



Grant Thornton

Financial Statements

Tourism Nova Scotia

March 31, 2017



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# Management statement on financial reporting

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these financial statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors (the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements regularly and external audited financial statements yearly.

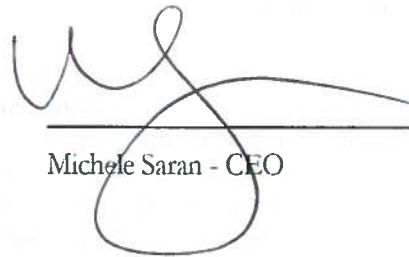
The external auditors, Grant and Thornton LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Tourism Nova Scotia and meet when required.

On behalf of Tourism Nova Scotia:



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R. Irene d'Entremont - Chair



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Michele Saran - CEO

## Independent auditor's report

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To the Board of Directors of  
**Tourism Nova Scotia**

We have audited the accompanying statement of financial position of **Tourism Nova Scotia** as at March 31, 2017, and the statement of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tourism Nova Scotia as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Halifax, Canada  
June 19, 2017

*Grant Thornton LLP*

Chartered Professional Accountants  
Licensed Public Accountants

# Tourism Nova Scotia

## Statement of financial position

March 31

2017

2016

### Financial assets

Receivables (Note 4)	\$ <u>4,145,238</u>	\$ <u>4,672,469</u>
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### Liabilities

Bank indebtedness	105,648	-
Payables and accruals (Note 5)	3,101,883	4,530,131
Deferred revenue (Note 6)	30,348	29,447
Health and retirement obligations (Note 7)	<u>2,253,848</u>	<u>2,162,614</u>
	<u>5,491,727</u>	<u>6,722,192</u>

Net debt	<u>(1,346,489)</u>	<u>(2,049,723)</u>
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### Non-financial assets

Inventories	19,757	340,591
Tangible capital assets (Note 3)	-	482,400
Prepays	<u>100,000</u>	<u>-</u>
	<u>119,757</u>	<u>822,991</u>

Accumulated deficit	\$ <u>(1,226,732)</u>	\$ <u>(1,226,732)</u>
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Commitments (Note 12)

On behalf of the Board

 Director

 Director

# Tourism Nova Scotia

## Statement of operations

Year ended March 31	Budget	2017	2016
<b>Revenues</b>			
Provincial operating grant	\$ 21,164,000	\$ 19,297,030	\$ 21,672,239
Recoveries (Note 8)	577,000	1,036,929	863,120
Fees and other charges (Note 8)	729,000	927,402	954,918
TCA revenue- contributed assets	-	-	482,400
	<u>22,470,000</u>	<u>21,261,361</u>	<u>23,972,677</u>
<b>Expenses</b>			
Supplies and services	9,694,100	9,054,643	8,762,434
Salaries and wages (Note 7)	6,511,200	5,774,502	7,940,641
Professional services	2,521,400	2,937,694	3,521,213
Grants and contributions	2,536,300	2,440,080	3,963,900
Other	890,000	752,667	740,693
Travel	317,000	224,565	193,718
Other provincial obligations	-	77,210	76,810
	<u>22,470,000</u>	<u>21,261,361</u>	<u>25,199,409</u>
<b>Annual deficit</b>	-	-	(1,226,732)
Accumulated deficit, beginning of year	<u>(1,266,732)</u>	<u>(1,226,732)</u>	-
Accumulated deficit, end of year	\$ <u>(1,226,732)</u>	\$ <u>(1,226,732)</u>	\$ <u>(1,226,732)</u>

## Tourism Nova Scotia Statement of changes in net debt

Year ended March 31	Budget	2017	2016
Annual deficit	\$ -	\$ -	\$ (1,226,732)
Disposition (acquisition) of tangible capital assets	-	482,400	(482,400)
Use (acquisition) of inventory (net of usage)	-	320,834	(340,591)
Acquisition of prepaid expenses	-	(100,000)	-
Decrease in net debt	-	703,234	(2,049,723)
Net debt			
Beginning of year	(2,049,723)	(2,049,723)	-
End of year	\$ (2,049,723)	\$ (1,346,489)	\$ (2,049,723)



