets	323,948	813,029	1,271,644	187,130	1,159,788	3,755,539
Liabilities						
Payables	-	-	-	-	248,106	248,106
Total financial liabilities	-	-	-	-	248,106	248,106
Total interest repricing gap	323,948	813,029	1,271,644	187,130	911,682	3,507,433

4. 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. In assessing the fair values of financial instruments, the Fund uses a variety of methods and makes assumptions that are based on market conditions existing at the statement of financial position date.

The amounts included in the financial statements for receivables, cash and short-term deposits and payables approximate fair values because of the short-term maturity of these instruments.

The fair value of the long term receivables (net of impairment) approximates its carrying value as it represents revolving loans that will again be on-lent when repaid.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies

(a) Critical judgements in applying accounting policies

In the process of applying the Fund's accounting policies, management has made no judgements which it believes would have a significant impact on the amounts recognised in these financial statements.

(b) Key sources of estimation uncertainty

Management has derived no estimates for inclusion in these financial statements, which it believes have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

6. Other Income

	2017 \$'000	2016 \$'000
Foreign exchange gain	124,942	119,859
Interest income	117,594	124,397
Recoveries on projects	186,089	-
Other	755	5,784
	<u>429,380</u>	<u>250,040</u>

7. Tourism Enhancement Projects

	2017 \$'000	2016 \$'000
Falmouth	-	43,200
JAMVAC airlift support	67,543	82,907
JTB overseas marketing	2,797,882	2,364,064
Kingston and St. Andrew	56,909	231,968
Montego Bay	282,897	181,415
National projects	1,829,022	1,749,211
Negril	96,943	163,152
Ocho Rios	-	9,468
Portland	58,878	20,545
South coast	141,555	74,310
	<u>5,331,629</u>	<u>4,920,240</u>

During the year project expenses for Falmouth and Ocho Rios amounted to \$43,699,000 and \$42,501,000. Management also recovered monies on these projects in the amount of \$272,289,000, resulting in the net recoveries of \$186,089,000 as noted above in note 6.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

8. Operating Expenses

	2017 \$'000	2016 \$'000
Auditors' remuneration	1,743	1,660
Board expenses	8,776	1,387
Collections	185,683	173,193
Depreciation	2,246	2,668
Directors' fees	1,813	855
General Consumption Tax	9,388	5,096
Information technology	3,802	4,166
Marketing	7,312	11,132
Other management fees	4,700	2,250
Professional fees	3,076	4,122
Project management fees	57,648	116,228
Property expenses	13,162	15,346
Provision for bad debts - airlines	640	2,235
Staff costs (Note 9)	83,036	99,338
Other	14,074	10,356
	<u>397,099</u>	<u>450,032</u>

9. Staff Costs

	2017 \$'000	2016 \$'000
Wages and salaries	50,395	55,773
Statutory deductions	4,317	5,418
Other	28,324	38,147
	<u>83,036</u>	<u>99,338</u>

Tourism Enhancement Fund

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

10. Operating Lease Commitments

The Fund leases its office space under a non-cancellable operating lease agreement. The lease term is 5 years and is renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 \$'000	2016 \$'000
Not later than 1 year	13,842	13,555
Later than 1 year and not later than 5 years	-	13,842
	<u>13,842</u>	<u>27,397</u>

11. Taxation

As stipulated in the Act, the income of the Fund is exempt from income tax.

12. Property, Plant and Equipment

	Furniture & Fixtures \$'000	Computers & Equipment \$'000	Office Equipment \$'000	Motor Vehicles \$'000	Total \$'000
At Cost -					
At 1 April 2015	3,233	3,320	3,513	6,204	16,270
Additions	490	868	302	-	1,660
Disposals	-	(377)	-	-	(377)
At 31 March 2016	3,723	3,811	3,815	6,204	17,553
Additions	2,428	2,520	231	9,353	14,532
Disposals	(247)	-	-	-	(247)
At 31 March 2017	5,904	6,331	4,046	15,557	31,838
Depreciation -					
At 1 April 2015	1,735	2,246	559	4,359	8,899
Charge for the year	328	744	355	1,241	2,668
Relieved on disposals	-	(125)	-	-	(125)
At 31 March 2016	2,063	2,865	914	5,600	11,442
Charge for the year	386	695	404	761	2,246
Relieved on disposals	(41)	-	-	-	(41)
At 31 March 2017	2,408	3,560	1,318	6,361	13,647
Net Book Value -					
31 March 2017	3,496	2,771	2,728	9,196	18,191
31 March 2016	1,660	946	2,901	604	6,111

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

13. Long Term Receivables

	2017 \$'000	2016 \$'000
Long term receivables	631,213	277,745
Less: Provision for impairment	(85,849)	(86,244)
	545,364	191,501
Interest receivable	2,781	2,343
	548,145	193,844

- a) Under an agreement dated 7 December 2007, as amended, with the Jamaica National Building Society Small Business Loans Limited (JNBSL), the Fund has committed to provide a maximum of \$310,000,000 to JNBSL for on-lending to entrepreneurs in the tourism industry for tourism related activities. It is intended that the loans made by JNBSL will be made on a revolving basis, with amounts repaid being made available for further on-lending.

