



Tourism
Enhancement
Fund



TOURISM ENHANCEMENT FUND

ANNUAL REPORT
2017–2018

*'Years of Protecting the Past and
Funding Tourism's Future'*

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MISSION STATEMENT:

To facilitate the implementation of the Tourism Master Plan through prompt collection of fees, prudent management of the funds, research and innovation and deployment of resources in sustainable development towards 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

Dr. Carey Wallace	- Executive Director
Mrs. Francine James-Prince	- Director of Finance (effective November 20, 2017)
Mr. Johan Rampair	- Director of Projects (effective November 1, 2017)

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



**Hon. Edmund Bartlett, CD, MP
Minister of Tourism**

Tourism Minister's **MESSAGE**

Over the past thirteen years, the Tourism Enhancement Fund (TEF) has made a tremendous impact on the tourism industry by providing the financial resources to enable sustainable development of the sector.

Much of TEF's contribution to national and community development has been made without fanfare. In addition to the preservation of national cultural heritage landmarks and sprucing up resort townships, TEF has supported national security and the enhancement of educational facilities in schools.

Over the years TEF has done a commendable job of fulfilling its mandate of promoting growth and development in the tourism sector, encouraging better management of environmental resources, enhancing the country's overall tourist experience, and providing for the sustainable development of the tourism sector.

This year TEF took on a new mandate. While maintaining its core function it was recognized that the tourism landscape was changing and TEF needed to respond to that change. After careful consideration, the agency has been repositioned to better enable the tourism industry to respond to the needs of the ever-changing global market, and to drive the Ministry of Tourism's mission to foster significant growth in the sector.

TEF is now the centre of innovation for tourism and has under its wings, the Tourism Linkages Network and responsibility for strengthening capacity in developing data and information to guide decision-making within the ministry and the wider tourism industry. In all this, TEF remains committed to contributing significantly to development of the human capital that is required to ensure the delivery of service excellence and drive tourism growth in this competitive global environment.

Congratulations to the Board of Directors under the able leadership of Godfrey Dyer and to the Executive Director and his team for their dedicated and outstanding service. Collectively, you have been making a significant contribution to the growth we have been having in the tourism industry.

A handwritten signature in black ink, appearing to read 'Edmund Bartlett'.

**Hon. Edmund Bartlett, CD, MP
Minister of Tourism**



Mr. Godfrey Dyer, CD, JP
Chairman

Chairman's MESSAGE

The review period, April 1, 2017 to March 31, 2018 was one of commendable growth for tourism in Jamaica. Stopover arrivals to the island for the calendar year 2017 increased by 7.8% to 2,352,915 while cruise passenger arrivals increased by 16.2% to 1,923,274 for overall growth of 12%.

The industry's robust performance continued into the last quarter of the Financial Year 2017-2018 as between January and March 2018, stopover arrivals increased by a healthy 6.8%. Cruise passenger arrivals at 673,495 represented an increase of 6.4% over the comparable period in the previous year, although there was a 2.2% decline in calls. Jamaica's performance was in line with the 7% increase in overnight visitors recorded globally in 2017 and well above the 3% increase in arrivals to the Americas as a whole.

The concomitant inflows of revenue to the island through the payment of Tourism Enhancement Fund (TEF) fees represented continuation of a strong and vital performance by this income stream for the island's economy during the review period. TEF fees are currently at US\$20.00 and US\$2.00 paid respectively by each person travelling by air or sea into Jamaica with the intention of returning to any place outside of the island with annual inflows averaging \$6 billion.

The review period was as much one reflective of strong results for the industry as it was representative of quantum change and adjustment for the TEF.

In March 2017, Jamaica's Hon. Minister of Finance and the Public Service announced the decision to divert revenues from the Tourism Enhancement Fund into the Government's main account as part of a new structural benchmark under the International Monetary Fund (IMF) standby agreement conditionality with Jamaica. On July 11, 2017, legislation was duly passed in the House of Representatives to allow for funds from the Tourism Enhancement Fund to be placed in the Consolidated Fund.

During the year in review, the TEF pursued its mandate with the assurances of the Hon. Minister that the work of the public bodies targeted for this change in the administration of funds previously "ring-fenced", would not be affected. At the same time, the Board, Management and Staff of the TEF recognized the inevitability of wide-ranging administrative and operational changes in keeping with Government's policy of public financial management reform.



CHAIRMAN'S MESSAGE CONT'D

Under the new dispensation, the TEF has continued to collect fees from airline and cruise passengers with the requirement that such funds be lodged in a subsidiary account under the Consolidated Fund designated by the Ministry of Finance and the Public Service at the Bank of Jamaica. The TEF's access to funds has been through monthly cash flow requests made through the Ministry of Tourism. This and the cessation of the ability, as existed prior to the transition, of the TEF to accrue committed but unspent funds presented a major "cultural shift" for the TEF. The TEF has responded by carefully reviewing its budgeting and planning processes. Indeed, the Board has viewed the requirement that unspent funds be absorbed by the Consolidated Fund at the end of the financial year as a further catalyst in the TEF's ongoing determination to address such inefficiencies as affect the timely execution of projects under its aegis.

I should like to express appreciation to the Hon. Minister of Tourism, representatives of the Ministry of Finance and the Public Service as well as the Office of the Prime Minister who have collaborated closely with the TEF in establishing the protocols and procedures to allow smooth draw-down of investment requests as well as verification and monitoring of approved projects. My sincere thanks are also extended to my fellow Directors, the senior management and staff of the TEF for their openness to change and dialogue in the national interest.

The TEF sees itself as closely aligned with efforts to position the Jamaican economy for accelerated growth. To this end, there is keen awareness of the TEF's integral role in safeguarding and enhancing the exceptional attributes on which our powerful tourism brand has been built globally while facilitating the innovative and transformative initiatives capable of broadening both the base and the reach of the industry to meet our island's development goals.

Much of the review period was focused on anticipation of a new structure for the TEF reflective of these ideals even as we pursued funding and monitoring of ongoing infrastructural improvements in our resort towns, restorative work on national treasures represented by our heritage structures and better access to iconic attractions island wide. As it has done for much of its history, the TEF continued in its commitment to funding small and medium tourism businesses. Its span of projects once again highlighted enhanced social protection, national security, education and training for industry workers and the building of environmental resilience for the long term.

The Tourism Enhancement Fund can be proud of its contribution to the evolution of Jamaica's tourism since the Fund's inception in 2004. Adjustments based on global, regional and national imperatives are nothing new to the TEF which has been integral to our destination's response whether it be to the financial crisis which gripped the globe some ten years ago with disastrous consequences for international travel, the rise of expansive new markets, technologically driven developments within the industry or the demands of millennials for travel experiences which reflect their tastes and lifestyle.

Most importantly, the TEF has been and remains attuned to the legitimate expectations of Jamaica's citizens for a tourist industry which is inclusive and recognized as beneficial to the people as hosts and vital contributors in its success. The TEF looks forward to robust participation in new and improved ways of safeguarding and growing Jamaica's tourism for this and future generations.



Godfrey Dyer, CD, JP

BOARD OF DIRECTORS



**Mr. Godfrey Dyer, CD, JP
CHAIRMAN**



**Mr. Joseph Issa
DEPUTY CHAIRMAN &
CHAIRMAN, PROJECTS
COMMITTEE**



**Mr. Jordan Samuda
DIRECTOR
CHAIRMAN, AUDIT AND
FINANCE COMMITTEE**



**Mr. Marc Williams
DIRECTOR
CHAIRMAN, HUMAN
RESOURCES COMMITTEE**



**Mr. David Dobson
DIRECTOR**



**Mr. Ian Dear
DIRECTOR**



**Mrs. Judy Schoenbein
DIRECTOR**



**Mrs. Beverley Russell
DIRECTOR**

BOARD OF DIRECTORS... cont'd



Ms. Alicia Bish
DIRECTOR



Mr. Omar Robinson
DIRECTOR



Mr. Howard McIntosh
DIRECTOR



Dr. Carey Wallace
EXECUTIVE DIRECTOR

BOARD OF DIRECTORS

Mr. Godfrey Dyer, CD, JP – Chairman
Mr. Joseph Issa – Deputy Chairman
Mr. Ian Dear – Director
Mr. Paul Pennicook – Director (demitted August 2017)
Mr. David Dobson – Director
Miss Beverley Russell - Director
Miss Alicia Bish – Director
Mr. Omar Robinson – Director
Mrs. Judy Schoenbein – Director
Mr. Marc Williams – Director
Mr. Jordan Samuda – Director
Mr. Howard McIntosh – Director (appointed July 2017)
Dr. Carey Wallace – (Ex-Officio)

SUB-COMMITTEES

- Projects Committee: Joseph Issa (Chairman), Ian Dear, David Dobson, Judy Schoenbein, Omar Robinson, Dr. Carey Wallace
- Audit and Finance Committee:* Jordan Samuda (Chairman), Joseph Issa, Marc Williams, Alicia Bish, David Dobson, Howard McIntosh, Dr. Carey Wallace
*combined in May 2017- renamed - ***The Audit and Finance Committee***
- Human Resources Committee: Marc Williams (Chairman), Joseph Issa, David Dobson, Jordan Samuda, Dr. Carey Wallace

Board of Directors' REPORT

The Tourism Enhancement Fund, established under an Act of Parliament in 2004 has been entrenched as a well-managed agency in Government which has been a critical partner in facilitating improvement in the country's tourism product in diverse areas. These include infrastructure, preservation and improved management of our natural and built heritage, greater linkages with other sectors in the economy and overall enhancement of the visitor experience.

Since August 2011, the TEF has operated on the basis of a fee of US\$20.00 (previously US\$10.00) and US\$2.00 respectively being paid by each visitor travelling by air or sea into Jamaica. In carrying out its mandate to promote the generation of sustainable growth for the

island's tourism sector, the TEF has worked closely with developmental and marketing entities to continuously enhance Jamaica's international competitiveness with results that have been both marked and measurable.

