JAMPRO Annual Report '03-'04

Planting Seeds for Future Growth

Introduction

This publication outlines the achievements of the Jamaica Promotions Corporation for the financial period April 1, 2003 to March 31, 2004 in keeping with provisions of the Public Bodies Management and Accountability Act 2001.

Contents of this document may be made publicly available with source reference quoted.

Glossary of Acronyms

BPO	Business Process Outsourcing
CDE	Centre for the Development of Enterprise
FDI	Foreign Direct Investment
FOJ	Flavours of Jamaica
IAC	Industry Advisory Council
ICT	Information & Communications Technology
LAC	Latin America & Caribbean
MSME	Micro, Small & Medium-sized Enterprises
PSDP	Private Sector Development Programme
TDP	Trade Development Project

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Chairman's Message

It is with pleasure that I submit the Annual Report for Jamaica Promotions Corporation for the operational year ending March 31, 2004, which details another year of creditable performance by the Corporation. Several noteworthy achievements were recorded during the period under review, chief of which has been the commitment to invest in Jamaica by three (3) major hotel chains in Spain, the *RIU, Grupo Pinero* and *Iberostar* brands, which together will increase the island's room stock by at least 7,000 new rooms by 2008. This accomplishment comes after many months of targeted investment promotion in the Spanish hotel market.

Our strategies to attract and land investments in Jamaica reflected a 9% increase in foreign direct investment (FDI) inflows over the comparative period last year, despite a decline in overall FDI inflows into the Caribbean region.

The resilience of the export sector was evidenced by the marginal, though positive increase in exports from Jamaica. However, against the background of an increasingly unfavourable balance of payments account for Jamaica, JAMPRO's strategy in the area of trade during the year was concentrated around developmental activities with export businesses.

The Corporation sought to synchronise its strategies and actions with the goals of the National Export Strategy, giving priority to strengthening and enlarging the export sector. The Corporation also sought to continue to provide much needed support to the small and medium-sized enterprises through the EU-GoJ co-funded Trade Development Programme, bringing assistance to a total of 29 firms in the form of grants and services, ranging from business plan development to export diagnostics.

The agency also advanced its work in positioning professional services as an export industry. The development of a structured framework for the promotion of professional services as a non-traditional export is well underway with the creation of the Industry Advisory Council during the year.

On behalf of the Bcard of Directors, I wish to commend the staff of JAMPRO for the exemplary service and high levels of professionalism extended towards both local and foreign investors and exporters even in the midst a major restructuring exercise.

The Corporation has made great strides in the area of trade and investment promotion and is poised for further growth in advancing its mandate. We reaffirm our commitment to this task in the upcoming year.

Joseph A. Matalon
Chairman of the Board

Background

The Jamaica Promotions Corporation (JAMPRO) is constituted under the JAMPRO Act of 1990 as an amalgamation of the Jamaica Industrial Development Corporation (JIDC) and the Jamaica National Export Corporation (JNEC). Its objectives are to—

(a) Stimulate, facilitate and promote the development of—

(i) trade and industry;

(ii) export trade; and

(iii) investment activities in all sectors of the Island's economy;

(b) Promote the establishment and development of such activities in connection with the discharge of its duty under paragraph (a)... including... research, training and consultant activities, the sponsoring of trade fairs and trade missions, the compilation and issue of journals, bulletins and other publications;

(c) Promote the carrying on of the activities referred to in paragraphs (a) and (b) by other bodies or persons, and, for that purpose, to establish or expand or promote the establishment or expansion of, other bodies to carry on such activities..., and to give assistance (including financial assistance) to such other bodies or to other bodies or persons appearing to the Corporation to have facilities for the carrying on of such activities;

(d) Carry on such activities as aforesaid in association with other bodies or persons (including Government authorities) or as managing agents or otherwise on their behalf.[1]

The Development Mandate

Jamaica's development mandate is articulated in the National Industrial Policy (NIP) of 1996 as being predicated on a number of fundamental principles paraphrased as follows:

1. Investment, productivity and growth in the productive sectors of the economy are the cornerstone of development;

2. Export of both goods and services is the basis on which to achieve growth - therefore an export focus is necessary for economic development;

3. Building and maintaining competitiveness (i.e. competitive advantage) in relation to the international marketplace is critical to successful growth through exports;

4. Investment is necessary to create competitive advantage by enabling replacement of outdated equipment, importation of new technologies and funding of research and development;

5. Investments should have minimal risk and maximal return at both the macro- and micro-economic levels;

6. Government expenditure in terms of infrastructure, education and training are key in creating a foundation for profitable investment;

7. Policy interventions pursued must foster fair competition among all firms, however additional incentives should be made available to firms seeking to penetrate external markets; and

8. Development must be (i) proactive, (ii) a partnership between the public and private sector, and (iii) founded on the adoption of focused policy interventions.

Although a number of sectors were set as the focus of the strategy, namely **Manufacturing**, **Agriculture**, **Tourism**, **Mining & Chemicals**, **Information Technology**, and **Entertainment**, the Policy also advocated a cluster-based approach. This approach transcends the limited linear scope of sectors to the multivariate networked scope of the cluster, which includes suppliers, distributors, training and certifying bodies, etc. all of which are associated with and vital to the particular sector,

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[1] Extracted from the JAMPRO Act 1990, Clause 4.

or to multiple sectors. Due to the nature of such linkages, any growth experienced within the cluster was deemed likely to impact the economy as a whole.

The NIP presents a policy, infrastructure development, investment and export promotion framework that is necessary to facilitate achievement of the overall goal—US$4,000 per capita income by the year 2010. It is within this context that JAMPRO executes its primary functions.

JAMPRO's Role

JAMPRO's role in executing the development mandate is directly linked to its Investment Promotion and Export Development functions. In this regard, the organization:

- Specifically targets and facilitates investment projects that have the potential to contribute to the economy through significant capital expenditure within the local economy, technology transfer, and employment creation;
- Works with export clients with significant growth potential in the non-traditional markets, equipping them with tools to gain improved competitiveness, and assisting in market penetration;
- Interfaces with government agencies to highlight areas where policy intervention may be required;
- Conducts research into new market opportunities, including infrastructure projects, and develops profiles for interested investors;
- Works with partner agencies to build the private-public sector alliance.

Additionally, JAMPRO concentrated its efforts on the national economic objectives of business facilitation and creating a fertile environment for investment, export development, and entrepreneurship in general. Accordingly, priority was given to monitoring and evaluating the impact of trade policy on investment, at the same time improving the organizational environment to support the growth of investment and export development.

Our Vision:

To be a leading investment and export promotion agency, driving Jamaica's investments and exports to sustained high levels of growth and to establish Jamaica as a location of choice for investment.

Our Mission:

To promote and facilitate increased investments and exports for Jamaica in local and international markets to generate jobs and contribute to sustainable economic growth and national development.

Performance Review

Investment

The Investment mandate of the organization involves three main functions:

1. **Attracting foreign investment** – organizing outward and inward investment missions, participating in overseas events, working through regional offices to target and approach potential investors;

2. **Encouraging local investment** – facilitating policy changes that foster local investment, preparing opportunity profiles, conducting investor match-making; and

3. **Facilitating the progression of investment projects through to delivery or groundbreaking** – assisting in securing incentives, permits and licenses, and providing linkages to local suppliers/service providers.

The sectors of concentration are consistent with those outlined in the National Industrial Policy (NIP) and include:

- Agriculture/Agribusiness[2]
- Film, Music & Entertainment (FME)
- Information & Communications Technology (ICT)
- Tourism
- Manufacturing & Minerals

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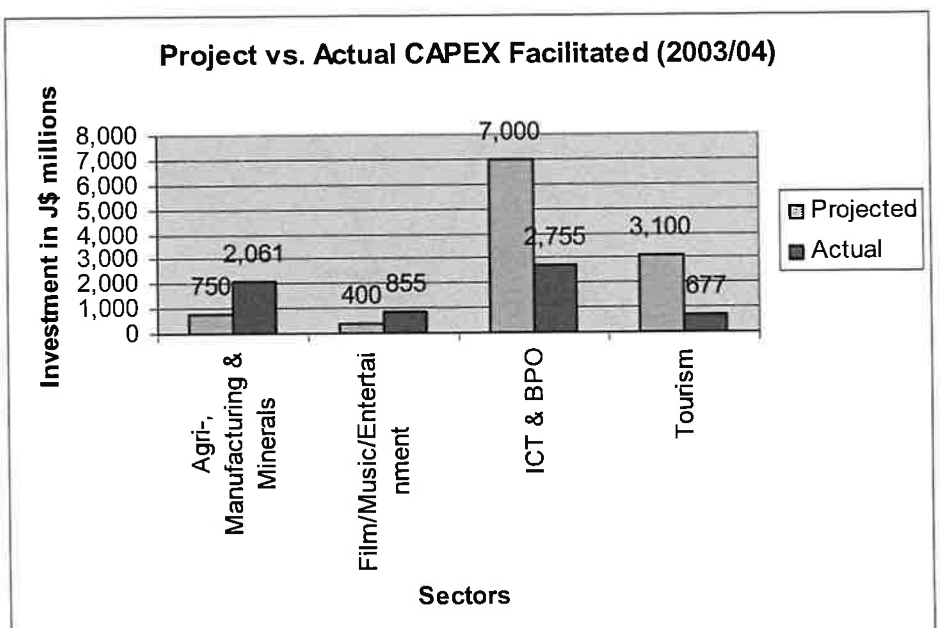
[2] After the 2003/04 period, due to several years of marginal activity in the agricultural sector caused by its volatility and therefore its lack of appeal to potential investors, work in this area was de-emphasized. At the same time, significant growth took place in the Agri-business sector as existing farmers supplied exporters to bring greater value-added agricultural products using food processing. This trend was the basis for the Flavour of Jamaica (FOJ) initiative (*see below*), a TDP-program.