# Tourism Nova Scotia

## Statement of cash flows

March 31

2017

2016

Net increase (decrease) in cash and cash equivalents

### Operating

Annual deficit	\$ -	\$ (1,226,732)
Post employment service costs	29,900	30,200
Post employment benefit interest costs	77,210	77,165
Post employment costs - other	(9,339)	2,055,249
Amortization of actuarial gains (losses)	(6,537)	-
	<u>91,234</u>	<u>935,882</u>

### Change in non-cash operating working capital

Receivables	527,231	(4,672,469)
Inventories	320,834	(340,591)
Prepays	(100,000)	-
Payables and accruals	(1,428,248)	4,530,131
Deferred revenue	901	29,447
	<u>(679,282)</u>	<u>(453,482)</u>

### Capital

Disposition (acquisition) of tangible capital assets	<u>482,400</u>	<u>(482,400)</u>
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Net decrease in cash and cash equivalents

(105,648) -

Cash and cash equivalents (bank indebtedness)

Beginning of year	-	-
End of year	\$ <u>(105,648)</u>	\$ -

Bank indebtedness consists of:

Balances with banks	\$ -	\$ -
Outstanding cheques	<u>(105,648)</u>	-
	\$ <u>(105,648)</u>	\$ -

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# Tourism Nova Scotia

## Notes to the financial statements

March 31, 2017

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### 1. Nature of operations

Tourism Nova Scotia ("Tourism") is a private sector-led provincial Crown Corporation and its mandate is to drive tourism growth in the province, and foster a more globally competitive tourism industry through innovative, strategic marketing and sector development initiatives. The four pillars of Tourism Nova Scotia's strategic plan are to attract more first time visitors, invest in markets of highest return, focus on world class experiences, and build tourism confidence. As the steward of Nova Scotia's tourism brand and chief marketer, Tourism Nova Scotia is responsible for marketing Nova Scotia as a tourism destination. A marketing campaign aimed at increasing tourism visitation to the province is developed and launched on an annual basis and both direct-to-consumer and trade marketing are conducted. Tourism also leads experience and sector development to support attracting visitors to the province, and is responsible for building stakeholder knowledge of and support for Tourism's strategic direction. Tourism Nova Scotia has three main business areas which are marketing, sector development (comprising tourism business development, experience development and research services) and corporate services (including responsibility for finance, corporate communications, human resources, strategic planning, policy direction, corporate risk functions, accountability reporting, and visitor services which comprises six visitor information centres, the contact centre and distribution services).

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### 2. Summary of significant accounting policies

#### Basis of accounting

These financial statements have been prepared by management by applying the principles of the Chartered Professional Accountants of Canada Public Sector Accounting Standards for other government organizations as defined by the Canadian Public Sector Accounting Board, which sets out generally accepted accounting principles for government organizations.

#### Presentation of estimates

Each year, Tourism prepares an annual budget, referred to as the Estimate, which represents the financial plan for the fiscal year commencing April 1.

#### Revenue recognition

The Provincial operating grant and TCA revenues are accounted for as government transfers. Government transfers are recognized as revenue when the transfer is authorized and all eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recorded as deferred revenue and are recognized as revenue when the funds are used as intended.

Recoveries, fees and other charges are recognized on an accrual basis as earned, and collectability is reasonably assured.

#### Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met.

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# Tourism Nova Scotia

## Notes to the financial statements

March 31, 2017

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### 2. Summary of significant accounting policies (continued)

#### Financial instruments

##### *Initial measurement*

Financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

##### *Subsequent measurement*

At each reporting date, Tourism measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for investments, which must be measured at fair value. Tourism uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments measured at amortized cost are receivables, bank indebtedness, and payables and accruals.