INTERNATIONAL AND LOCAL PERFORMANCE

Jamaica enjoyed an increase of 7.8% in stop-over arrivals between January and December 2017 over the previous year, with the island's main supplier markets, the USA up 7.4%, the Canadian market up 8.9%, and arrivals from Europe up 10.6%, all performing well. Cruise passenger arrivals over the same period increased 16.2%. For the first quarter of 2018,



Chief Executive Director of the Jamaica Business Development Corporation (JBDC), Valerie Viera (right) and Tourism Minister, Hon. Edmund Bartlett (centre) admire the colourful designs of a participant in the Christmas in July 2017 exhibition.

stopover arrivals increased by 6.8%, and cruise passenger arrivals by 6.4%.

The performance of Destination Jamaica during the review period compared very favorably with UNWTO data showing international tourist arrivals (overnight visitors) increasing 7% in 2017, the strongest results in seven years. Jamaica's tourism also performed well vis-a-vis the Americas which recorded growth of 3%, the island thus showing itself capable of capitalizing on the global economic upswing and strong outbound demand from many traditional as well as emerging source markets during the review period.

Increased hotel room capacity and air seat capacity facilitated growth in stopover visitor arrivals, so too major infrastructure works, including the construction and renovation of hotels with 1,211 rooms having been added in 2017. The air transport component also grew, with increased frequency in a number of flights and new scheduled service notably by Eurowings out of Cologne and winter charters out of Warsaw, Poland. Jamaica also benefited from the diversion of passengers from the hurricane affected regional destinations.

The TEF recorded total inflows of approximately J\$2.87 billion at the end of Financial Year 2017-2018. For the review period, \$2.4 billion was disbursed for Project expenses and \$151 million for Administrative expenses.

ECONOMIC CONTEXT

Developments within the island's tourist industry were within the context of the Government of Jamaica's continued implementation of its economic reform programme supported by a three-year Precautionary Stand-By Arrangement signed with the IMF in November 2016. The Government has been able to point to considerable progress achieved on macroeconomic policies and outcomes in its pursuit of fiscal discipline, monetary and financial sector reforms and wide-ranging structural improvements to address high debt and low growth.

For calendar year 2017, real GDP grew by 0.5%. This represents the fifth consecutive year of GDP growth. Improved macroeconomic stability was reflected in moderate inflation, the lowering of interest rates, and greater predictability in exchange rate movements. Employment was at historic highs, the current account deficit modest, international reserves at satisfactory levels, and external borrowing costs at historical lows. At the end of December 2017, the Government of Jamaica had successfully met all the quantitative performance criteria and indicative targets agreed with the International Monetary Fund (IMF) under the current Precautionary Stand-By Arrangement.

The outlook for the Financial Year 2018/19 is also positive, with projected growth within the range of 2.0% - 3.0%. The Hotels & Restaurants sector which increased by 3.9% in 2017, is expected, once again, to be among the industries recording the strongest growth.

MANAGEMENT OF TEF FUNDS

In the context of the economic arrangements with the IMF and in keeping with the Government's announced public financial management reform measures, the Tourism Enhancement Fund, along with other targeted Government entities, experienced a major shift in its financial management with the inflow of funds being redirected into the Consolidated Fund on a permanent basis, as opposed to the entity's continued operation of separate accounts in commercial banks.

The initial announcement of this readjustment, reflecting IMF stipulated Central Treasury Management guidelines, was made by the Minister of Finance and the Public Service in March 2017 and took effect under the Tourism Enhancement (Amendment) Act signed into law on August 4, 2017 whereby "all moneys paid into the Fund ... shall be paid over to the Collector of Taxes within seven days after receipt". Under the new dispensation, the TEF can only lodge to this account, there being no provision for withdrawals.



Clothing Designer (centre) proudly showcases her handmade swimsuit to (from left) Executive Director at the Tourism Enhancement Fund, Dr Carey Wallace; Executive Director at the Tourism Product Development Company, Dr. Andrew Spencer; Permanent Secretary at the Ministry of Tourism, Jennifer Griffith and Gastronomy Chairman of the Tourism Linkages Network, Nicola Madden-Greig. The occasion was the Christmas in July exhibition at the Jamaica Pegasus Hotel, in Kingston.

In the course of the review period, substantial effort was focused on putting in place the requisite accounting and administrative systems to enable the Ministry of Tourism and other tourism interests to continue to have access to project funding and financing for critical initiatives within the sector, as outlined in the Master Plan for Sustainable Tourism Development 2001. Mechanisms were also required to enable TEF to continue to monitor all projects. The ramifications of the new arrangement for project implementation, funds spent and funds accumulated were prime considerations in the coordination of activities for funds previously administered as a hypothecated tax, ring-fenced for a particular expenditure purpose.

Operationally, the TEF grappled with achieving a balance between monthly Warrants for funding requested from the Ministry of Finance and the Public Service submitted through the portfolio

Tourism Ministry, the submission of project claims and the sometimes slow rate of spend, depending on the project cycle.

At the end of the reporting period, the protocols which had been broadly established with the Ministry of Tourism and the Ministry of Finance and the Public Service were as follows:

- TEF would receive income from the Consolidated Fund and not airline fees;
- There would be adjustments in how projects are approved and how funds are spent by the TEF;
- Approvals for budgetary expenditures are made by the House of Parliament after review of the budget submitted by the TEF;
- The TEF would be required to spend within budget on projects that were approved;

- There would be limitations for reallocation of funds during the year. This would require a request to be submitted to the Ministry of Tourism.

The TEF Board's ongoing efforts to adjust the entity's structures in keeping with new directions for the management of TEF inflows, included merging of the Finance Sub-Committee and the Audit Sub-Committee of the Board with the sanctioned name change being the Audit and Finance Committee. Changes within the TEF's Finance Unit were implemented. Indeed a broad-based review of TEF's structures, job descriptions of staff, tiers and salaries was clearly indicated and a number of recommendations were passed by the Human Resources Sub-Committee for submission to the Board.

At the end of the review period, the Final Draft of a new Organizational Chart had been received from the Ministry of Finance and the Public Service. The Executive Director of the TEF assisted with finalization of job descriptions for such key new posts as Director of the Tourism Linkages Network and Director of the Jamaica Centre for Tourism Innovation for submission to the Post Operations Committee at the Ministry of Finance and the Public Service.

The Ministry of Finance and the Public Service granted approval for the TEF to increase salaries to employees in tandem with Government of Jamaica (GOJ) salary increases as follows: 2017 – 5%, 2018 – 2%, 2019 – 4% and 2020 – 5%.

SISTER AGENCIES

Funding from the Tourism Enhancement Fund has been a bedrock upon which sister agencies, the Jamaica Tourist Board (JTB), the Tourism Product Development Company Limited (TPDCo), Jamaica Vacations Limited (JamVac), the Devon House Development Company (DHDC), Milk River Hotel and Spa and the Bath Fountain of St. Thomas have pursued critical market expansion and product development programmes for the island's tourist industry.

The JTB, an agency long respected worldwide for creative and aggressive marketing of Jamaica's tourism, has

since 2011 received an allocation of US\$10.00 per pax per annum from TEF inflows while TPDCo has from the outset, been a main facilitator in executing many TEF-funded projects.

With TEF inflows being redirected into the Consolidated Fund, it was determined that approved allocations to TPDCo and the JTB would be disbursed directly to these Agencies by the Ministry of Tourism. It was, however, agreed with the Ministry of Finance and the Public Service that a copy of the request from implementing agencies to draw down on approved funding from the Ministry of Finance and the Public Service would be forwarded to the TEF in order to have the Projects department verify works completed and the stage/progress of the project. The TEF would thus continue to monitor projects to ensure implementation in line with scope and project schedule.

MONTEGO BAY CONVENTION CENTRE (MBCC)

The Montego Bay Convention Centre (MBCC) was opened in 2011 with much optimism regarding its potential for increasing Jamaica's share of the global meetings, incentives, conventions, and exhibitions (MICE) industry valued at \$752 billion in 2016 and projected to reach \$1,245 billion in 2023.

Since 2014, the TEF has committed US\$900,000.00 in funding under a Memorandum of Understanding between the Urban Development Corporation, (UDC)/JTB/TEF, for marketing support to the Convention Centre. As part of the MOU, JTB/TPDCo/TEF 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 review period 2016-2017, the Ministry of Tourism advised that it would 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 and the Public Service determined the value of 22% of UDC shares and 34 acres of land to be acquired by TEF at US\$15 million. The acquired shares were to be 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.

With the change in government policy during the review period 2017-2018, namely Cabinet's decision to move TEF inflows to the Consolidated Fund; TEF could no longer purchase shares in MBCC, thus requiring Cabinet rescission of the transfer of the shares to the Tourism Enhancement Fund while assigning portfolio responsibility for the MBCC to the Ministry of Tourism.

Approval of a Cabinet submission pertaining to the transfer of shares in the Montego Bay Convention Centre (MBCC) resulted in all the shares of the Centre being fully vested in the Accountant General. Cabinet further approved the set-off of 22% of the liability as well as other amounts expended by the Tourism Enhancement Fund in respect of the MBCC (to the point of share transfer) against the cost of the shares of the Centre to be transferred to the Accountant General. At the end of the review period 2017-2018, a decision had been taken to restructure the MBCC with the appointment of a Board of Directors, an Executive Director as well as the employment of support staff.

The Board of the Tourism Enhancement Fund is satisfied that during the eighteen-month period of involvement by the TEF in the operations of MBCC there was significant improvement pertaining to income, with losses being halved. The TEF looks forward to continuing improvement in the operations of the MBCC as a valuable asset in the product offering of Destination Jamaica.

TEF SUPPORT OF SMTE'S

Support for Small and Medium Tourism Enterprises (SMTE's) continued to be a part of the fabric of the TEF during the review period even as efforts were made to rationalize and safeguard TEF's provision of funding for the growth of this important sector.