Overall Performance & Prospects

FDI inflows at the global level continued to decline during the period for the third year in a row. In the Latin American and Caribbean (LAC) region, 2003 represented a fourth year of decline, falling by 3%, which, incidentally, was the lowest annual level of FDI since 1995. This downturn has been attributed to a petering out of the privatization momentum, coupled with the weak economic recovery of the European Union, which remains the region's primary source of FDI.

Service sectors continue to be the primary recipients of investment, especially telecommunications and business services which are gaining prominence. This trend is, of course, consistent with the overall dominance of the services sector world-wide, even in developing countries where they represent 52% of the economy.

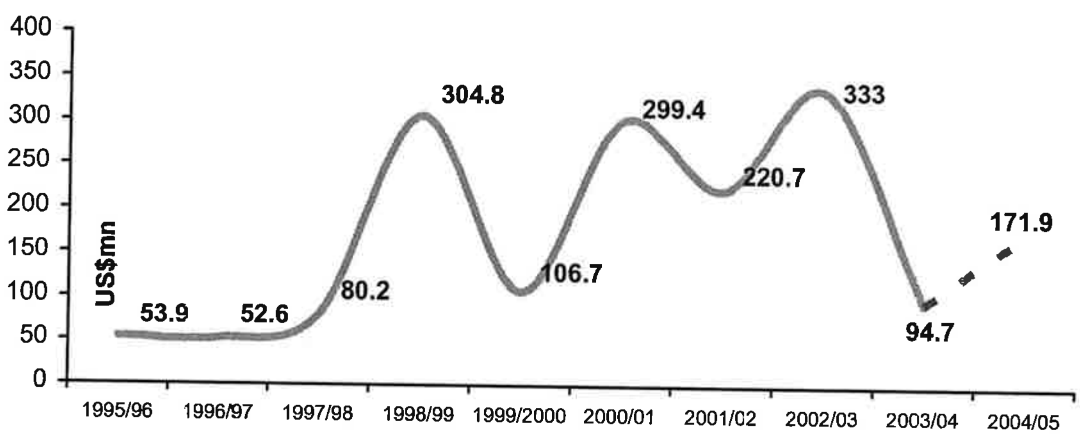
Despite the decline in FDI to the region, however, Jamaica experienced an increase of 9% in FDI inflows over 2002 based on World Investment Report (WIR) estimates, placing the country as the fifth highest in the region for FDI inflows behind Bermuda, British Virgin Islands, Cayman Islands, and Trinidad & Tobago. JAMPRO's contribution to this growth is captured using the level of Capital Expenditure (CAPEX) generated by each project, as well as its job creation (both permanent and temporary). During the 2003/04 period, the organization facilitated projects that valued J$6.3 billion in CAPEX and over 6,000 jobs. Investment efforts were primarily focused on business facilitation, prospect generation and matchmaking for export-oriented investment, particularly for long-term projects in the ICT, Manufacturing and Leisure (Tourism, FME) sectors.



As shown, CAPEX performance in the Agri-/Man. & Min. sectors, as well as the FME sector far exceeded their projected targets due to retooling efforts and expansions in the Agri-/Man. & Min. sectors, and to a number of high-budget film productions and television series, many of which were related to the growing popularity of the television reality series.

Conversely, the ICT/BPO and Tourism sectors failed to meet CAPEX projections because of the generally slow progression of these projects through the pipeline, a factor that is largely due to the magnitude of such projects, which frequently require significant on-the-ground work in terms of facilitating the securing of relevant permits and licenses. It has often proven difficult to accurately estimate the speed of progression through such processes since multiple agencies tend to be involved. In addition to this, however, Hurricane Ivan, which hit the island in September 2003 caused significant damage to the telecommunications sub-sector, as well as to Tourism infrastructure, and this, undoubtedly, further impacted the progression of projects through the pipeline. Notwithstanding the foregoing, projects in these sectors remain dominant in the portfolio in terms of their contribution to both CAPEX and employment generation (*see figure below*), and, as a consequence, continue to be given primacy in terms of the resources assigned to them.

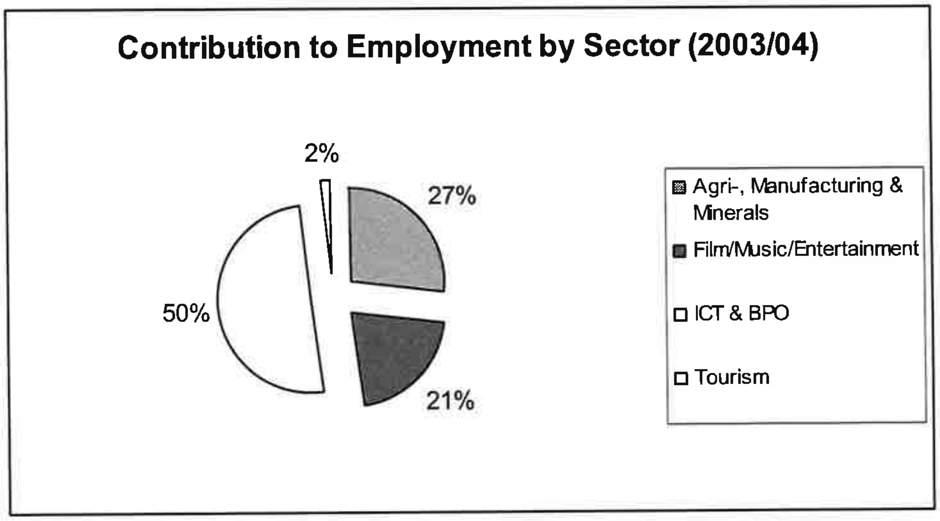
Owing to the failure to realize targets set for these two primary sectors, however, the organization's overall performance was correspondingly compromised with only **56%** of the total CAPEX target being achieved. However, while not meeting the projected investment target of J$11 billion for the financial year, significant strides were made (in 2003-2004 - a trough in the typical investment cycle)[3] in completing sales and securing commitments for uncompleted projects whose value will be recorded in the next financial period (projection shown by dotted blue line).



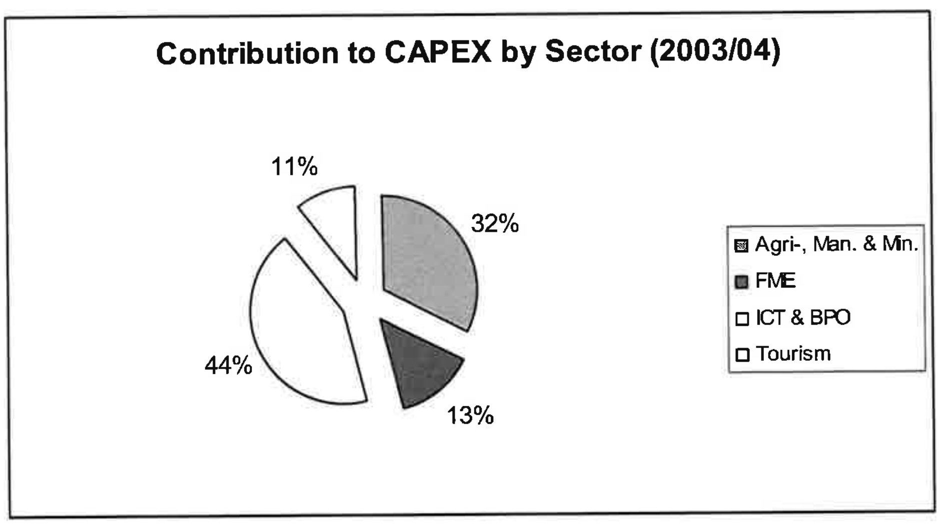
Similarly, in terms of employment, only **51%** of overall targets were realized, with only average job creation even in those sectors which had surpassed CAPEX projections. The most significant disappointment in this area, however, was the tourism sector,

[3] Peaks and troughs represent a typical investment cycle/pattern. Based on the capital-intensive nature of projects, investment promotion activity generally takes two to three years to reap results. In the troughs, prospects are built up in the portfolio, and generally shorter-gestation projects of a smaller CAPEX become operational.

which was projected to generate 600 jobs, but, due to the shortfall of projects reaching completion, only attained 17% of this target (103). In spite of this, because the projected tourism job creation target was only 5% of the overall projection, this disparity was not largely demonstrated.