For financial assets measured at cost or amortized cost, Tourism regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and Tourism determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Health and retirement obligations include a public service retirement allowance plan and health care benefit plan, where the responsibility for the provision of benefits rests with Tourism. Liabilities for these plans are calculated using the projected benefit actuarial method. The projected benefit actuarial method attributes the estimated cost of benefits to the periods of employee service. The net liability represents accrued employee benefits and the balance of unamortized experience gains and losses.

#### Non-financial assets

Tangible capital assets have useful lives extending beyond the accounting period, are held for use in the production and supply of goods and services, and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at gross historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development, and installation of the tangible capital asset, except interest. During the year, Tourism disposed of all its tangible capital assets through an internal transfer.

The net book value of a tangible capital asset, representing historical cost less accumulated amortization, is to be written down when conditions indicate that the tangible capital asset no longer contributes to Tourism's ability to provide services or the future economic benefits are less than the net book value. Write-downs are not to be reversed. The amount of the write-down represents a charge against Tourism's budget. On an annual basis, assets that are 95% amortized and have a net book value of less than \$1,000 will be written down to \$1 at fiscal year end.

# Tourism Nova Scotia

## Notes to the financial statements

March 31, 2017

### 2. Summary of significant accounting policies (continued)

#### Non-financial assets (continued)

Assets will be retired from the accounts of Tourism when the asset is sold, destroyed, abandoned or otherwise disposed of. The gain or loss on disposal will be calculated with reference to the proceeds received and the net book value of the tangible capital asset.

Inventories of supplies are held for consumption of use by Tourism in the course of its operations and are recorded at the lower of cost and current replacement cost.

#### Measurement uncertainty

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action and are reviewed annually to reflect new information as it becomes available with adjustments made to the annual surplus or deficit as appropriate. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in the accruals for such items as health and retirement obligations. The nature of the uncertainty in the accruals for pension and retirement obligations arises because actual results may differ significantly from Tourism's various assumptions about plan members and economic conditions in the marketplace.

#### Income taxes

As a provincial Crown Corporation, Tourism is exempt from income taxes under the provisions of the Income Tax Act.

#### Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, cash held in banks and bank overdrafts.

#### Inventory

Inventory is valued at the lower of cost and net realizable value.

<b>3. Tangible capital assets</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Land (Yarmouth VIC)	\$ -	\$ 482,400
<hr/>		
<b>4. Receivables</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
HST receivable	\$ 3,235,652	\$ 922,543
Receivables	262,631	105,832
Public service award recovery from Province of Nova Scotia	646,955	656,449
Receivable from Province of Nova Scotia (payroll)	-	166,217
Receivable from Province of Nova Scotia (other)	-	2,821,428
	<u>\$ 4,145,238</u>	<u>\$ 4,672,469</u>

# Tourism Nova Scotia

## Notes to the financial statements

March 31, 2017

5. Payables and accruals	<u>2017</u>	<u>2016</u>
Payables	\$ 2,718,268	\$ 4,177,511
Payroll accrual	176,102	166,217
Vacation pay accrual	127,710	137,118
HST payable	-	49,285
Payable to Province of Nova Scotia (other)	<u>79,803</u>	<u>-</u>
	<u>\$ 3,101,883</u>	<u>\$ 4,530,131</u>

6. Deferred Revenue	<u>2017</u>	<u>2016</u>
Balance, beginning of the year	\$ 29,447	\$ -
Less: amounts recognized as revenue in the year	(30,425)	-
Add: amounts received during the year	<u>31,326</u>	<u>29,447</u>
Balance, end of the year	<u>\$ 30,348</u>	<u>\$ 29,447</u>

### 7. Health and retirement obligations

Tourism Nova Scotia participates in an unfunded public service retirement allowance plan with the Province of Nova Scotia, providing benefits to certain eligible employees. These benefits are based on the employee's length of service and rate of pay at retirement. Tourism also participates in an unfunded health care benefit plan. The plan provides payment for 65% of the total premium charged towards the health benefits of employees who are receiving a pension under the Nova Scotia Public Service Superannuation Act.