Through JN Small Business Loans Ltd. (JNSBL), the TEF has since 2008-2009 made available funds for un-lending in a revolving loan scheme allowing JM\$5 million at 5% interest over 5 years. At the time of reporting, JM\$732 million

had been disbursed through the facility and JM\$452 million collected.

There was further support for small hoteliers, transportation operators and other small tourism enterprises when TEF partnered with the EXIM Bank in 2016-2017 to establish a loan facility of \$1 billion to such enterprises. This was to be disbursed to EXIM in three tranches - \$300M, \$350M, \$350M, with a tenure of 6 years and an interest rate of 1.75% per annum. Effective September 1, 2017 TEF's interest rate to Exim was reduced to 1.25% translating to a reduction in interest rates to borrowers in the tourism industry from 5% to 4.5%. As at March 31, 2018 EXIM has on-lent \$408 million across various sub-sectors within the industry.

PROJECTS

Since its establishment, the TEF has sought to fulfil its mandate as delineated in the Tourism Enhancement Act of 2004, notably:

- 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 need to build out attractive resort centres has long been recognized in Jamaica's plans for sustainable tourism development, the unacceptable alternative being increased enclave tourism primarily along the beaches with accompanying environmental and social degradation. The TEF pursued on-going revitalization of Ocho Rios, itself a prime example of a resort centre which, though allied to an iconic attraction, had not experienced the desired infrastructural improvement and dispersion of benefits which characterize sustainable development. Among the plans advanced for this resort town for which US\$1.9 million was earmarked in Financial Year 2017-2018, were redevelopment of the board-walk/ promenade from the

marina to Ocho Rios Bay Beach and the upgrading of Main Street.

In Montego Bay, work continued to complete Underground Mapping Survey of Gloucester Avenue and Howard Cooke Boulevard to the intersection of Sunset Boulevard and Kent Avenue, commonly referred to as the ‘Hip Strip’. This will determine services required in the upgrade of the area as a centerpiece to be developed in the resort town.

Further west in Negril, long marketed as the ‘Capital of Casual’, Phase 2 of the ‘Shared Pathway Pedestrian Sidewalk and Bicycle Path’ was slowed by the need for land acquisition to complete drainage. The National Works Agency sought approval for compulsory land acquisition as plans were pursued for continued upgrades in this resort centre.

Funding support to the Trelawny Municipal Corporation for the crafting of a local sustainable development plan for Falmouth, Trelawny was approved by the TEF in keeping with the con-

siderable potential of this resort town to capitalize on its rise as an important cruise port for destination Jamaica. Design work continued apace for the proposed Falmouth Streetscape and the Hampden Wharf project in this resort being funded by the TEF and executed in collaboration with the Urban Development Corporation and the Port Authority of Jamaica (PAJ).

The ground-breaking ceremony of the US\$5.7 million Hampden Wharf development in Falmouth, took place on March 16, 2018, the scope of works incorporating space allocation for restaurants, food courts, commercial offices, shops, a police post and the first of five artisan villages to be established across Jamaica in Ocho Rios, Montego Bay, Port Antonio and Negril.

The location strategy for Jamaica’s tourism incorporates both development of the island’s major resort centres and allowing visitors to experience the rich offering of the country as a whole with the attendant spread of benefits. To this end, TEF provided funding for maintenance



International Coastal Cleanup Day 2017 volunteers.



International Coastal Clean-up Day 2017. Left-right, Elaine Thompson – Olympian, Suzanne Stanley – CEO, Jamaica Environment Trust, Dr. Carey Wallace – Executive Director, Tourism Enhancement Fund, Nalford Hyde – Project Manager, Tourism Enhancement Fund.

and beautification in each of the island's resort areas as well as for Mandeville, the South Coast and a slue of projects promoting heritage and culture, infrastructural development, Kingston city tourism, environmental protection, beach rehabilitation and social welfare support.

The TEF maintained its support of security measures for the island, being sensitive to the ramifications for residents and visitors of the declaration of Mount Salem in St. James as the first Zone of Special Operations (ZOSO) under the Law Reform (Zones of Special Operations) (Special Security and Community Development Measures) Act passed in the Houses of Parliament during the review period.

Also in the area of security, reassessment of the effectiveness of the TEF-funded Tourism Courtesy

Corps/District Constables Programme was ongoing during the review period.

SUSTAINABILITY AND GROWTH OF THE INDUSTRY

The TEF has been lock-step with policy initiatives by the Government to tap into the potential for wider benefits that sustainable tourism development can create for Jamaica and its citizens. TEF contributed significantly in the review period to the promotion of investment in tourism, the building of new partnerships and strengthening of human capital as pillars of growth.

The TEF has been pleased to be a partner in an investment framework under the moniker, "Shovel-Ready," seeking to expedite the development



Executive Director of the Tourism Enhancement Fund, Dr. Carey Wallace (3rd left) joins Tourism Linkages Network's Gastronomy Chairman, Mrs. Nicola Madden-Greig (3rd right); Head of the Tourism Linkages Network, Mrs. Carolyn McDonald-Riley and Senior Tourism Network Strategist of Tourism Linkages Network Ms. Simone Harris (right) for the official chef jacket presentation to local competitors in the Taste of the Caribbean competition. The occasion was a special practice session with the Culinary Federation of Jamaica contenders, ahead of the competition in Miami, Florida.

process for new investors. The Shovel-Ready initiative is the result of joint cooperation between the Tourism Enhancement Fund, Jamaica Promotions Corporation, the National Environment and Planning Agency, the Urban Development Corporation and the Commissioner of Lands to prepackage select investment offerings for interested parties. The initiative, which was recently recognized by the Financial Times' *fDi* intelligence magazine editors, assists investors by obtaining development approvals, conducting carrying capacity studies, assessing appropriate land utilization and installing preliminary infrastructure thus stream-lining and expediting investing in Jamaica's tourism.

The TEF has supported the policy to strengthen human capital within the tourist industry including establishment of

the 'Jamaica Centre for Tourism and Innovation' (JCTI) designed to enable more efficient certification for industry workers. The TEF is also a central partner in the announced establishment of Artisan Villages, both to display and cultivate crafters' skills in the major resort centres.

Plans for the long-awaited pension scheme for tourism workers were closer to fruition at the end of the review period. The fund is expected to benefit some 90,000 persons employed in the tourism industry, with J\$1.3 billion being provided by the Tourism Enhancement Fund over a 5-year period. Ongoing sensitization workshops have educated persons on the features and benefits of the pension plans.

The Board anticipates implementation of the announced new structure for the Tourism Enhancement Fund to include a Tourism Inno-

vation Council which will seek to ‘encourage and support the concepts and entrepreneurial initiatives that will ensure Destination Jamaica’s place in a changing global environment for tourism’. The Tourism Innovation Council is expected to be a key driver of ‘experiential tourism in the island’ working in tandem at the TEF with the Tourism Linkages Council, established 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. TEF is also to be charged with a data analysis division with responsibility for monitoring new global trends with assistance from the JTB as well as data management of a Global Disaster Resilience Centre to be established at the University of the West Indies, Mona. The TEF has been integral to meeting the objective of moving Jamaica’s tourism on to a path of both accelerated growth and sustainable development. The raison d’être of TEF has been

transformation of the tourist industry to more fully reflect Jamaica’s heritage in all its manifestations with the attendant participation of local communities; facilitating investment for an enhanced visitor experience and growing the industry on the basis of its capacity to provide economic and social opportunities for the citizens of Jamaica.

The TEF is charged in its new structure to be more “hands on” in seeking out, modifying and adapting new trends for the enhancement and growth of Jamaica’s tourist industry and facilitating empowering of Jamaicans to more fully participate in, and benefit from the industry.

The Board is confident that the TEF will continue to have substantial positive impact as new approaches are pursued even as we build on the solid values and strengths that have made Jamaica a highly competitive brand.



New Castle Military Heritage Site



Dr. Carey Wallace
Executive Director

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, 2017 to March 31, 2018.

As at March 31, 2018, inflows to the Consolidated Fund from TEF fees totaled J\$6.7 billion.

This compares to fees of J\$5.93 billion Financial Year 2016-2017. Of this amount, airlines both scheduled and chartered, accounted for J\$6.6 billion (2017: J\$5.78 billion) and cruise fees J\$154 million (2017: J\$142.8 million). Actual airline revenues were above

budget by 7.3% and cruise revenues by 21%.

The total budgeted sum to TEF for the financial year was J\$2.77 billion, J\$542 million for operational expenses including salaries and J\$2.33 billion for TEF projects expenditure which excluded allotted amounts to the Jamaica Tourist Board (JTB), the Tourism Product Development Company Limited (TPDCo) and Jamaica Vacations Limited (JamVac).

Actual operating expenditure for the financial year was J\$151 million (2017: J\$397 million). Project expenditure was J\$2.4 billion.

The average exchange rate for 2017 was \$128.36 per US\$1.00 with the exchange rate for the first quarter of 2018 averaging \$126.47 to US\$1.00. For the calendar year 2017, inflation of 5.2% was recorded. Annual point to point inflation at March 2018 was 3.9%, below the 4.1% of March 2017.

Prior to the 2017 amendment of the Tourism Enhancement Act, the TEF's function included collecting the enhancement fee paid by visitors (as defined in the Act) entering the island via airlines or cruise vessels; approving and monitoring the implementation of tourism projects and programmes as well as administering and controlling the assets of the Fund and investing the moneys of the Fund.

This was the first reporting period in which the TEF operated under the classical method of Government spending being done from a Consolidated Fund. The TEF accesses funds through monthly cash flow requests made through the Ministry of Tourism which submits warrants requested to the Ministry of Finance and the Public Service (MoFPS). It was determined that funds allocated to sister Agencies TPDCo, JTB and JamVac would be disbursed directly to them by the Ministry of Tourism. The payment of approved funds to implementing agencies would also be done directly.