A breakdown of each sectors contribution to overall CAPEX, in terms of percentage, is presented below.



Agri-, Manufacturing & Minerals

These sectors contributed a total of **J$2 billion** in CAPEX **(32%)** and **1,633** jobs to the overall achievements. Of this amount, the Agriculture/Agribusiness sector was responsible for only J$171 million (9%) and 138 jobs (9%), which represented a single project, TransGlobal Aquaculture Ltd. – a shrimp-farm based in Clarendon and originating from Taiwan.

In terms of Manufacturing, most of the projects delivered were facilitated by the MOI incentive and primarily represented expansions, including a $630 million expansion by Red Stripe (D&G Ltd.) and production facility upgrade for J. Wray & Nephew valued at $750 million.

No significant prospects are in the pipeline for the Agricultural sector, however, in the Mining & Chemical sub-sector, a single wind-farming project is expected to deliver over J$1 billion in CAPEX during the next period.

Film, Music & Entertainment

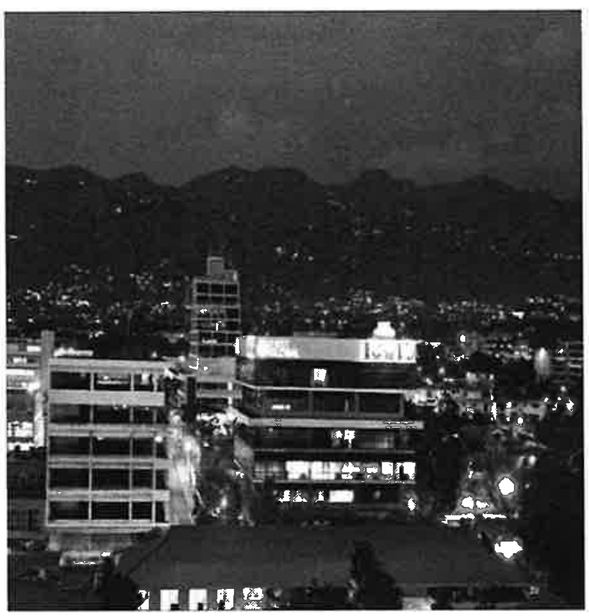
This sector was responsible for contributing **J$855 million (13%)** to the overall CAPEX figures and **1,264 (21%)** to the overall employment generated during the period.

As previously stated, a number of projects coming to fruition represented reality series for major cable networks including Fox, MTV and NBC. Other major projects included several music videos and still shoots for international brands such as Ralph Lauren, Tommy Hilfiger and Clairol. The Unit also launched its **filmjamaica.com** site, which features an extensive photographic library and provides all information—including the requisied film license application forms—that potential film producers would need to shoot on location in Jamaica.

Additionally, Film Commissioner, Del Crooks, was appointed to represent the Caribbean on the Board of the Association of Film Commissioners International (AFCI), providing a unique opportunity for networking within the global film niche.

The Film Unit was invited to share a booth with Fox Network at MIPTV in Cannes, France. MIPTV is a global content event for co-producing, buying, selling, financing and distributing entertainment content across all platforms, featuring the key decision-makers in the TV, film, digital and audiovisual industries. This opportunity allowed Jamaica to be showcased as a serious film destination and, along with the new FilmJamaica.com site and access to the ACFI, are expected to generate an increase in the number of prospects received within the first part of 2004/05.

Information & Communications Technology (ICT) and Business Process Outsourcing (BPO)



ICT/BPO projects generated **J$2.7 billion (44%)** in CAPEX and over **3,000 jobs (50%)**, thereby dominating the overall portfolio.

These achievements represented the further expansion of the sector by four additional companies, the largest being Oceanic Digital (MiPhone mobile services). In addition to these, there was fairly reasonable growth in the contact centre sub-sector with the launch of West Corporation and e-Services (SITEL), both in Portmore, bringing jobs to that high-population area.

A trend towards greater diversification is demonstrated with the opening of NARS and VistaPrint, offering collections and printing services, and representing expansion of the BPO sub-sector.

Verizon is one of several notable prospects that have been targeted for the coming year. Additionally, the department will continue follow-up on a number of leads generated from participation in the Summit of the Americas, a major networking event for the contact centre and outsourcing sub-sectors. Other leads emerged from participation in the EXPOCARIBE trade show in Cuba where Jamaica's value as an English-speaking gateway to the US market was highlighted among the predominantly Spanish-speaking countries that participated.

Tourism

The tourism sector ended the year having contributed J$677 million to CAPEX and 103 jobs to the organization's overall achievements. Although this is a fairly marginal accomplishment for this sector, the activities that have taken place during the period indicated that tourism may once again dominate the investment portfolio by 2005.

In the accommodation sector, targeting and promotion efforts during the last recessionary period began to bear fruit. JAMPRO chaperoned five Spanish hotel companies through an exploratory process, which culminated in the acquisition of tracts of land along the North Coast for the construction of hotels to eventually house 5,000 rooms with a potential capital investment of US$300 million (J$18 billion). These projects are now in the development phase with projected completion dates ranging from 2006 to 2008.

Hotels in the pre-construction and construction phases represent vertically-integrated global hospitality conglomerates bringing committed tour operator, travel agent and charter airline services geared to European markets. The reach of our new investors is expected to stimulate further diversification in the island's visitor-arrivals markets.

Other investments which JAMPRO facilitated originated from both the local (Swept Away phase II) and US markets, and contributed an approximate US$200 million to the overall figures for the sector.

Following the successful cultivation of relationships with Spain and the Spanish-speaking Caribbean, there was an increase in the number of new prospects in the hotel sub-sector. Realization of these prospects into projects within the period ultimately translated into commitments from Ríu, Grupo Piñero and Iberostar hotels to add 7,000 new rooms valued at some J$30 billion, to be implemented between 2005 and 2008.

Additionally, a register of all viable local tourism projects and real estate developments has been prepared, and financing is to be sought through the EU Pro€Fit programme during FY 2004-2005. Once this is done, it is expected that the document will facilitate the prospect generation process by providing information which investor targets will be able to immediately act upon.

Prospects for Next Period

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Export

The Export mandate of the organization deals primarily with two functions:

1. **Export Development** – assisting exporters to create products that are of international standards through the provision of technical assistance and other hand-holding;
2. **Export Promotion** – facilitating the introduction of Jamaican products to international markets through trade fairs and other market penetration activities, as well as through distributor sourcing.

During the 2001/02 period, a decision was taken to adopt the Trade Development Project's (TDP) methodology as the general export strategy for the organization. This approach involves the conduct of individual company diagnostics and the provision of assistance to clients thereby enabling them to achieve long-term goals. The portfolio of clients was monitored on a quarterly basis to assess individual and group performance in the areas of overall sales, export sales and sales growth.

The Corporation also synchronised its strategies and actions with the goals of the National Export Strategy (NES) - Export 2010, giving priority to strengthening and enlarging the export sector for greater success in global competition, particularly against the background of an increasingly unfavourable Balance of Payments (BoP). Our export strategy, thus, involves strengthening supply side factors, promoting priority sectors, sustaining growth in non-traditional and value-added exports, and optimising the application of information technology in the promotion of services.

The NES represents a collaboration with the Development Council, the Private Sector Organization of Jamaica (PSOJ) and the Jamaica Exporters' Association (JEA), which aims to increase export sales annually and reduce the trade deficit by 2010. Among its targets are a 9% export growth-rate for visible trade and the earning of US$2 billion from the export of non-traditional services (mainly Tourism, ICT, Film and Music). The programme hopes to be able to counter a forecasted import bill of US$4 billion by 2010.

Overall Performance & Prospects

Global merchandise production and exports recorded the highest annual growth in three years during the period, and this was consistent across all three broad sectors—manufacturing, mining, and agriculture.

The region's trade performance (i.e. LAC), however, was described as 'subdued' due to the stagnation of the Brazilian and contraction of the Venezuelan economies, but also because of the decline in shipments to North America, due to China's increasing trade relations to that area. So, for example, over the period China came to replace Mexico as the second largest supplier to the US, after Canada.[4] On the other hand, intra-regional trade increased by 9% in 2003, however this represented only 15% of total regional exports, while merchandise shipments to Western Europe and Asia increased by 17% and 20%, respectively.