These health and retirement benefits following retirement are actuarially determined. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments' agencies and boards. The last actuarial valuation for retiring allowances was conducted as at December 31, 2015. The last actuarial valuation for the health benefits was as at December 31, 2015. These actuarial liabilities as at March 31, 2017 were extrapolated based on the latest actuarial valuations.

The retirement allowance and post-retirement health benefit values are calculated by the Department of Finance and Treasury Board for Tourism Nova Scotia. It is calculated using the projected accrued benefit method prorated on services as required under Section 3250 of the CPA Canada Public Sector Accounting Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 8-9 years. Annually, results along with values to record the liability and expenses are provided by the Department of Finance and Treasury Board.

In 2016 Tourism Nova Scotia assumed the obligation for the health and retirement obligations previously held by the Province. The Province will fund the opening assumed obligation for the retirement allowance plan for which there is an amount receivable from the Province (see Note 4). The resulting expense of the health obligation was unbudgeted and as a result Tourism ended fiscal 2016 in a deficit position. It is the expectation, as in fiscal 2017, that for future years Tourism will operate at a break-even. Given this, the deficit from fiscal 2016 will continue to comprise the accumulated deficit.

# Tourism Nova Scotia

## Notes to the financial statements

March 31, 2017

### 7. Health and retirement obligations (continued)

Information respecting the retirement allowances and retirement health benefits is as follows:

	<u>Health</u>	<u>Retirement</u>	<u>2017 Total</u>	<u>2016 Total</u>
Opening benefit obligation, beginning of year	\$ 1,460,956	\$ 637,060	\$ 2,098,016	\$ -
Current service cost	29,900	-	29,900	30,200
Interest on obligation	54,360	22,850	77,210	77,165
Other (past service, transfers, etc.)	-	-	-	2,055,249
Benefits paid	-	(9,339)	(9,339)	-
Actuarial gains (losses)	<u>(191,200)</u>	<u>123,147</u>	<u>(68,053)</u>	<u>(64,598)</u>
Closing benefit obligation, end of year	<u>1,354,016</u>	<u>773,718</u>	<u>2,127,734</u>	<u>2,098,016</u>
Plan deficit	(1,354,016)	(773,718)	(2,127,734)	(2,098,016)
Unamortized actuarial (gains) losses	<u>(209,836)</u>	<u>83,722</u>	<u>(126,114)</u>	<u>(64,598)</u>
<b>Total accrued benefit liability</b>	<b>\$ (1,563,852)</b>	<b>\$ (689,996)</b>	<b>\$ (2,253,848)</b>	<b>\$ (2,162,614)</b>
Net benefit plans expense				
Current year benefit cost	\$ 29,900	\$ -	\$ 29,900	\$ 30,200
Interest on accrued benefit obligation	54,360	22,850	77,210	77,165
Other adjustments	<u>18,636</u>	<u>30,086</u>	<u>48,722</u>	<u>2,055,249</u>
<b>Net benefit plans expense</b>	<b>\$ 102,896</b>	<b>\$ 52,936</b>	<b>\$ 155,832</b>	<b>\$ 2,162,614</b>

Actuarial assumptions used in measuring the benefit cost and accrued benefit obligations include the following:

	Health		Retirement	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Discount rate	<b>3.59%</b>	3.71%	<b>3.59%</b>	3.71%
Rate of compensation increase	<b>1.00%</b>	2.25%	<b>1.00%</b>	2.25%

- (i) The actuary for the retirement allowance assumed that 50% of employees will retire on the date they are first eligible for a retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.
- (ii) The actuary for the health benefits plan assumed 75% would retire on the date they are first eligible for an unreduced retirement pension and the remainder will retire at the rate of 5% each at ages 52, 57, 60, 62 and 65. In calculating the post-retirement health benefits liability, it was further assumed that 60% of members will elect family coverage and that 80% of eligible employees will elect to participate.