Concerns attending a scenario of disbursements to TEF funded projects independent of Tourism Enhancement Fund monitoring were addressed through an agreement with the Ministry of Finance and the Public Service that a copy of the request from implementing agencies to draw down on approved funding from the MoFPS would be forwarded to TEF in order to have the Projects department verify works completed and the stage/progress of the project.

In the case of TPDCo, JTB and JamVac, their requests for TEF investment funds are sent to the Ministry of Tourism as the portfolio Ministry and copies of the request forwarded to TEF for project monitoring.

MAJOR RESORTS

There were advances in TEF's ongoing programme to upgrade major resort towns, notably Ocho Rios, Montego Bay, Negril and Falmouth. In addition to TPDCo, the TEF maintained its partnership arrangement with a number of implementing agencies, including the Urban Development Corporation (UDC), the Port Authority of Jamaica (PAJ), the National Works Agency (NWA) and a number of Municipal Corporations, always alert to opportunities for improved communication and oversight of projects. TEF's involvement in wide-ranging projects, often from concept to delivery, has required its Management team to maintain continuous dialogue with executing partners and seek more efficient processes where possible in keeping with targets and deadlines.

ATTRACTIONS AND INFRASTRUCTURE

Outside of established resorts, the potential for the growth of communities allied to major attractions remains a powerful incentive to improve access to these sites and pursue programmes for their development. TEF's continued funding the rehabilitation of historic churches and such buildings as the annex to the famous Morant Bay Courthouse, St. Thomas as well as its support for initiatives to broaden the scope of the tourism product showcasing, for example, 'alternative vacations' in the Jamaica's Blue Mountains.

The rehabilitation of roads to attractions located across several parishes was a significant com-

ponent of project expenditure in the review period. These included the Buff Bay Valley road-way leading to attractions in Portland; the road leading to Good Hope in Trelawny; the Endeavour Road to attractions in St. Mary and roads to attractions in Montego Bay, St. James among others.

The TEF has viewed its Public Beaches Upgrading Programme as important in meeting the recreational needs and expectations of both residents and visitors to the island. The number of beaches targeted for development was increased to include the Dump Up Beach, St. James and Orchard Beach, Hanover. Funding was allocated for rehabilitation of a number of UDC public beaches and provision made for work to upgrade the South coast fishing beaches collectively called 'Treasure Beach'.

Encouraging environmental protection and improved management of environmental resources has been one of the central objectives of the TEF. To this end, initiatives such as the Ministry of Tourism's "Spruce-Up Jamaica" clean-up programme and ongoing programmes by the Jamaica Environment Trust (JET) were strongly supported.

In the sphere of culture, the Montego Bay Cultural Centre continued to receive operational support with \$38M allocated for Financial Year 2017-2018 even as discussions took place regarding establishing the Cultural Centre as a sustainable product. Support was provided for events such as the 20th staging of the Annual Emancipation Jubilee held at the Seville Heritage Park as well as for museums, exhibitions and training sessions helping to preserve and educate about the island's rich cultural legacy.

The TEF facilitated international conferences being hosted in Jamaica as well as attendance by the island's representatives at industry meetings and conventions. More broadly, TEF support of programmes and projects in the review period reflected the recognition that sustainable growth requires enhanced social protection, national security, and educational transformation hence involvement in a number



Road Leading to Shaw Park

of social programmes as well as those designed to transform the business outlook in growing the industry.

A more comprehensive listing of Projects facilitated by the TEF during the financial year under review is provided elsewhere in this report.

ORGANIZATIONAL STRUCTURE

The review period saw a number of new options being presented for a restructured TEF and steps taken to update TEF's staff orientation, job descriptions and salaries based on a review of functions.

Personnel Files of the Tourism Enhancement Fund were updated as required by Staff Orders of the Public Service (2004). In some instances, appointments were delayed pending the expected organizational restructuring. New appointees during the interim period included Director of Projects, Mr. Johan Rampair and Director of Finance, Mrs. Francine James Prince who joined the staff on November 1, 2017 and November 20, 2017 respectively.

With receipt of the final draft of the Revised Organizational Chart from the Ministry of Finance and the Public Service, TEF is positioned to commence recruitment of the additional staff

required. The target at the time of reporting was to have the new structure, personnel and office finalized by the start of the new Financial Year 2018-2019.

Expected additions to staff include a 'Shovel Ready Manager' separate from the Projects Department, that role to incorporate assisting with the permits and licenses for foreign investors in Jamaica. The 'Linkages Department' to be placed within the structure of the TEF follows TEF funding of the 'Tourism Linkages Council', launched by the Ministry of Tourism in 2013 to increase the industry's demand for local goods and services.

Training opportunities afforded members of staff included participation by the Finance and Administration Department in the Jamaica Payroll Conference 2018 hosted by MC Systems.

CORPORATE SOCIAL RESPONSIBILITY

The TEF was again pleased to facilitate the TEF/TPDCo Summer Internship Programme (SIP) under which young persons between the ages of 16 and 25 years are placed in summer jobs across the island where they are trained in various areas. They receive a stipend from the Tourism Enhancement Fund. The programme dates back to 2008-09 and over the period has

provided valuable exposure to more than 5,000 young people.

In December 2017, the staff hosted a treat for the residents at the Annie Dawson Home for Children and Team members at TEF have been enthusiastic participants in such charitable fundraisers as the Sigma Road Race in February 2018 and the Kingston City Run in March 2018.

During the year in review the TEF continued to pursue its programmes reflecting the objectives of the organization, the Government's development policies for the tourist industry and strategies for broad economic and social advancement in Jamaica.

I would like to thank the Board of Directors of the TEF for their guidance, the members of staff for their commitment and the various tourism stakeholders and partners who have journeyed with the TEF in its ongoing mission to be representative of transformation and growth for tourism in Jamaica.



Carey Wallace, PhD

PROJECTS UPDATE

“TOURISM DOLLARS WORKING FOR YOU”

RESORT DEVELOPMENT

Jamaica’s resort centres have stamped the unique character of the island’s tourism over many years but were in danger of losing their appeal and the ability to help drive robust and sustainable development for the industry. The TEF’s role in funding and facilitating investment in the physical and social infrastructure of the resorts continued with dividends yielded in terms of appearance and the attendant expansion in rooms and amenities.

Ocho Rios

In Ocho Rios, the new promenade extending from the Ocho Rios Marina to the entry gate of the Ocho Rios Bay Beach being implemented by the Urban Development Corporation (UDC) was near completion at year end. Extending over 300 metres with areas for seating and shopping kiosks, the Promenade represents the sixth of 10 designated phases of the Ocho Rios Enhancement Project geared toward enriching the experience of visitors to the island.



Ocho Rios Promenade

Some \$160 million was allocated to upgrade Main Street in Ocho Rios, St. Ann, as part of the multi-million dollar TEF

funded redevelopment project being undertaken by the UDC in the resort town. The Main Street Project managed by the National Works Agency (NWA), will see 400 metres of roadway being rehabilitated. The project dubbed 'Turtle Walk' is being undertaken from Turtle River Road to the Ocho Rios Shopping Centre.

Community outreach included J\$3.16M to fund the St. Ann Municipal Corporation for the beautification and cleaning of Ocho Rios for the 2017 Christmas season.

Other initiatives facilitated by the TEF in the area included the renovation of Ocho Rios Post Office in support of Post and Telecommunications Department, a project for which \$17M was earmarked.

Montego Bay

In Montego Bay, GPS Survey of Gloucester Avenue and Howard Cooke Boulevard to the intersection of Sunset Boulevard and Kent Avenue (the 'Hip Strip') was pursued, the sum of \$9.38M being allocated for this project. Supporting initiatives included funding to the National Works Agency for the installation of a pedestrian crossing along the 'Hip Strip'. The installation of garbage receptacles along the 'Elegant Corridor' helped to maintain the aesthetics of this main artery in the Resort Centre.

TEF funding to redevelop craft markets in the Resort Centres continued with allocation made to the St. James Municipal Corporation to undertake infrastructural upgrades and repairs to the Harbour Street Craft Market in the 2017/18 Financial Year.

Falmouth

Historic Falmouth with its authentic Georgian structures and major cruise facilities continued to be attractive as an investment prospect. The TEF’s support for this burgeoning resort town continued with allocation of J\$6.1M to facilitate the Trelawny Municipal Corporation’s development



Montego Bay Eastern Entrance

of a local sustainable development plan for Falmouth in the 2018/19 Financial Year.

The Falmouth streetscape, being carried out sequentially by the UDC continued with plans including safe and accessible sidewalks, adequate provisions for storm water drainage and sewerage, special paving and surface treatment, lighting and street furniture. Further allocations were made for the National Solid Waste Management Agency (NSWMA) to conduct street cleaning, debushing and aesthetic upgrades to the town.

A highpoint for Falmouth during the reporting period was the ground-breaking ceremony for the US\$5.7 million Hampden Wharf development being piloted by the Port Authority of Jamaica and funded by the Tourism Enhancement Fund. Investment in this project is expected to enhance efforts to reposition the town of Falmouth as one of the Caribbean's premier cruise destinations and leading resort towns and yield high returns for the country's economy.

The Hampden Wharf project incorporates an artisan village that will accommodate 47 shops, including five restaurants and bars all specially themed; 12 mini stalls, 18 artisan shops, 12 major shops on 1.6 hectares of the land owned by the Port Authority of Jamaica.

Negril

In Negril, the NWA sought approval for compulsory land acquisition to facilitate progress on the shared Pathway Pedestrian Sidewalk and Bicycle Path Phase 2. This will also allow completion of drainage as development plans for this resort are pursued.

Special Allocations for Resorts

The TEF capitalized on such opportunities as that presented on 'Labour Day' to highlight for citizens the particular role of Jamaica's resorts and tourism in the economy. Activities in the resorts on that day were supported with funding totaling JMS\$20M to include Mandeville and the South Coast.

In the review period, there was further designation of J\$400M in funding support to the Tourism Product Development Company Limited for resort town maintenance within the 2018/19 Financial Year.