In Jamaica, Hurricane Ivan's near-collision with the island in September 2003, caused significant damage to crops affecting both the Agricultural and Manufacturing sectors, namely the Food & Beverage sub-sector. Damages to these productive sectors were estimated at J$13.3 billion and included loss of crops, as well as significant infrastructural damage. As a result, the Manufacturing sector recorded a -0.8% decline in GDP value during the period, with the Food & Beverage sub-sector registering -1.6% decline. Change in GDP for the Agriculture, however, was offset by Fishing & Forestry and therefore resulted in a positive change in GDP value of 4.7%. Similarly, Mining experienced growth of 4.9% change in GDP value.

Meanwhile, global trade in services also experienced growth with the dollar value of services exported increasing by 13%. Notably, the "Other" category of commercial services, which represents more than half of the entire commercial services trade—the others being tourism and transportation—, rose by 15%. At the local level, growth was far more moderate as the "Other Service" category recorded no increase in terms of its contribution to GDP.

The net effect of these factors is shown by the very modest increase in dollar value of non-traditional exports by US$6.6 million, or less than 3%.

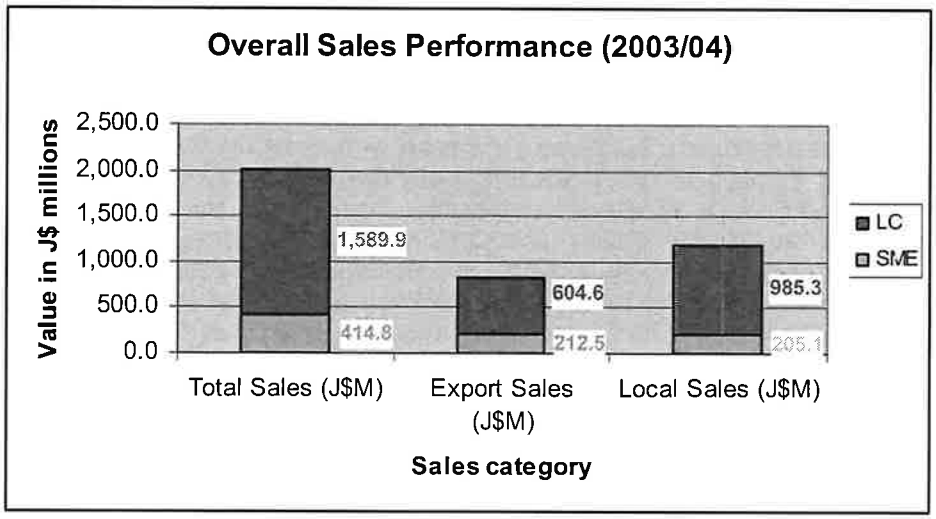
Trade Development Project (TDP)

The TDP is a EU-GOJ co-funded economic development project that seeks to assist exporters in becoming more competitive through the provision of technical assistance grants for business development services. The project, which began in 1999, draws to a close in 2004. Since its inception, companies benefiting include not only SMEs, but also business development service providers who are able to seek funding for training or other capacity-building activities. Five (5) primary activities are covered under the project: (i) Business Development Services (BDS), (ii) Service Provider capacity-building, (iii) Consortia initiatives, (iv) Sector-level initiatives, and (v) Bundled Technical Assistance, in which companies were selected for assistance on a project-by-project basis.

The current JAMPRO export client portfolio consists of 29 companies which are all TDP clients, having received grants at the individual firm, as opposed to consortia, level and who have received services ranging from business plan development to export diagnostics. Clients comprised 10 Large Companies (>200 employees, >US$750,000 annual sales) and 19 SMEs (10-200 employees), demonstrating the following sales performance:

[4] Source: World Trade Organization, International Trade Statistics 2004.

Export sales totaled J$817.1 M, of which 76% represented the contribution of Large



Companies and 24% that of SMEs, however, in terms of the percentage of overall sales that represented exports, SMEs surpassed LCs with 51% versus 38%, respectively.

Flavours of Jamaica (FOJ)

This TDP-initiative is an integrated marketing effort to collectively brand Jamaican products exported to the UK market and also aims to assist exporters to achieve higher standards in keeping with a more discerning market. The objective of the programme is to enhance the profile and awareness of Jamaican food and drink products and thereby achieve an increased share of the UK market for ethnic foods, which is currently estimated at £4 billion.

Phase 1 of the FOJ campaign was implemented during the programme with the appointment of a UK-based consultant charged with developing the overall marketing and promotion campaign for Jamaican Food and Beverage export industry. An initial launch of the concept took place during the Food & Drink Expo in Birmingham (March 14-17), the UK's premier event for sourcing global food and beverage products, and was well-received by all participants visiting the booth. The next phase will involve the delivery of informational workshops for local exporters, informing about marketing strategies for the target market, along with further UK market penetration through participation in the International Food Exhibition taking place in London.

Professional Services IAC

An Industry Advisory Council (IAC), comprised of 10 private and public sector representatives, was convened during the period as a means of identifying the best course for the advancement of professional services as an export industry, especially pertinent in light of advent of the Caribbean Single Market Economy (CSME). This initiative was the result of years working with government decision-makers to create a well-structured and attractive framework for the promotion of professional services as a non-traditional export. With the increasing value of the world services trade, marked by the near doubling in the percentage change of world exports in 2003 alone[5], and Jamaica's highly educated professionals, exports of services are expected to be significant contributors to Jamaica's growth in the coming years. The convening of the IAC is therefore a significant milestone in terms of its potential to contribute to the nation's future growth.

[5] World Trade Organization, *World Trade Developments in 2003 and Prospects for 2004*, available from: http://www.wto.int/english/res_e/statis_e/its2004_e/its04_general_overview_e.pdf, p. 5.

Universal Access

Universal Access services are those which are provided to individuals who are not necessarily Investment or Export clients, but who nevertheless seek to access basic business information, including:

- **Business Library:** a reference desk offering numerous periodicals and other published material relevant to the economy as a whole, as well as to specific sectors and sub-sectors. Materials may be borrowed and used in-house, or else photocopied. Users may also access internet services using the available kiosk;
- **Business Approvals:** facilitating the acquisition and approval processes for business-related permits and licenses that necessary for investors and exports;
- **Contact Centre:** a walk-in and call-in facility with trained officers who provide valuable business information and advice on doing business in Jamaica;
- **Exporter Registration:** as provided in the JAMPRO Act, the organization keeps a register of all new exporters and provides basic information to assist in their first steps towards exporting;
- **Modernisation of Industry (MOI):** processing applications for the MOI incentive, which allows eligible exporters to import equipment required to upgrade their facilities free of GCT and duty;
- **Technical Assistance:** providing guidance and hand-holding for companies to access grant-based financing for business development through a number of partner resources and donor agents.

All services are provided at a cost to the client, with the exception of Client Relations, which is free of charge.

Overall Performance & Prospects

Performance in this area is associated with the extent to which the department is able to assist investors and exporters in expediting various processes associated with doing business in, or from, Jamaica. In this regard, specific indicators were identified to represent achievement of this objective, performance against which is presented in the table below:

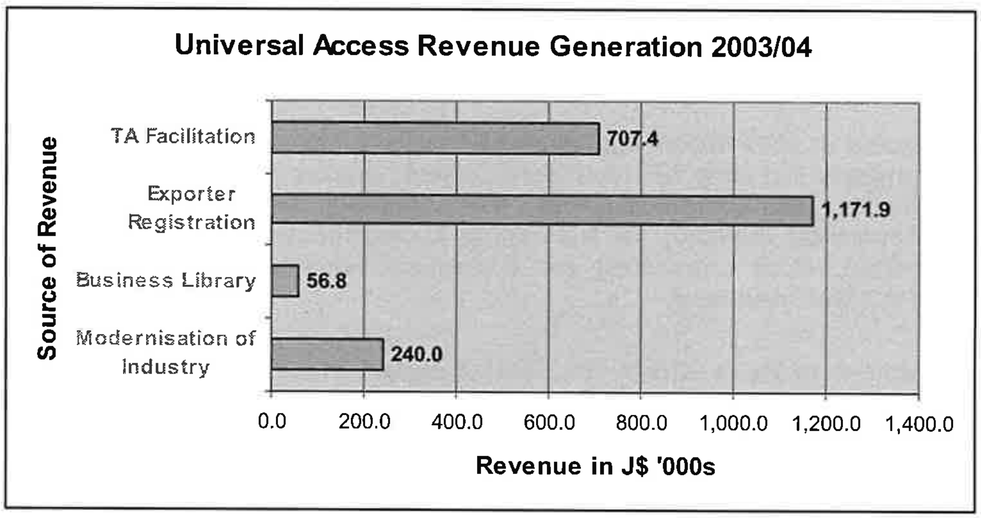
Indicator	**Targeted**	Achieved
▪ Applications (e.g. incentives, licenses, etc.) processed	**500**	987
▪ Success rate for approvals of applications	**95%**	81%
▪ Technical Assistance funding disbursed	**J$65m**	J$42m

The overwhelming number of applications, 197% of the target, is seen as an indicator of the high level of investment into the island, which includes both foreign and local sources. The majority of these applications were associated with Film projects, having to do with waivers for the importation of equipment, however other applications include submissions for the granting of various incentives, as well as environmental permits, which are chiefly required for tourism projects. The Department had also expected to initiate training of 'change agents' within the various agencies in order to improve the efficiency of the approval process from both ends. This plan, however, was shelved when it was found that a similar programme was being offered by the Management Institute for National Development (MIND). In addition to this, however, there is ongoing interface with various agencies directly, as well as through the Investment Facilitation Board (IFB) and this, along with the proposed training, were attempts at improving both the turnaround times and the success rates of applications.