# Tourism Nova Scotia

## Notes to the financial statements

March 31, 2017

8. Recoveries, fees and other charges	<u>2017</u>	<u>2016</u>
<b>Recoveries</b>		
PSA recovery (one time recovery from PNS)	\$ -	\$ 656,449
Administrative recoveries	27,509	1,165
The Pines – salary recovery	77,113	77,295
FAM recovery	11,593	74,884
Marketing – external	-	-
Partnership recoveries	<u>920,714</u>	<u>53,327</u>
	<u>\$ 1,036,929</u>	<u>\$ 863,120</u>
<b>Fees and other charges</b>		
English travel guide	\$ 467,922	\$ 513,497
French travel guide	34,948	41,030
Enhanced and restaurant listings	(608)	20,811
Island Beach commission fees	192,844	163,917
Commissions	3,686	3,509
Halifax Airport terminal fees	-	15,000
deGarthe Gallery admission fees	1,001	1,400
Information and reservation services	16,418	15,039
Tourist Accommodation Act fees	<u>211,191</u>	<u>180,715</u>
	<u>\$ 927,402</u>	<u>\$ 954,918</u>

### 9. Pension Plan

Tourism Nova Scotia participates in a Multi-Employer Pension Plan, the Nova Scotia Public Service Superannuation Plan ("PSSP"). This is a defined benefit plan with plan assets primarily composed of Canadian and foreign equities, government and corporate bonds, debenture, secured mortgages, and real estate. The plan is jointly funded with contributions from employees being matched by Tourism Nova Scotia. Benefits paid upon retirement are based on an employee's length of service, rate of pay and inflation adjustments.

On April 1, 2013, the PSSP transitioned to a joint governance structure where the Minister of Finance transferred responsibility for the PSSP to the Public Service Superannuation Plan Trustee Inc. ("PSSPTI"), the new trustee of the PSSP. PSSPTI is a corporate body comprised of 13 board members - six representing the province as the employer, six representing the employees and an independent chairperson. This detailed joint governance framework included in the Financial Measures (2010) Act was implemented by way of the Financial Measures (2012) Act.

Due to the plan amendments in 2014, Tourism has no residual liability for the PSSP and therefore does not have an asset or liability associated with the PSSP recorded on its Statement of financial position. Tourism's pension expense for the PSSP is limited to contributions paid to the PSSP as an employer, which are equal to the employee contributions. The contribution rate is set by PSSPTI pursuant to the legislated funding policy and is set for a five year cycle. The last actuarial valuation for retiring allowances and health benefits were conducted as at December 31, 2015. These actuarial liabilities as at March 31, 2017 were extrapolated based on the latest actuarial valuations.

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# Tourism Nova Scotia

## Notes to the financial statements

March 31, 2017

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### 9. Pension Plan (continued)

As at December 31, 2014, the PSSP was 104.7% funded. Based on PSSPTI's review of the PSSP's funded health as at March 31, 2015, indexing at 0.85% per year was approved for January 1, 2016 to December 31, 2020 and no changes to member and employer plan contributions were made. Tourism's employer contributions to the PSSP in 2017 were \$394,379 (2016 - \$423,170).

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### 10. Financial instruments

Tourism is exposed to various risks through its financial instruments. The following analysis provides a measure of Tourism's risk exposure and concentrations at March 31, 2017.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Tourism's main credit risks relate to its receivables and there has been no significant change in this risk from the prior year.

Tourism has determined that it is not exposed to significant market or liquidity risk.

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### 11. Related party transactions

Included in the financial statements are transactions with various provincial Crown Corporations, agencies, boards and commissions. The parties are deemed to be related due to common control or ownership by the Province of Nova Scotia. These transactions include rent charged to Tourism for premises and the receipt of operating and other grants. Various other expenditures were incurred by Tourism for transactions with these same related parties for payroll and related benefits, consulting, legal and other services.

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### 12. Commitments

Tourism has entered into commitments for the provision of office rentals, marketing services, and tourism partnership agreements which require annual payments over the next four years as follows:

2018	8,470,350
2019	1,062,824
2020	922,824
2021	136,416