Blue Mountain Sustainable Tourism Project – Holywell Park Chalet and Museum

HERITAGE – BUILT AND NATURAL

Heritage structures for which TEF funding facilitated rehabilitation included the Christ Church, Morant Bay, St. Thomas, the St. Andrew's Scots Kirk United Church in Downtown Kingston for which JM\$4M was allocated and the St. Mark's Anglican Church which received J\$10M. Renovation was also facilitated at the Annex Building which adjoins the Morant Bay Courthouse, famous as the site of the court martialling and hanging of national hero the Rt. Excellent Paul Bogle.

The mission of the Blue Mountains Sustainable Tourism Programme is to 'deliver a high quality tourism product that supports communities and conservation of the Blue and John Crow Mountains National Park (BJCMNP)'. The TEF was thus pleased to support the Blue Mountains Sustainable Tourism Programme and its promotion at the inaugural Jamaica Blue Mountain Coffee Festival at Newcastle in March, 2018.

ENVIRONMENTAL

Efforts to encourage greater responsibility in the management of Jamaica's environment were manifest in funding support to the Jamaica Environment Trust (JET) and the participation of the staff of the Ministry of Tourism, its Agencies and other stakeholders as a registered group in International Coastal Clean up Day 2017. TEF funding facilitated the 'Spruce UP Jamaica' initiative by the Ministry of Tourism and the fabrication and installation of the 'Spruce Up' logo on some 1,000 garbage receptacles.

During the review period, J\$19,750,000.00 was approved for funding support to the National Solid Waste Management Authority for the removal of bulky waste material from communities served by the North Eastern Parks & Markets.

BEACHES

The TEF Public Beaches Programme under which beaches island-wide have been targeted for development and upgrading, proceeded apace in the review period in collaboration with the Urban Development Corporation which has responsibility for a number of public beaches.



Road Leading to Winnifred Beach

Beaches identified for upgrade over Financial Year 2017-2018 included Salem Beach, St. Ann; Great Bay Beach St. Elizabeth and Orchard Beach Hanover. The Winnifred Beach, Portland, Closed Harbour or 'Dump Up Beach' and Walter Fletcher Beach, St. James were slated for rehabilitation with funding allocations also made for upgrading of the Success and Bluefields public beaches in 2018-2019.

Treasure Beach, comprising several fishing villages on the island's South coast is a community-based tourism destination involved in sustainable local development. The five beaches that are connectively considered to be Treasure Beach, that is: Fort Charles Bay, Calabash Bay, Billy's Bay, Great Bay and Frenchman represent a popular mix of recreational and commercial activities inclusive of fishing, the particular nature of this environment being a consideration in development plans.

ARTS, CULTURE, CUISINE

The strength of Jamaica's culture has been critical in building its brand internationally as a tourist destination. TEF support for the arts and culture included funding of J\$8M for the staging of the 20th Annual Emancipation Jubilee in July 2017 at the Seville Heritage Park, St. Ann under the theme 'Jamaica 55...Mek Wi Keep Jubilee Alive: The African/Taino Connection'.

There was support for redesign of the Marcus Mosiah Garvey Multimedia Museum, in honour of Jamaica's first National Hero and for the People's Museum Exhibition of Crafts & Technology, a collection of artifacts providing insight into early Jamaican culture. The Museum is located in the stables of the Old King's House in Spanish Town, the capital of the island until 1872.

Other allocations for support of cultural endeavours included J\$1.2M in response to the Rotary Club of Kingston's proposal to create a historical corridor of bronze busts of the National Heroes at the entrance to the Emancipation Park, Kingston. In the area of cuisine, \$3.9M was allocated to assist the Culinary Federation of Jamaica attending the "Taste of the Caribbean 2018" a premier culinary competition, food & beverage educational exchange and Caribbean cultural showcase.

As requested by TPDCO, TEF provided funding for 'cultural awareness and sensitivity' training for Contract Carriage Operators with a view to mitigating harassment at the Falmouth and Ocho Rios Piers. The Tourism Product Development Company Limited also received funding support



Tourism Minister, Hon. Edmund Bartlett (front centre) cuts the ribbon to officially open the Holywell Visitors' Centre and Cafe on March 25, 2018. Sharing in the moment are (from left) Deputy Chairman of the Jamaica Conservation and Development Trust (JCdT), Adam Hyde; Minister without Portfolio in the Ministry of Economic Growth and Job Creation with responsibility for the Land, Environment, Climate Change and Investment, Hon. Daryl Vaz; Director of Culture, in the Ministry of Culture, Gender, Entertainment and Sport, Dr. Janice Lindsay; Minister of State in the Ministry of Finance and the Public Service, Hon. Fayval Williams; Executive Director in the JCdT, Dr. Susan Otuokon; Permanent Secretary in the Ministry of Tourism, Jennifer Griffith; and Executive Director of the Tourism Enhancement Fund, Dr. Carey Wallace. The project received \$20 million from the Tourism Enhancement Fund.

of JM\$2.2M to execute a multi-media public education programme inclusive of an anti-harassment video and community sensitization.

INFRASTRUCTURE

Broadening the base of the island's tourism industry with attendant dispersal in benefits is contingent on improved access to established attractions as well as towns and sites with the potential to pull visitors as centres of heritage. TEF's support of infrastructural work and rehabilitation of roadways leading to attractions reflected this location strategy in planned development. The TEF was also responsive to the need for improved traffic flow and road safety in resort areas. An overview of

infrastructural/road works undertaken and approved in Financial Year 2017-2018 would include:

- Completion of rehabilitation of the Buff Bay Valley roadway as part of repairs of the roadway leading to attractions in Portland – JM\$15.2M;
- Advancing of the planned 'Entrance Way Project' for the Elegant Corridor, Montego Bay;
- New Traffic Signal Installation – Elegant Corridor – J\$10M;
- Rehabilitation of sections of the Shaw Park Road, St. Ann – J\$19.8M;
- Funding support to National Works Agency (NWA) for the installation and rehabilitation

of street infrastructure in Montego Bay, St. James – \$9M;

- New Traffic Signal Installation – RIU Hotel Entrance – North Coast Highway, Ocho Rios;
- Rehabilitation of road leading to the attraction ‘Good Hope’ - J\$3.2M;
- Pedestrian Crossing at Margaritaville and Doctor Cave Beach, Montego Bay – J\$16M;
- Traffic Signal Interconnection (Synchronization) – Howard Cooke Boulevard (approved for 2018/19 Financial Year) – J\$13.6M;
- Rehabilitation of roads to attractions in Falmouth, Trelawny (approved for the 2018/19 Financial Year) – J\$50M;
- Rehabilitation of roads to attractions in Ocho Rios (approved for the 2018/19 Financial Year) – J\$50M;
- Rehabilitation of roads to attractions in Negril, Westmoreland (approved for the 2018/19 Financial Year) – J\$50M;
- Rehabilitation of roads to attractions in Portland (approved for the 2018/19 Financial Year) – J\$50M
- Rehabilitation of roads from Johns Hall leading to Montego Bay – J\$10M;
- Rehabilitation and patching of the Endeavour Road to attractions in St. Mary JS16.3M;
- Rehabilitation of roads to attractions in Montego Bay, St. James (approved for the 2018/19 Financial Year) – J\$100M;
- Funding support to St. James Parish Development Committee (PDC) – \$5.3M;
- Rehabilitation of Virgin Valley to Yorkland Road, St. James – J\$17.5M;
- Rehabilitation of the Walderston to Mile Gully Main Road – J\$5M;
- Funding support to the Negril Chamber of Commerce for the rehabilitation of roads from the roundabout to the Lighthouse, Negril – J\$1.5M

Maintenance –

- Cleaning and maintenance of drains in Ocho Rios – J\$4.4M;
- Additional funding support to the National Water Commission (NWC) for improvement in water supply from Negril to Runaway Bay within the 2017/2018 and 2018/19 Financial Years.

MEETINGS, CONFERENCES & SPORTS

In September 2016, as part of efforts to boost visitor arrivals, the Jamaica Cruise Council (JCC) was resuscitated in the Ministry of Tourism with a mandate “to guide and grow the local cruise economy in a steady and sustainable manner”. Responsibilities of the Jamaica Cruise Council include advocating for the cruise business in Jamaica, monitoring global cruise shipping trends, safeguarding relationships with cruise shipping lines and enhancing the experience of the cruise ship passenger. During the review period, TEF supported the Jamaica Cruise Council’s request for funding of JM\$892,000 to facilitate the Council’s meetings and participation in a Florida Cruise Economic Impact Study.

The Jamaica Product Exchange (JAPEX), the premier trade event and generator of business for Jamaica's tourism industry, has been hosted since 1990 as a joint project between the Jamaica Hotel and Tourist Association (JHTA) and the Jamaica Tourist Board. The TEF was pleased to facilitate the opening ceremony for JAPEX 2017 at the Montego Bay Convention Centre, a keenly anticipated event in advance of two days of business negotiations between wholesalers, tour operators and some 200 of Jamaica's tourism suppliers.

In support of the Jamaica Constabulary Force (JCF), sponsorship funds were allocated for the 33rd Annual Association of the Caribbean Commissioners of Police Conference and the District Constables Programme, 2018.

Other international meetings for which TEF provided assistance included the Annual Kiwanis Eastern Canada and Caribbean District Convention held at the Montego Bay Convention Centre in May 2017.

Notably in the sporting arena, the TEF pursued its golf development programme with funding support to the Tourism Product Development Company for improvement to the Caymanas Golf Club.



Falmouth Streetscape – Market Street

HEALTH/SOCIAL WELFARE/SECURITY

The TEF remained cognizant of the imperative to play a role in enhancing social protection, national security and educational initiatives.

In the area of public health, at the request of the Ministry of Economic Growth and Job Creation, funding support of J\$56M was provided to destroy mosquito breeding sites in 156 communities island wide. Also within the 2017/18 Financial Year, US\$700,000.00 was allocated as funding support to the National Health Fund (NHF) for the purchase of Linear Accelerator Machines for Radiation (Cancer) Treatment.