As relates to the disbursement of TA funds, an initial target of J$65 million had been set, which was subsequently reduced to $60 million following a revision of the TDP budget. Despite this, however, only 70% of the targeted amount had been disbursed due to delayed submission of claim-related information on the part of clients.

Aside from these aspects of business facilitation, the Department continues to support regulation of the export industry by registering and renewing exporter licenses. In this regard 610 exporter registrations were processed, 37% of which represented new exporters thereby attesting to the continued growth and dynamism of the export sector as well.

The diagram below illustrates the revenue generation that has been achieved by the provision of these services. Exporter Registration leads in revenue generation having been responsible for 54% of the total J$2.1 million earned. Library services, on the other hand, contributed the least revenue to the department due to the scaling down of the facilities and limited promotion using only printed brochures. Nonetheless, a total of **J$56,000** was earned from computer use and photocopying of reference material.



e-Initiatives: Jamaica Trade Point

The optimization of e-services is a key strategic focus given its potential to reduce the long-term cost of services, maximize human resource potential and make available basic, crucial information required by businesses. Such initiatives include:

jExporter.com	online exporter registration facility
BuyJamaica.com	marketplace for export products and services
FundingOasis.com	search facility to identify potential funding sources
Online Business Library	searchable catalog of in-house reference documents

In addition to these, JAMPRO has established the Jamaica Trade Point portal as one of 110 trade points in 83 countries to serves as a comprehensive resource point for all export-related services and agencies. From this portal, businesses will eventually be able to carry out any function—from acquiring licenses to trading—related to the export trade. All local agencies with online facilities may be accessed from the site, allowing for a complete paperless process that will minimize the time taken to carry out such activities normally.

The launch of the portal coincided with JAMPRO's hosting of the World Trade Point Federation's 4th General Assembly during which Jamaica was lauded for most closely actualizing the original trade point concept.

Technical Assistance: Trade Development Project (TDP) and Centre for Development of Enterprise (CDE)

In excess of J$42 million was disbursed to local businesses from CDE and TDP sources for projects including business development, market penetration participation, organic certification and standards-setting; international accreditation for quarry operators; an environmental workshop for the mining & construction sectors; trade fair participation by herbal sector companies; and investment promotion training for twenty-five (25) JAMPRO staff members.

In addition to these efforts, the TA Unit earned over J$700,000 in revenue for services provided for the CDE in terms of assisting applications and organizing incoming missions.

Modernisation of Industry (MOI)

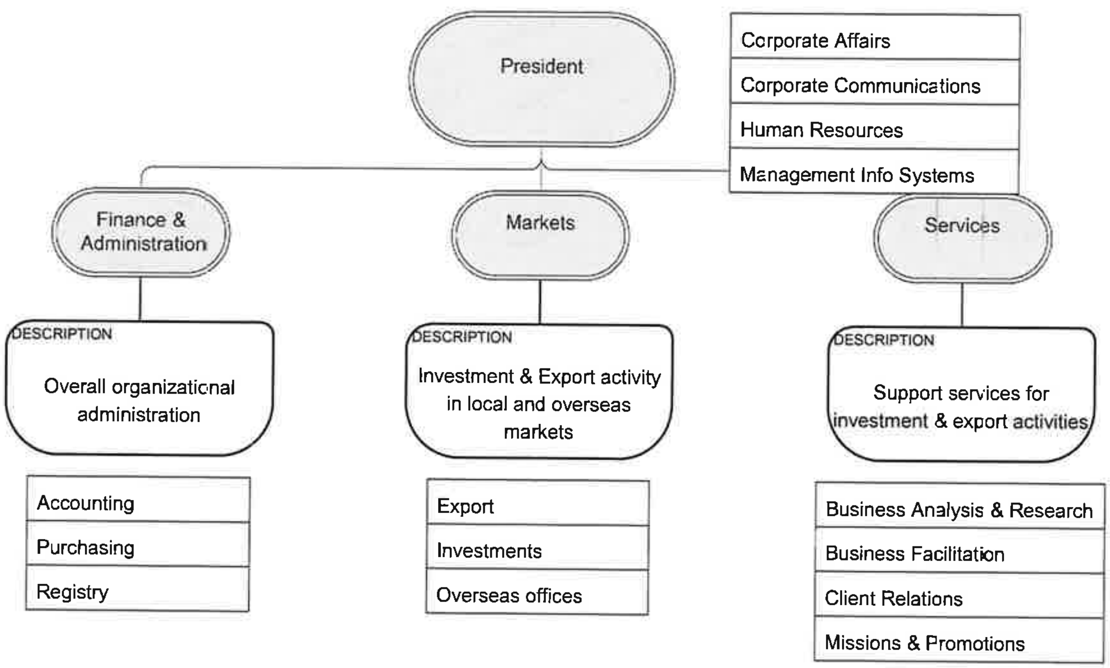
The MOI programme provides an incentive to local manufacturers seeking to upgrade their plants and/or equipment by allowing for the importation of equipment duty- and GCT-free. During the period, capital investment in excess of J$1.6 billion was facilitated through MOI for a total GCT exemption of J$248 million.

Corporate Overview

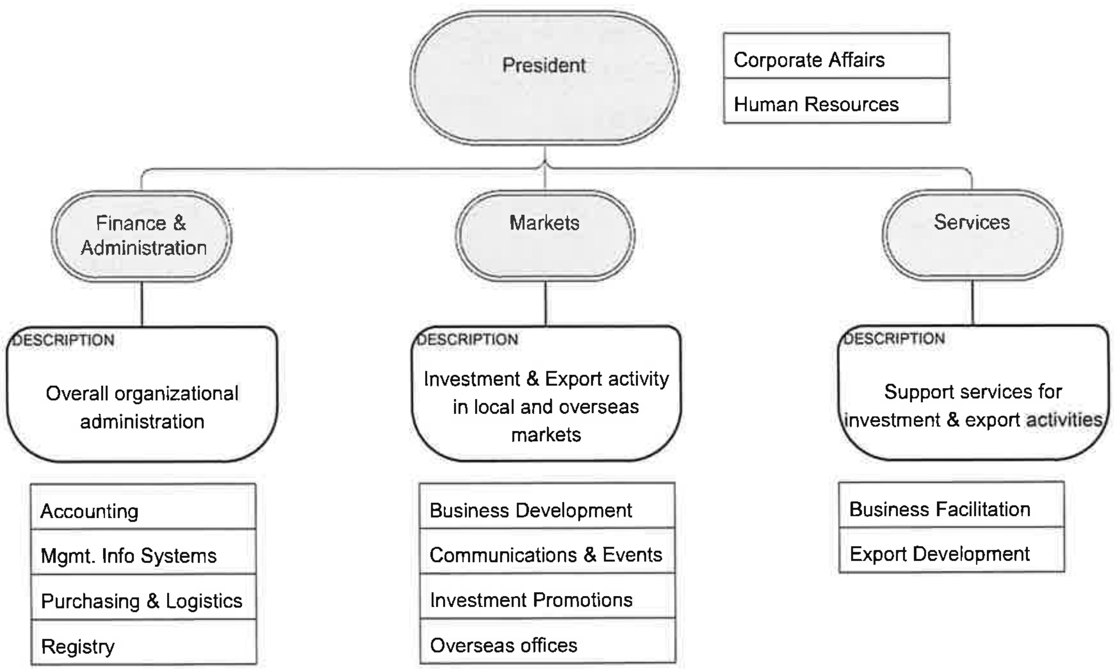
Administrative Structure

JAMPRO is a statutory body of the Government of Jamaica aligned with the Ministry of Development (MoD). It is led by a President who reports to its Board of Directors, a body which has representation from both the private and public sectors and which is headed by a Chairman.