Interest earned on the loans under this arrangement, is credited to the Fund.

The loans made by JNBSL have a repayment period not exceeding five (5) years and the Fund has accepted the credit/repayment risk on these loans. The total disbursed by the Fund at 31 March 2017 was \$257,745,000 (2016 - \$257,745,000), and provision for impairment was \$85,849 (2016 - \$86,244,000).

- b) Under an agreement dated 19 June 2014, with JNBSL, the Fund has committed to provide a maximum of \$50,000,000 to JNBSL for on-lending to entrepreneurs in the tourism industry for tourism related activities specifically as it relates to energy saving efficiency. It is intended that the loans made by JNBSL will be made on a revolving basis, with amounts repaid being made available for further on-lending.

Interest earned on the loans under this arrangement, is credited to the Fund.

The total disbursed by the Fund at 31 March 2017 was \$20,000,000 (2016 - \$20,000,000), and provision for impairment was nil.

- c) Under an agreement dated 21 September 2016, with the EXIM Bank Jamaica (EX-IM Bank), the Fund has committed to provide a maximum of \$1,000,000,000 to EX-IM Bank for on-lending to small and medium sized enterprises (SMTE) in the tourism industry. It is intended that loans made by EX-IM Bank will be made on a revolving basis with amounts repaid being made available for further on-lending.

Interest earned on the loans under this arrangement, is credited to the Fund.

The loans made to EXIM Bank have a repayment period not exceeding six (6) years with a maximum moratorium of twelve (12) months. The Fund bears 30% of the risk relating to non-repayment of the loan to borrowers made by EXIM Bank. The total disbursed by the Fund at 31 March 2017 was \$300,000,000, and provision for impairment was nil.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

13. Long Term Receivables (Continued)

- d) In December 2014, a Cabinet submission was made relating to the variation of land divestment. This process was done to facilitate the Shovel Ready Investment Programme (SRIP), which is a joint ministerial initiative between the Ministry of Industry, Investment and Commerce, The Ministry of Tourism and Entertainment and the Ministry of Water, Land, Environment and Climate Change. As part of this arrangement, tourism related projects are facilitated by using the Fund's cash resources for the concept packaging and the development of environmental studies, with the view of recouping funds expended by the Fund during the land acquisition process. The amount expended by the Fund as at 31 March 2017 amounted to \$53,468,000.

14. Trade and Other Receivables

	2017 \$'000	2016 \$'000
Trade receivables – airlines	898,350	1,106,179
– cruise ships	28,659	52,434
Less: Provision for bad debts – airlines	(5,958)	(2,428)
	921,051	1,156,185
Other receivables	5,542	6,195
Taxation recoverable	2,767	2,767
Prepayments	709	334
	<u>930,069</u>	<u>1,165,481</u>

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

15. Cash and Cash Equivalents

	2017 \$'000	2016 \$'000
Cash at bank and in hand	1,020,129	143,486
Short-term deposits	1,487,583	2,237,990
Interest receivable	8,664	17,839
	<u>2,516,376</u>	<u>2,399,315</u>

The effective weighted average interest rates on short term deposits are as follows:

	2017 %	2016 %
Jamaican dollar deposits	6.3	5.7
United States dollar deposits	<u>1.9</u>	<u>1.9</u>

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2017 \$'000	2016 \$'000
Cash	1,020,129	143,486
Short-term deposits	1,487,583	2,237,990
	<u>2,507,712</u>	<u>2,381,476</u>

16. Trade and Other Payables

	2017 \$'000	2016 \$'000
Accounts payable and accrued charges	75,016	180,480
Due to Tourism Product Development Company Limited	90,716	61,274
Gratuities	3,097	6,352
	<u>168,829</u>	<u>248,106</u>

Tourism Enhancement Fund

Notes to the Financial Statements

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17. Related Party Transactions and Balances

During the year, funding for projects amounting to approximately \$4.93 billion (2016 – \$4.85 billion) was provided to other government institutions/bodies:

(a) The statement of financial position includes the following balance with a government agency:

	2017 \$'000	2016 \$'000
Due from related party -		
Montego Bay Convention Centre	151,097	-
Other	292	-
	<u>151,389</u>	<u>-</u>
Due to related party -		
Tourism Product Development Company Limited	56,440	61,274
Jamaica Vacations Limited	34,568	-
	<u>91,008</u>	<u>61,274</u>

As of 1 October 2016, the Fund undertook the responsibility of managing the Montego Bay Business Convention Centre. This arrangement has been approved by Cabinet. Repayment terms have not yet been determined.

(b) Key management compensation:

	2017 \$'000	2016 \$'000
Salaries and other short term benefits –		
Salaries	17,194	17,776
Gratuities	5,287	8,360
Other short-term benefits	5,008	6,400
	<u>27,489</u>	<u>32,536</u>
Directors' emoluments –		
Fees	<u>1,813</u>	<u>855</u>

Notes

Notes



Ocho Rios, Promenade





TOURISM ENHANCEMENT FUND

64 Knutsford Boulevard, Kingston 5
Jamaica, West Indies

Tel: (876) 920-4926-30, 908-5970; **Fax:** (876) 754-2901



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