The Discovery Bay Marine Laboratory of the University of the West Indies benefited from J\$3.2M approved for hyperbaric treatment improvement. Also in the area of health, funding was provided for a coaster

bus for the Cornwall Regional Hospital to facilitate the work of the Western Regional Health Authority.

Community outreach extended to initiatives such as the 'Child Resiliency Programme' under the aegis of the Violence Prevention Alliance which provides intervention for at-risk children. In the review period, J\$6.2M was utilized for funding of the Programme in Montego Bay.

In September 2017, Prime Minister, the Most Hon. Andrew Holness, declared Mount Salem in St. James as the first Zone of Special Operations (ZOSO) under the Law Reform (Zones of Special Operations) (Special Security and Community Development Measures) Act passed earlier in the year in the Houses of Parliament. The Act seeks to contain crime while safeguarding the human rights of residents and promoting community development through social intervention initiatives.

During the review period, the TEF allocated J\$5M in funding support to the Ministry of Tourism and Ministry of Culture, Gender, Entertainment & Sports for staging the Zones of Special Operations (ZOSO) Entertainment Day in Mount Salem, St. James as part of the social intervention component of the ZOSO programme. In Trelawny, the TEF stepped in to assist the Clark's Town Police Station with an allocation of J\$2.7M for acquisition of a standby generator.

Training

The TEF/TPDCo Summer Internship Programme (SIP) places young persons in summer jobs across the island. They receive a stipend from the Tourism Enhancement Fund (TEF). For SIP 2017 JM\$50M was approved in the operational budget with an additional \$6.7M allocated for increased stipend rates.

Centres of Excellence Phase 3

The TEF's Centres of Excellence Programme for High Schools was initiated in 2014 with the

commitment of J\$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. TEF's educational initiatives have also focused on Energy Efficiency in Schools, affordable energy and its availability being recognized as critical to competitiveness in the industry. In the review period, TEF's Programme for Energy Efficiency in Schools was placed under the 'Centres of Excellence' with the expected strengthening of both initiatives.

The 'Shovel-Ready' programme developed as part of efforts to pre-package investment opportunities in Jamaica, has attracted considerable interest and can point to major success in attracting both local and overseas investment. Funding allocation of J\$18.3M was approved to facilitate Jamaica Promotions Corporation's advancement of the Shovel Ready Programme in the 2018/19 Financial Year.



Interns at the Summer Internship Programme Orientation

OUTLOOK AND 2018-2019 PRIORITIES

INDUSTRY PROJECTIONS

The UNWTO World Tourism Barometer reports International tourist arrivals to have grown by a “remarkable” 7% in 2017 to reach a total of 1,322 million. Based on current trends, and economic prospects, the UNWTO Panel of Experts projects continued momentum, though somewhat moderated, in 2018 with international tourist arrivals worldwide expected to grow at a rate of 4%-5% in 2018. This is somewhat above the 3.8% average increase projected for the period 2010-2020 by UNWTO in its Tourism Towards 2030 long-term forecast. Europe and the Americas are both expected to grow by 3.5%-4.5%, Asia and the Pacific by 5%-6%, Africa by 5%-7% and the Middle East by 4%-6%.

The UNWTO also points to the rebound of emerging economies, notably the Russian Federation and Brazil, as well as the continuing rise of India as playing a key role in tourism development contributing to growth and market diversification in many destinations. Strong tourism expenditure reflects enhanced connectivity, increased visa facilitation and a global economic upswing.

Robust growth looks set to continue across the world economy in 2018. Global consumer spending power is expected to further accelerate helped by a positive labour market which will support both domestic and international travel and tourism expenditure in the year ahead states the World Travel & Tourism Council (WTTC).

Despite continued global economic growth during 2018, industry analysts point to the possible effects of tighter monetary policies in countries such as the USA, UK, Eurozone and China, compared to 2017. Higher oil prices and air fares, along with rising hotel rates and other costs, are also expected to have a slightly tempering effect on growth. The World Travel & Tourism Council (WTTC)

expects Direct Travel & Tourism GDP to grow by 4.0% in 2018.

Jamaican Economy

Jamaica has pursued its determined push for improved macroeconomic stability. The economy of the island is expected to accelerate to record overall growth 2018-2019 of 2.5%. Projected growth is supported by a healthy global economy, uptick in fixed investment and continued strengthening of productive activities in both the Goods Producing and Services industries. Consumer confidence increased in the first Quarter of 2018 based on higher income expectations and declining unemployment which fell to a new multi-year low, auguring well for private consumption.

Tourism

For 2018, the Jamaican tourism sector is expected to improve upon its record-breaking performance in 2017 when the island welcomed an unprecedented 4.3 million visitors.

Increased hotel room and air seat capacity, which facilitated growth in stopover visitor arrivals as well as major infrastructure works, including the construction and renovation of hotels have been key drivers of growth. The upward trajectory in hotel development is apparent in the fact that in 2016, Jamaica opened 3,000 new hotel rooms, 1,120 were opened throughout 2017 and the island is expected to see an additional 12,500 guest rooms being opened between 2018 and 2021 with investors from Canada, Mexico, Spain, the U.S. and China. Increased room stock will continue to propel growth for the sector with an increase in both arrivals and earnings which stood at US\$2.9 billion (gross) in 2017.

The air transport component has also been growing, with increased frequency of flights into the island, new full-service Eurowing flights into Montego Bay out of Cologne and Winter charters from Warsaw. The continuing evolution of

existing services including American Airlines resumption in Winter 2017 of non-stop service from Los Angeles International Airport to Sangster International Airport as well as the continued pursuit of new market opportunities augur well for the future.

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 TEF fees payable by incoming visitors travelling by air to the island. TEF fees payable by cruise visitors are also included in the projections.

Fee collection expense is estimated at approximately 3% of revenue, all other projections are based on current expenses with an inflationary rate of 5%.

TEF inflows are now deposited in Central Government's Consolidated Fund. Funds allocated to TPDCo and the JTB are disbursed directly to them by the MoT.

TEF's budget for 2018-2019 accords with guidelines from the Ministry of Finance and the Public Service. The likely movement in interest rates and 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 J\$7.6 billion and for cruise visitors are projected to be J\$135.8 million.

Prior to 2017 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 are absorbed by the Consolidated Fund at the end of the Financial Year.

TEF's 2018/19 Budget is in the amount of \$4.042 billion. The total budgeted for projects is in the amount of \$3.4 billion and for operations the amount of \$591 million.

The areas of emphasis in the new financial year include:

- Tourism Resort Area Infrastructural Improvement and Enhancement;
- Tourism Sustainability Investment;
- Public Beaches, Parks and Natural Attractions Enhancement;
- Tourism Human Capital Improvement;
- Tourism Growth Inducement Programme;
- Tourism Capacity Development; and
- Traffic Management Support in Resort Towns.

In the area of community health, some specific commitments for the Financial Year 2018-2019 include:

- J\$827,420 to be utilized to facilitate funding support to the University of the West Indies for the servicing of the Hyperbaric Chamber;
- J\$15,000,000 to be utilized to facilitate funding support to the Ministry of Health for the execution of the expanded Vector Control Programme;
- J\$1,071,229.16 to be utilized to facilitate funding support to the St. James Municipal Corporation for rehabilitation works to the Community for Upliftment of the Mentally Ill (CUMI) building located in Montego Bay, St. James.

In furtherance of TEF's environmental protection objective:

- J\$5,270,192 to be utilized to facilitate funding support to the White River Fish Sanctuary for the development of fish sanctuaries within the 2018/19 Financial Year;
- J\$8,520,144 to be utilized to facilitate funding support to the Montego Bay Marine Park Trust for operational support.

In the area of Culture and Heritage J\$32.4M has been allocated to fund operational support of the St. James Municipal Corporation of the Montego Bay Cultural Centre.

Tourism Enhancement Fund – Annual Report 2017-2018

As an integral part of the strategic development of Jamaica's tourism offering:

- J\$101,135,129.00 allocated to facilitate operational support of the Montego Bay Convention Centre for the 2018/19 Financial Year;
- J\$51,199,356.00 allocated to the Jamaica Centre for Tourism Innovation for operational support in the 2018/19 Financial Year;
- J\$63,041,850.00 allocated to the Craft Development Institute for operational support in the 2018/19 Financial Year;
- J\$210,000,000.00 allocated for support of the Tourism Linkages Network within the 2018/19 Financial Year.



Minister of Tourism, Hon. Edmund Bartlett (third right), signs a memorandum of understanding with the Vice-President of International Sales at the American Hotel & Lodging Educational Institute (AHLEI), Ed Kastli (third left) to bolster the development of programmes of the Jamaica Centre of Tourism Innovation (JCTI). Sharing in the moment are (from left) Executive Director of the Tourism Enhancement Fund (TEF), Dr. Carey Wallace; Chairman of the Tourism Product Development Company (TPDCo), Ian Dear; Director of the JCTI, Carol Rose Brown; Executive Director of TPDCo, Dr. Andrew Spencer; and Chairman of TEF, Godfrey Dyer. The AHLEI will provide their expertise in programme development to the JCTI, which is scheduled to open in January 2018. The signing took place during the first day of the United Nations World Tourism Organisation (UNWTO), Government of Jamaica, World Bank Group and Inter-American Development Bank Global Conference on Jobs and Inclusive Growth: Partnerships for Sustainable Tourism, which took place at the Montego Bay Convention Centre from November 27 – 29, 2017.