The organization has three main functions aside from its internal administrative activities: Investment Promotion & Facilitation, Export Promotion & Development, and (Universal) Business Facilitation. Up to the beginning of the period, the organization was stratified into three divisions: Markets, Services, and Finance & Administration. The diagram below describes their main functioning:



Mid-way through the period, however, a significant restructuring took place as a means of reducing costs and increasing effectiveness in the face of a budget shortfall—the disbursement of J$209 million, as opposed to J$290 million. Consequently, organizational downsizing took place reducing the staff complement by 25% to seventy-two (72) persons. This included plans for the closure of the Toronto Trade Commission, requiring the entire North American market to be serviced through the New York external office, staffed by two persons. The resulting structure is illustrated below:



Notwithstanding the efficiencies expected to be facilitated through this new structure, the anticipated loss of institutional memory from staff members who have a long history with the organization has the potential to undermine the effectiveness of the structure itself.

Additionally, another backlash of the restructuring was the low-level of job security and motivation of those staff members that remained. The organization was therefore required to consider new ways to create a more stable and supportive environment that would foster staff performance.

Executive Compensation

Position	F/Y 2003/2004
	J$
President	6,551,057.50
Deputy President	-
Executive Directors	14,317,256.83
Total	**20,868,314.33**

These positions come with a fully maintained company car and are entitled to gratuity of 25% of basic salary in lieu of pension.

Executive Management

Chairman Mr. Joseph Matalon

President Mrs. Patricia Francis

Members of the Board of Directors

Mr. Dennis Morrison, The Hon. Noel Hylton, Mr. Clarence Clarke, Mrs. Berletta Forrester, Mr. Ricky Wates, Mr. Patrick Casserly, Mr. Amrit Sinanan, Mr. Alvin Wint, Mr. Dan Kelly, Mr. Charles Matthews, Mrs. Veniece Pottinger, Mr. Michael McMorris, Mr. Oswald Lyn, Kris Astaphan

Governance & Staffing

Each JAMPRO Staff member is required to prescribe by the established Human Resources Policy & Procedures document which outlines the rules, rights and privileges of staff. Additionally, each member of staff must sign a Declaration of Confidentiality that describes the conditions for sharing information from within the organization, however this does not preclude the provisions of the Access to Information Act of July 2002.

Financial Performance

In the latter half of the Financial Year, the Corporation adopted an income-generation and cost-reduction strategy that led to an 82% increase in Other Income and a 6% decline in Total (Operating) Expenses.

In December, JAMPRO launched our Event Planning and Meeting Services, featuring a 75-seat conference facility with state-of-the-art audio-visual equipment, event management and coordination, logistic support, catering and menu planning, graphic design and printing service and transportation. Customer Satisfaction rating, to date, averages 90%.

Additionally, the reduction in staff in October resulted in the availability of approximately 4,850 ft.^{2} of office space on the second floor, which was subsequently leased to the Office of the Cabinet.

Introduction to the Financial Statements

Income from Government grants totaled J$209m, which was 19% less than amount received in the previous year and 20% below the approved budget of J$264m. A further J$17m in redundancy costs was incurred, which no provisions were made for in the 2003/2004 budget. This had the net effect of increasing Staff Costs for the year.

Financial Reporting Standard

Following the decision of the Accounting Regulatory Body to adopt the International Financial Reporting Standard (IFRS) as Jamaica's accounting and auditing standard, the Corporation has, this year, prepared its financial statement in accordance with the same.

The major consequence of this is the recognition, in 2004, of an additional J$12m in expenses as a result of the write-down in pension assets, as required by International Accounting Standards (IAS).

The increase in Staff Costs over 2003 was a result of the inclusion in 2004 of J$17m in redundancy costs and an adjustment of $15m arising from the adoption of International Reporting Standards. Were these excluded, the overall staff cost would have been reduced by 15%.

As this is the First Year of adoption of the IFRS, prior year comparatives have been reclassified and restated in compliance with IFRS I – First-Time Adoption of IFRS.

The profit brought forward at April 1, 2003 was, therefore, adjusted to reflect the recognition of Pension Asset, the net effect in an increase in Accumulated Surplus by $39m. These transactions are detailed in the attached Audited Financial Statements and Notes.

List of Appendices

Audited Financial Statements

AUDITED FINANCIAL STATEMENTS

KPMG Peat Marwick
Chartered Accountants

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Jamaica

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To the Members of
JAMAICA PROMOTIONS CORPORATION

Auditors' Report

We have audited the financial statements of Jamaica Promotions Corporation set out on pages 2 to 17, and have obtained all the information and explanations, which we required. The financial statements are the responsibility of the directors and management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors and management, and evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith and have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the state of affairs of the Corporation as at March 31, 2004 and of the results of operations and cash flows for the year then ended, and comply with the provisions of the Jamaica Promotions Corporation Act.

KPMG Peat Marwick

September 22, 2004

JAMAICA PROMOTIONS CORPORATION

Balance Sheet
March 31, 2004

	Notes	2004	2003 *(restated)*
CURRENT ASSETS			
Cash and cash equivalents	3	8,081,902	27,937,604
Accounts receivable	4	12,663,084	10,215,406
		20,744,986	38,153,010
CURRENT LIABILITIES			
Accounts payable	5	50,976,139	47,626,244
Grants received in advance	6	151,832	151,832
		51,127,971	47,778,076
NET CURRENT LIABILITIES		(30,382,985)	(9,625,066)
PROPERTY, PLANT & EQUIPMENT	7	214,084,122	220,539,217
PENSION ASSET	8	27,844,000	42,281,000
		$211,545,137	253,195,151
Financed by:			
ACCUMULATED SURPLUS		27,442,491	69,828,355
CAPITAL RESERVE	9	180,618,291	180,618,291
		208,060,782	250,446,646
DEFERRED INCOME	10	3,484,355	2,748,505
		$211,545,137	253,195,151

The financial statements on pages 2 to 17 were approved by the Board of Directors on September 22, 2004, and signed on its behalf by:

Chairman
Joseph A. Matalon

President
Patricia Francis

The accompanying notes form an integral part of the financial statements.

JAMAICA PROMOTIONS CORPORATION

Income Statement
Year ended March 31, 2004

	Notes	2004	2003 *(restated)*
Gross operating revenue	11	226,570,788	268,268,435
Operating expenses:			
Promotional		46,312,942	54,218,509
Staff-related		182,406,362	178,587,080
General and administrative		44,767,070	60,494,466
		273,486,374	293,300,055
Operating deficit for the year	12	(46,915,586)	(25,031,620)
Other income/(expenses):			
Interest income		3,971,434	4,839,007
Gain/(loss) on disposal of property, plant & equipment		558,288	(2,780,796)
Deficit before exceptional item		(42,385,864)	(22,973,409)
Gain on exchange of freehold property	7	-	76,637,064
(Loss)/surplus for the year after exceptional item		$(42,385,864)	53,663,655

The accompanying notes form an integral part of the financial statements.

JAMAICA PROMOTIONS CORPORATION

Statement of Changes in Equity
Year ended March 31, 2004

	Accumulated surplus	Capital reserve (note 9)	Property reserve	Total
Balance at March 31, 2002:				
As previously reported	30,128,544	114,807,003	4,134,494	149,070,041
Effect of first-time adoption of International Financial Reporting Standards (IFRS) [note 15(a)]	48,432,061	3,415,383	(4,134,494)	47,712,950
As restated, using IFRS	78,560,605	118,222,386	-	196,782,991
Restated surplus for the year [note 15(b)]	53,663,655	-	-	53,663,655
Transfer of gain on disposal and exchange of property, plant & equipment	(62,395,905)	62,395,905	-	-
March 31, 2003, as restated using IFRS [note 14(c)]	69,828,355	180,618,291	-	250,446,646
Deficit for the year	(42,385,864)	-	-	(42,385,864)
Balance at March 31, 2004	$27,442,491	180,618,291	-	208,060,782

The accompanying notes form an integral part of the financial statements.

JAMAICA PROMOTIONS CORPORATION

Statement of Cash Flows
Year ended March 31, 2004

	2004	2003 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficit)/surplus for the year	(42,385,864)	53,663,655
Adjustments to reconcile surplus/(deficit) for the year to cash (used)/provided by operating activities:		
Depreciation	10,905,987	12,162,038
Employee benefits	14,437,000	6,485,000
Property, plant & equipment written down	-	3,312,177
Amortisation of deferred income	(718,761)	(281,600)
Gain on disposals and exchange of property, plant & equipment	(558,288)	(73,856,268)
	(18,319,926)	1,485,002
Increase in current asset:		
Accounts receivable	(2,447,678)	(1,290,329)
Increase/(decrease) in current liability:		
Accounts payable	3,349,895	(4,821,123)
Net cash used by operating activities	(17,417,709)	(4,626,450)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant & equipment purchased	(2,996,281)	(32,709,250)
Proceeds from disposal of property, plant & equipment	558,288	3,055,593
Net cash used by investing activities	(2,437,993)	(29,653,657)
Net decrease in cash and cash equivalents	(19,855,702)	(34,280,107)
Cash and cash equivalents at beginning of year	27,937,604	62,217,711
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 8,081,902	27,937,604

The accompanying notes form an integral part of the financial statements.