Projected Operating Expenses - Year Ending 31 March 2019

Collections	J\$176.5 M
Staff Cost	J\$248.7 M
Administrative	J\$86.7 M
Property	J\$32.5 M
Other	J\$47.0 M
Total Operating Expenses	J\$591.4 M

Projected Income & Expense	
Statement -Year Ending 31 March 2019	
	J\$M
Government Subvention	4,042.5
Projected Interest & Other Income	20.8
Total Projected Income	4,063.3
Projected Financing & Support	3,451.1
Projected Operating Expenses	591.4
Total Projected Expenses	4,042.5
Projected Surplus	20.80

Senior Executive Compensation Year ended March 31, 2018

Senior Executive	Salary	Gratuity/Incentive Vacation Leave	Travelling Allowance/ Value of assigned	Pension or Other Retirement Benefits Vehicle	Other Allowances/ Benefits	Non- Cash Benefits	Total
Executive Director	7,196,889	-	7,326,325	-	-	-	14,523,21*
Director of Projects	2,008,929	-	559,010	-	-	-	2,567,939
Act'g Director of Projects	2,692,921	-	782,614	-	-	-	3,475,535
Director of Finance	1,771,510	-	488,202	-	-	-	2,259,712
Act'g Director of Finance	2,861,098	1,615,509	894,416	-	-	-	5,371,023
Total	16,531,347	1,615,509	10,050,567	-	-	-	28,197,423

*Assigned motor vehicle in lieu of travelling allowance.

Directors' Compensation Year ended March 31, 2018

Directors	Fees	Motor Vehicle Upkeep/Travelling or Value Assigned Motor Vehicle	Honoraria	All Other Compensation including Non-cash Benefits as applicable	Total
Godfrey Dyer (Chairman)	266,800.00	1,201,152.00			1,467,952.00
Joseph Issa (Deputy Chairman)	158,000.00	33,088.00			191,088.00
Ian Dear	127,900.00				127,900.00
Judy Schoenbein	167,400.00	153,624.20			321,024.20
David Dobson	202,300.00	27,736.00			230,036.00
Omar Robinson	167,800.00	301,082.00			468,882.00
Marc Williams	154,000.00	25,286.00			179,286.00
Alicia Bish	126,000.00	27,786.00			153,786.00
Beverley Russell	154,000.00	145,418.00			299,418.00
Jordan Samuda	112,000.00	76,234.00			188,234.00
Howard McIntosh	56,000.00	18,430.00			74,430.00
Paul Pennicook	42,000.00				42,000.00
Total	1,734,200.00	2,009,836.20	-	-	3,744,036.20

FINANCIAL STATEMENTS



Tourism Enhancement Fund

**Financial Statements
31 March 2018**

Tourism Enhancement Fund

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31 March 2018

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

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.

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



Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, appearing to read 'Rivatelum Logan'.

Chartered Accountants
19 July 2018
Kingston, Jamaica

Tourism Enhancement Fund

Statement of Comprehensive Income

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 \$'000	2017 \$'000
Income		2,874,615	5,927,752
Other income	6	42,928	429,380
Project expenditure	7	(2,364,428)	(5,331,629)
Operating expenses	8	<u>(150,730)</u>	<u>(397,099)</u>
Operating Surplus		402,385	628,404
Taxation	11	<u>-</u>	<u>-</u>
Net Surplus, being Total Comprehensive Income for the Year		<u><u>402,385</u></u>	<u><u>628,404</u></u>

Tourism Enhancement Fund

Statement of Financial Position

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 \$'000	2017 \$'000
Non-Current Assets			
Property, plant and equipment	12	15,131	18,191
Long-term receivables	13	952,017	548,145
Related parties	17	151,097	151,097
		<u>1,118,245</u>	<u>717,433</u>
Current Assets			
Trade and other receivables	14	11,027	930,069
Short term deposits	15	-	1,496,247
Cash and cash equivalents	15	12,215	1,020,129
		<u>23,242</u>	<u>3,446,445</u>
Current Liability			
Trade and other payables	16	26,205	168,829
Net Current (Liability)/Assets		<u>(2,963)</u>	<u>3,277,616</u>
		<u>1,115,282</u>	<u>3,995,049</u>
Accumulated Funds			
Accumulated surplus		<u>1,115,282</u>	<u>3,995,049</u>

Approved for issue by the Board of Directors on 19 July 2018 and signed on its behalf by:


 Godfrey Dyer Chairman


 Jordan Samuda Director

Tourism Enhancement Fund

Statement of Changes in Equity

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Accumulated Surplus
	\$'000
Balance at 1 April 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	3,995,049
Appropriation to the Consolidated Fund	(3,282,152)
Net surplus, being total comprehensive income for the year	<u>402,385</u>
Balance at 31 March 2018	<u><u>1,115,282</u></u>

Tourism Enhancement Fund

Statement of Cash Flows

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 \$'000	2017 \$'000
Cash Flows from Operating Activities			
Net surplus		402,385	628,404
Adjustment for:			
Depreciation	12	3,906	2,246
Interest income	6	(100,331)	(117,594)
Loss on disposal of property, plant and equipment		-	57
		<u>305,960</u>	<u>513,113</u>
Changes in operating assets and liabilities			
Trade and other receivables		919,042	235,412
Trade and other payables		<u>(142,624)</u>	<u>(79,277)</u>
Net cash provided by operating activities		<u>1,082,378</u>	<u>669,248</u>
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	12	(846)	(14,532)
Proceeds from disposals		-	149
Interest received		97,666	126,769
Long-term receivables, net		<u>(392,543)</u>	<u>(505,398)</u>
Net cash used in investing activities		<u>(295,723)</u>	<u>(393,012)</u>
Cash Flows from Financing Activity			
Appropriation to the Consolidated Fund		<u>(3,282,152)</u>	<u>(150,000)</u>
Net cash used in financing activity		<u>(3,282,152)</u>	<u>(150,000)</u>
(Decrease)/increase in cash and cash equivalents		(2,495,497)	126,236
Cash and cash equivalents at beginning of year		<u>2,507,712</u>	<u>2,381,476</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	<u><u>12,215</u></u>	<u><u>2,507,712</u></u>

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2018

(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 the Public Service to transfer all monies collected in respect of airline and cruise ship passengers directly to the Consolidated Fund. Under this new dispensation, the Fund will access funds for its operating requirements by submitting a monthly cash flow request to the Ministry of Finance and the Public Service.

Revenue generated from airline and cruise ship passengers for the year ended 31 March 2018 was \$6,729,169,000 (2017 - \$5,927,752,000) of which the Fund collected and transferred \$6,149,597,000 (2017 – Nil) to the Consolidated Fund during the year.

Government subvention received by the Fund during the year was \$2,874,615,000.

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.

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

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:

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

Amendments to IAS 7, 'Statement of Cash Flows', (effective for annual periods beginning on or after 1 January 2017). In January 2016, the IASB published amendments to IAS 7 to improve information about an entity's financing activities. These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The amendments require disclosure of information enabling users to evaluate changes in liabilities arising from financing activities including both cash and non-cash changes. The adoption of these amendments did not result in additional disclosures in the financial statements as the Fund historically has not had its cash flow influenced by financing activities.

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

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2018, 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).

The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities, in order to ensure that relevant and useful information is presented to users of financial statements. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The determination of classification is made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

There is no expected impact on the Fund's accounting for financial liabilities, as the new requirements only impact financial liabilities that are designated at fair value through profit or loss, and the Fund does not currently have any such liabilities.

The impact of the new impairment model has also been reviewed. This analysis requires the identification of the credit risk associated with the counterparties. The counterparties are for trade receivables from customers for products sold. The Fund will be utilising the use of a provisions matrix for the trade receivables reflecting past experience of losses incurred due to default as well as forward looking information in arriving at its impairment.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Fund (continued)

IFRS 9, 'Financial Instruments' (continued)

Changes in accounting policies resulting from adoption will be applied retrospectively as at 1 January 2018, but with no restatement of comparative information for prior years. Consequently, the Fund will recognise any adjustments to the carrying amounts of financial assets between IAS 39 and IFRS 9 in the opening retained earnings. The Fund does not expect that adoption of this standard will have a significant impact on its operations.

IFRS 15, 'Revenue from Contracts with Customers', (effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Fund does not expect that adoption of this standard will have a significant impact on its operations.

Amendment to IFRS 15, 'Revenue from Contracts with Customers', (effective for accounting periods beginning on or after 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard. The Fund does not expect that adoption of this amendment will have a significant impact on its operations.

IFRIC 22, 'Foreign Currency Transactions and Advance Consideration', (effective for annual periods beginning on or after 1 January 2018). The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The Fund does not expect any significant impact from the adoption of this standard.

IFRS 16, 'Leases', (effective for annual periods beginning on or after 1 January 2019). In January 2018, 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.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(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

In 2018, income represents government subventions received from the Ministry of Finance and the Public Service. During 2017, income represented fees generated from carriers in respect of cruise ship and airline passengers to the island (Note1). Income is recognised on the accruals basis.

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

(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.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(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.

(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.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(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.

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 2018

(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.

(i) Trade and other receivables

The Fund's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Customer credit risk is monitored according to their credit characteristics such as aging profile.