1. The Corporation

Jamaica Promotions Corporation (JAMPRO) was established on April 26, 1990 as a statutory corporation under the Jamaica Promotions Corporation Act (the Act) with the objectives of stimulating, facilitating and promoting the development of trade and industry, export trade and investment activities in all sectors of the Jamaican economy.

Under the Act, the assets of the Jamaica Industrial Development Corporation (JIDC) and the Jamaica National Export Corporation (JNEC) were vested in the Corporation subject to liabilities and obligations relating thereto, as of April 26, 1990.

The assets and liabilities of JAMPRO Limited (a limited liability company owned by the Government of Jamaica) were transferred to, and vested in, the Corporation as of April 1, 1991, by the Jamaica Promotions Corporation (Vesting of Assets) Order 1991.

On October 4, 2002, the Corporation transferred its interest in the shares of its subsidiary, Jamaica Export Trading Company Limited, to a consortium of staff of that company.

The number of staff at March 31, 2004 was 76 (2003: 93).

2. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Standards Interpretation Committee of the IASB and recommendations by the Institute of Chartered Accountants of Jamaica, and comply with the provisions of the Companies Act.

The financial statements are prepared using IFRS for the first time. Consequently, where necessary, prior year comparatives have been reclassified and restated to conform to IFRS. IFRS 1 – *First time adoption of IFRS,* which is effective for accounting periods beginning on or after January 1, 2004, has been adopted early.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation is provided in the statement of changes in equity and note 15.

(b) Basis of preparation:

The financial statements are prepared under the historical cost convention.

These financial statements are presented in Jamaica dollars ($), which is the measurement currency of the Corporation.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from these estimates.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at April 1, 2002, for the purposes of the transition to IFRS.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances including short term deposits maturing between one and twelve months from the balance sheet date.

(d) Accounts receivable:

Trade and other receivables are stated at cost, less impairment losses [see note 2(k)].

(e) Accounts payable and accrued charges:

Trade and other payables are stated at cost.

(f) Property, plant & equipment:

Property, plant & equipment are stated at cost or deemed cost, less accumulated depreciation and impairment losses, if any [see note 2(k)]. Certain items of fixed assets that were revalued to fair value on or prior to April 1, 2002 (the date of transition to IFRS) are measured on the basis of deemed cost being the revalued amount at the date of that revaluation.

(g) Depreciation:

Property, plant & equipment, with the exception of land, on which no depreciation is charged, are depreciated on the straight-line basis at annual rates estimated to write off the assets over their expected useful lives. The depreciation rates are as follows:

Buildings	2½%
Leasehold improvements	over the life of the lease
Furniture and equipment	10%
Motor vehicles	20%
Computers	20%

(h) Foreign currencies:

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in the income statement.

(i) Employee benefits:

Employee benefits comprise all forms of consideration given by the Corporation in exchange for service rendered by employees. These include current or short-term benefits such as salaries, NIS contributions paid, annual vacation and sick leave, and non-monetary benefits, such as medical care and housing.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(i) Employee benefits (cont'd):

(i) General benefits:

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.

(ii) Post-retirement benefits:

Pensions and other post-employment assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the Corporation's post-employment benefit asset as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The Corporation operates a trusteed defined benefit pension scheme (see note 8), the assets of which are held separately from those of the Corporation. The adoption of IAS 19 does not affect the pension schemes, which continue to be governed by the approved trust deeds and rules, and remain under the full control of the appointed trustees.

The Corporation's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on government securities that have maturity dates approximating the terms of the Corporation's obligation. The calculation is performed by an independent actuary, using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in the income statement.

All actuarial gains and losses as at April 1, 2002, the date of transition to IFRS were recognised. In calculating the Corporation's obligation in respect of the plan, actuarial gains and losses that arose subsequent to April 1, 2002, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent (10%) of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(i) Employee benefits (cont'd):

(ii) Post-retirement benefits (cont'd):

Where the calculation results in a benefit to the Corporation, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(j) Provisions:

A provision is recognised in the balance sheet when the Corporation has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(k) Impairment:

(i) The carrying amounts of the Corporation's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of the Corporation's originated securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of originated securities and receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. For all other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd):

(l) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents and accounts receivable. Similarly, financial liabilities include accounts payable and grants received in advance.

(m) Deferred income:

Where property, plant & equipment are received as gifts from, or acquired out of funds granted by donors, the amount of the grant, determined by the cash received or, in the case of gifts in kind, the fair value of the asset received, is credited to deferred income. An amount equivalent to the depreciation charged on the property, plant & equipment for the financial year is transferred from deferred income to the income statement.

3. Cash and cash equivalents

These include:

(a) $151,832 (2003: $151,832) relating to grants received in advance to be disbursed to other persons for projects undertaken by the Corporation (see note 6).

(b) $3,125,401 (2003: $2,668,968) placed on deposit in the name of the Corporation, which relate to amounts received from the Ministry of Industry, Commerce & Technology for aiding in the development of art and craft.

4. Accounts receivable

	2004	2003
International Technical Assistance Programme	57,499	12,115
Prepaid expenses	514,907	840,918
Other accounts receivable	12,090,678	9,362,373
	$12,663,084	10,215,406

5. Accounts payable

	2004	2003
Trade accounts payable	9,954,809	6,971,227
Due to Art Development Fund	3,125,401	2,668,968
Accrued expenses and other liabilities	37,895,929	37,986,049
	$50,976,139	47,626,244

6. Grants received in advance

These are unspent funds received from overseas agencies to finance certain activities and projects.

7. Property, plant & equipment

	Land, buildings & leasehold improvements	Furniture equipment and computers	Motor vehicles	Total
At cost:				
March 31, 2003	193,681,962	38,025,033	11,105,487	242,812,482
Additions	1,113,714	1,882,567	-	2,996,281
Donated assets	-	1,454,611	-	1,454,611
Disposals	-	-	(1,063,000)	(1,063,000)
March 31, 2004	194,795,676	41,362,211	10,042,487	246,200,374
Depreciation:				
March 31, 2003	7,880,213	8,831,055	5,561,997	22,273,265
Charge for the year	4,781,125	4,775,480	1,349,382	10,905,987
Eliminated on disposals	-	-	(1,063,000)	(1,063,000)
March 31, 2004	12,661,338	13,606,535	5,848,379	32,116,252
Net book values:				
March 31, 2004	$182,134,338	27,755,676	4,194,108	214,084,122
March 31, 2003	$185,801,749	29,193,978	5,543,490	220,539,217

(a) During 2003, the Corporation obtained final approval for an agreement to exchange buildings owned by the Corporation, Finsac Limited and Civil Aviation Authority. In the transaction, the Corporation acquired premises at 18 Trafalgar Road, valued at $150 million, in exchange for its property at 4 Winchester Road.

(b) Certain items of equipment were valued at March 2003 by Stayn Consultants Limited at $7,100,000 based on depreciated replacement cost for the purpose of recording a value in the financial statements. These items were indexed back to March 2002 and have been deemed as the assets' cost at April 1, 2002, the date of transition to IFRS.

The related surpluses arising on revaluations are included in capital reserve (note 9).

8. Pension asset

The corporation operates a contributory pension scheme for all permanent employees. The scheme is funded by employee contributions of 5% of pensionable earnings, and employer contributions as recommended by independent actuaries. Annual pension at retirement is based on the average annual rate of pensionable earnings for the last three years prior to retirement.

Amounts recognised in the financial statements in respect of post-retirement employee benefits comprise the following:

	2004	2003
Pension asset:		
Present value of funded obligations	(52,353,000)	(70,738,000)
Fair value of plan assets	366,170,000	285,294,000
Net surplus	313,817,000	214,556,000
Unrecognised actuarial (gains)/losses	(60,454,000)	15,833,000
Asset not recognised due to limitation in economic benefits	(225,519,000)	(188,108,000)
Asset recognised in balance sheet	$ 27,844,000	42,281,000

(i) Movements in the net asset recognised in the balance sheet:

	2004	2003
Balance at beginning of year	42,281,000	48,766,000
Contributions paid	2,125,000	1,981,000
Charge recognised in the income statement	(16,562,000)	(8,466,000)
Balance at end of year	$27,844,000	42,281,000

(ii) Change recognised in the income statement:

	2004	2003
Current service costs	4,267,000	4,954,000
Interest on obligations	10,153,000	8,280,000
Expected return on plan assets	(35,269,000)	(35,749,000)
Change in disallowed asset	37,411,000	30,981,000
	$16,562,000	8,466,000
Actual return on plan assets	31%	17%

(iii) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2004	2003
Discount rate	12.5%	12.5%
Expected return on plan assets	12.5%	12.5%
Future salary increases	10.0%	10.0%
Future pension increases	7.0%	7.0%

9. Capital reserve

	2004	2003
Profit on disposal of real estate	80,215,145	80,215,145
Excess of the value of assets over liabilities vested in the corporation (see note 1)	1,675,556	1,675,556
Realised surplus on disposal of buildings	86,002,348	86,002,348
Unrealised surplus on revaluation of furniture & fixtures	9,656,146	9,656,146
Unrealised surplus on revaluation of computers	3,069,096	3,069,096
	$180,618,291	180,618,291

10. Deferred income

	2004	2003
Balance at beginning of the year	2,748,505	844,800
Additions during the year	1,454,611	2,185,305
Amortisation during the year	(718,761)	(281,600)
Balance at end of the year	$3,484,355	2,748,505

11. Gross operating revenue

This represents gross income from government grants, certification fees and miscellaneous income. Grants aggregating $55 million that were approved by the Government of Jamaica for the year ended March 31, 2004, have not been received by the corporation and are not recognisable as revenue for the year.