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 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 Public Services. There are no specific policies with regards to limits at financial institutions holding operating cash balances. Management does not expect any counterparty to fail to meet its obligations.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2018

(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:

	2018 \$'000	2017 \$'000
Long-term receivables	952,017	548,145
Trade and other receivables	7,636	926,593
Related parties	151,097	151,097
Short term deposits	-	1,496,247
Cash and bank	12,215	1,020,129
	<u>1,122,965</u>	<u>4,142,211</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:

	2018 \$'000	2017 \$'000
Government of Jamaica Securities	-	<u>1,496,247</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:

	2018 \$'000	2017 \$'000
Receivables – airlines	-	898,350
– cruise ships	-	28,659
Less: Provision for bad debts - airlines	-	<u>(5,958)</u>
	<u>-</u>	<u>921,051</u>

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2018

(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 2018, trade receivables of Nil (2017 – \$920,434,000) 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	2018	2017
	\$'000	\$'000
0 – 30 days	-	889,777
31 – 60 days	-	1,992
61 – 90 days	-	-
	<u>-</u>	<u>891,769</u>
Cruise ship passengers		
0 – 30 days	-	28,662
31 – 60 days	-	3
61 – 90 days	-	-
	<u>-</u>	<u>28,665</u>
	<u>-</u>	<u>920,434</u>

Ageing analysis of trade receivables that are past due and impaired

As of 31 March 2018, trade receivables of approximately Nil (2017 – \$6,575,000) were impaired. The amount of the provision was approximately Nil (2017 – \$5,958,000) relating to airline and cruise ship passengers. The individually impaired receivables mainly related to airlines. The ageing of these receivables was as follows:

Airline passengers	2018	2017
	\$'000	\$'000
Over 90 days	<u>-</u>	<u>6,575</u>

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2018

(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:

	2018	2017
	\$'000	\$'000
At 1 April	5,958	2,428
Provision for impairment of receivables	-	3,530
Write-off of receivables	(5,958)	-
At 31 March	<u>-</u>	<u>5,958</u>

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 2018

(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 2018	343	3,043	22,819	26,205
31 March 2017	51,220	69,133	48,476	168,829

Assets available to meet all of the liabilities and to cover financial liabilities include cash, 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 2018

(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
	2018		
Financial Assets			
Long-term receivables	952,017	-	952,017
Trade and other receivables	7,636	-	7,636
Related parties	151,097	-	151,097
Cash and bank	12,215	-	12,215
Total financial assets	1,122,965	-	1,122,965
Financial Liabilities			
Payables	26,205	-	26,205
Total financial liabilities	26,205	-	26,205
Net financial position	1,096,760	-	1,096,760
	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

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2018

(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 4% devaluation (2017 – 6%) and 2% revaluation (2017 - 1%) change in foreign currency rates. The sensitivity of the surplus was a change of Nil (2017 – \$24,438,000) in respect of a revaluation and \$Nil (2017 - \$146,628,000) 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 fair 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
2018						
Assets						
Long-term receivables	12,745	54,836	9,936	629,651	244,849	952,017
Trade and other receivables	-	-	-	-	7,636	7,636
Related parties	-	-	-	151,097	-	151,097
Cash and bank	12,175	-	-	-	40	12,215
Total financial assets	24,920	54,836	9,936	780,748	252,525	1,122,965
Liabilities						
Payables	-	-	-	-	26,205	26,205
Total financial liabilities	-	-	-	-	26,205	26,205
Total interest repricing gap	24,920	54,836	9,936	780,748	226,320	1,096,760

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2018

(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
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
Short term deposits	-	-	-	151,097	-	151,097
Cash and bank	587,995	705,086	194,502	-	8,664	1,496,247
Total financial assets	1,020,089	-	-	-	40	1,020,129
	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

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 2018

(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

	2018 \$'000	2017 \$'000
Foreign exchange (loss)/gain	(136,409)	124,942
Interest income	100,331	117,594
Recoveries on projects	-	186,089
Tourism Product Development Company Limited and Jamaica Vacations Limited balances written back	76,156	-
Other	2,850	755
	<u>42,928</u>	<u>429,380</u>

7. Tourism Enhancement Projects

	2018 \$'000	2017 \$'000
Falmouth	151,946	-
JAMVAC airlift support	-	67,543
JTB overseas marketing	-	2,797,882
Kingston and St. Andrew	142,897	56,909
Montego Bay	746,683	282,897
National projects	984,812	1,829,022
Negril	31,397	96,943
Ocho Rios	206,278	-
Portland	53,152	58,878
South coast	47,263	141,555
	<u>2,364,428</u>	<u>5,331,629</u>

During 2017, 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.

Effective 1 April 2017, Tourism Product Development Company Limited and Jamaica Vacations Limited became responsible for administering their project expenses thereby resulting in a nil balance for both JTB overseas marketing and JAMVAC airlift support for the current financial year.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

8. Operating Expenses

	2018 \$'000	2017 \$'000
Auditors' remuneration	1,830	1,743
Board expenses	8,264	8,776
Collections	-	185,683
Depreciation	3,906	2,246
Directors' fees	1,734	1,813
General Consumption Tax	8,804	9,388
Information technology	2,834	3,802
Marketing	2,971	7,312
Other management fees	3,870	4,700
Professional fees	1,755	3,076
Project management fees	-	57,648
Property expenses	16,934	13,162
Provision for bad debts - airlines	337	640
Staff costs (Note 9)	85,241	83,036
Other	12,250	14,074
	<u>150,730</u>	<u>397,099</u>

9. Staff Costs

	2018 \$'000	2017 \$'000
Wages and salaries	54,201	50,395
Statutory deductions	3,954	4,317
Travelling allowance	12,532	13,863
Gratuity	8,855	5,802
Other	5,699	8,659
	<u>85,241</u>	<u>83,036</u>

Number of employees -

	2018	2017
Full time	<u>19</u>	<u>15</u>

Tourism Enhancement Fund

Notes to the Financial Statements

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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 lease agreement held in 2017 with Jamaica Property Company Limited expires on 1 April 2018. A new lease agreement for a new office space became effective 1 August 2018, with a grace period of three months from that date.

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

	2018 \$'000	2017 \$'000
Not later than 1 year	16,568	13,842
Later than 1 year and not later than 5 years	129,554	-
	<u>146,122</u>	<u>13,842</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	Computers & Equipment	Office Equipment	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At Cost -					
At 1 April 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
Additions	567	253	26	-	846
At 31 March 2018	6,471	6,584	4,072	15,557	32,684
Depreciation -					
At 1 April 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
Charge for the year	534	1,106	395	1,871	3,906
At 31 March 2018	2,942	4,666	1,713	8,232	17,553
Net Book Value -					
31 March 2018	3,529	1,918	2,359	7,325	15,131
31 March 2017	3,496	2,771	2,728	9,196	18,191

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2018

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13. Long Term Receivables

	2018 \$'000	2017 \$'000
Long term receivables	1,024,194	631,213
Less: Provision for impairment	<u>(85,849)</u>	<u>(85,849)</u>
	938,345	545,364
Interest receivable	<u>13,672</u>	<u>2,781</u>
	<u>952,017</u>	<u>548,145</u>

- 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 2018 was \$257,745,000 (2017 – \$257,745,000), and provision for impairment was \$85,849,000 (2017 - \$85,849,000).

- 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 2018 was \$20,000,000 (2017 - \$20,000,000), and provision for impairment was nil.

- c) Under an agreement dated 21 September 2017, 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. Under the Memorandum of Understanding and recommendations made by the Ministry of Finance and Public Service, effective 1 September 2017, interest rate will be 4.5% (2017 – 5%) for the EX-IM loans and the accounts presented to EX-IM Bank will now be at a rate of 1.25% (2017 – 1.75%).

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 2018 was \$300,000,000, and provision for impairment was nil.

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2018

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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 2018 amounted to \$84,611,000 (2017 - \$53,468,000).

14. Trade and Other Receivables

	2018 \$'000	2017 \$'000
Trade receivables – airlines	-	898,350
– cruise ships	-	28,659
Less: Provision for bad debts – airlines	-	(5,958)
	-	921,051
Warrant receivable	107	-
Ministry of Tourism	2,327	-
Other receivables	5,202	5,542
Taxation recoverable	2,767	2,767
Prepayments	624	709
	<u>11,027</u>	<u>930,069</u>

Tourism Enhancement Fund

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

15. Cash and Cash Equivalents

	2018 \$'000	2017 \$'000
Cash at bank and in hand	12,215	1,020,129
Short-term deposits	-	1,487,583
Interest receivable	-	8,664
	<u>12,215</u>	<u>2,516,376</u>

Short-term deposits were encashed during the year and the proceeds transferred into the Consolidated Fund given the new dispensation effective 1 April 2018 (see note 1).

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

	2018 %	2017 %
Jamaican dollar deposits	-	6.3
United States dollar deposits	<u>-</u>	<u>1.9</u>

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

	2018 \$'000	2017 \$'000
Cash	12,215	1,020,129
Short-term deposits	-	1,487,583
	<u>12,215</u>	<u>2,507,712</u>

16. Trade and Other Payables

	2018 \$'000	2017 \$'000
Accounts payable and accrued charges	18,577	75,016
Due to Tourism Product Development Company Limited	-	56,148
Due to Jamaica Vacations Limited	-	34,568
Gratuities	7,628	3,097
	<u>26,205</u>	<u>168,829</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 Nil billion (2017 – \$4.93 billion) was provided to other government institutions/bodies:

(a) The statement of financial position includes the following balances with government agencies:

	2018 \$'000	2017 \$'000
Due from related party -		
Montego Bay Convention Centre	151,097	151,097
Other	2,327	-
	<u>153,424</u>	<u>151,097</u>
Due to related party -		
Tourism Product Development Company Limited	-	56,148
Jamaica Vacations Limited	-	34,568
	<u>-</u>	<u>90,716</u>

At 1 October 2017, 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. Following Cabinet decision 7/18 dated 19 February 2018, the Cabinet approved:

- (ii) the transfer of 22% shareholding to the Urban Development Corporation in the Montego Bay Convention Centre (MBCC) to the Accountant General, which would result in the shares in the Centre being fully vested in the Accountant General, who currently holds 78% of the Centre's shares;
- (iii) the set-off of 22% of the liability of USD\$664,073, as well as other amounts expended by the Fund in respect of MBCC (to the point of transfer of shares), against the cost of the shares of the Centre to be transferred to the Accountant General;
- (iv) the rescission of decision 31/16 in relation to the transfer of shares to the Fund; and
- (v) noted that portfolio responsibility for MBCC would be assigned to the Ministry of Tourism.

Tourism Enhancement Fund

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

17. Related Party Transactions and Balances (Continued)

(b) Key management compensation:

	2018 \$'000	2017 \$'000
Salaries and other short term benefits –		
Salaries	16,531	17,194
Gratuities	1,274	5,287
Other short-term benefits	<u>3,066</u>	<u>5,008</u>
	<u>20,871</u>	<u>27,489</u>
Directors' emoluments –		
Fees	<u>1,734</u>	<u>1,813</u>