12. Disclosure of expenses

Operating deficit for the year is stated after charging:

		2004 $	2003 $
Depreciation		10,905,987	12,162,038
Directors' remuneration:			
Fees		269,700	55,500
Management remuneration	- current year	7,737,046	6,922,887
	- prior year	-	2,226,642
Redundancy costs		17,465,865	-
Other staff costs		157,203,451	170,932,104
Auditors' remuneration		750,000	750,000

13. Commitments

At March 31, 2004, there was an unexpired operating lease commitment in respect of equipment leased from Cable & Wireless Jamaica Limited amounting to US$82,192 (2003: US$117,000). Of this amount, US$34,808 (2003: US$34,808) is payable within one year.

14. Financial instruments

(a) Financial instrument risks:

Exposure to financial instrument risks arises in the ordinary course of the Corporation's business.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

At the balance sheet date, the Corporation had significant concentrated exposure of credit risk on deposits and repurchase agreements with George & Branday Limited.

The maximum exposure to credit risk is represented by the aggregate carrying amount of financial assets.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

At March 31, 2004, there was no significant exposure to interest rate risk, as interest-bearing funds were invested in short-term instruments.

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Corporation incurs foreign currency risk primarily on services that are contracted in a currency other than the Jamaica dollar. The principal foreign currency exposures for the Corporation are as follows:

	2004	2003
United States dollars	(54,456)	(3,672)
Pounds Sterling	(2,179)	(3,941)
Canadian dollars	14,863	459

14. Financial instruments (cont'd)

(a) Financial instrument risks (cont'd):

(iii) Foreign currency risk: (cont'd)

As at balance sheet date, exchange rates of these currencies expressed in Jamaica dollar equivalents were as follows:

	2004	2003
United States dollars	61.01	56.24
Pounds Sterling	111.34	87.41
Canadian dollars	46.46	37.48

(iv) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market. The Corporation has no significant exposure to market risk, as it holds no financial instruments subject to this risk.

(v) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Corporation will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed credit facilities. The Corporation aims at maintaining flexibility in funding by maintaining investments in liquid assets and by monitoring subventions from the relevant ministries of Government.

(vi) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The Corporation manages this risk through budgetary measures, ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

(b) Fair value disclosure:

(i) Fair value amounts represent estimates of the consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

(ii) The carrying values in the financial statements for cash and cash equivalents, accounts receivable, other financial assets and other financial liabilities are assumed to approximate their fair values due to their relatively short-term nature. Additionally the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.

15. Explanation of transition to IFRS

As stated in note 2(a), these are the Corporation's first financial statements prepared in accordance with IFRS.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended March 31, 2004, the comparative information presented for the year ended March 31, 2003 and in the preparation of an opening IFRS balance sheet at April 1, 2002 (the Corporation's date of transition to IFRS).

In preparing its opening IFRS balance sheet, the Corporation has adjusted amounts previously reported in financial statements prepared in accordance with previous Jamaica Generally Accepted Accounting Principles (JGAAP). An explanation of how the transition from previous JGAAP to IFRS has affected the Corporation's financial position, financial performance and cash flows is set out below.

(a) Effect on equity at April 1, 2002:

	Capital reserve	Property reserve	Accumulated surplus	Total
IFRS 1 – First-time adoption of IFRS [note d(i)]	7,888,889	-	-	7,888,889
IAS 19 – Employee benefits [note d(ii)]	-	-	40,668,861	40,668,861
IAS 20 – Accounting for government grants [note d(iii)]	(4,473,506)	(4,134,494)	7,763,200	(844,800)
	$3,415,383	(4,134,494)	48,432,061	47,712,950

(b) Effect on profit for the year ended March 31, 2003:

	$'000s
Net profit for the year as previously reported	63,222,185
IFRS 1 – First-time adoption of IFRS [note d(i)]	(788,889)
IAS 19 – Employee benefits [note d(ii)]	(9,051,241)
IAS 20 – Accounting for government grants [note d(iii)]	281,600
	(9,558,530)
Net profit for the year as restated	53,663,655

15. Explanation of transition to IFRS (cont'd)

(c) Effect on equity at March 31, 2003:

	Capital reserve $'000	Property reserve $'000	Accumulated surplus $'000	Total $'000
Equity as previously reported	186,488,213	4,134,494	30,954,824	221,577,531
Effect of transition date adjustments (note a)	3,415,383	(4,134,494)	48,432,061	47,712,950
Effect on net profit for year ended March 31, 2003 (note b)	-	-	(9,558,530)	(9,558,530)
Reversal of revaluation of property, plant & equipment [note d(i)]	(7,100,000)	-	-	(7,100,000)
Transfer to deferred income [note d(iii)]	(2,185,305)	-	-	(2,185,305)
Equity as restated	180,618,291	-	69,828,355	250,446,646

(d) Notes to the reconciliation of equity and net profit:

(i) The material component of the Corporation's equipment was revalued as at March 31, 2003. The valuation was indexed back to April 1, 2002 and deemed as the assets' cost at that date (date of transition).

(ii) Provision for employee benefits, such as retirement benefits and unused vacation leave, not recognised under JGAAP, has been recognised under IFRS.

(iii) Grants and gifts of property, plant & equipment which were previously taken to property or capital reserve are now treated as deferred income and expensed through the income statement by amounts equivalent to the depreciation charged on the property, plant & equipment for the financial year.

(e) Adjustments to statement of changes in cash flows:

There are no material adjustments between the cash flow statement presented under IFRS and the cash flow statement presented under previous JGAAP.

16. Contingencies

The Corporation is contingently liable for income taxes amounting to $6,944,839, on the salaries of non-resident employees for the period 1997 to October 2000. The Corporation has applied to the Minister of Finance & Planning for a waiver of this amount, and anticipates a positive response.

JAMAICA PROMOTIONS CORPORATION

SUPPLEMENTARY INFORMATION
TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2004

JAMAICA PROMOTIONS CORPORATION

Detailed Income Statement
Year ended March 31, 2004

	2004	2003 (Restated)
OPERATING INCOME		
Government grants	209,176,676	258,745,000
Certification fees	1,242,507	1,097,408
Other income	16,151,605	8,426,027
	226,570,788	268,268,435
OPERATING EXPENSES		
Promotional		
Advertising and promotion	22,391,676	29,089,731
Books and publications	1,375,183	1,822,465
Entertainment	841,624	1,062,392
Foreign and local travel and subsistence	14,280,117	15,623,214
Professional fees	7,424,342	6,620,707
	46,312,942	54,218,509
Staff		
Salaries, statutory payments and gratuities	146,279,087	153,201,384
Staff benefits	22,597,804	15,360,574
Pension benefit, net	14,437,000	6,485,000
Unused vacation leave	(1,632,862)	2,566,139
Staff training	725,333	973,983
	182,406,362	178,587,080
General and administrative		
Directors' fees	269,700	55,500
Office rental	2,818,331	4,333,375
Utilities	14,827,628	14,372,001
Repairs and maintenance	5,270,146	6,044,162
Office supplies and other operating expenses	2,018,624	3,206,427
Professional fees	348,763	3,228,414
Audit fees	858,922	841,342
Bad debts, including advances to subsidiary	1,009,864	1,048,736
Motor vehicle and travelling	1,742,858	2,468,536
Bank charges	466,556	440,436
Insurance	1,801,111	2,432,332
Stationery	2,221,675	2,458,051
Security	1,072,419	1,818,857
Foreign exchange losses/(gains)	(146,847)	330,778
Property, plant & equipment written down	-	3,312,177
Relocation expenses	-	2,317,190
Miscellaneous	-	72,884
Depreciation, net of allocation to tenants	10,905,981	11,994,868
Amortisation of deferred income	(718,661)	(281,600)
	44,767,070	60,494,466
Total expenses	273,486,374	293,300,055
Operating deficit	$(46,915,586)	(25,031,620)