



Turks & Caicos Islands

2014-15 First Quarter Financial Report

April to June 2014

Prepared by the Office of the Accountant General

July 23th, 2014

Information presented in this First Quarter Financial Report is not audited

FOREWORD

The first quarter of FY2014/15 Financial Report (Unaudited) presents a summary of the results of operations of the Government of the Turks and Caicos Islands for the first three months of this financial year 2014-15. The report has been prepared in adherence to the Public Finance Management Ordinance 2012 (Section 46. 01) which requires that the Accountant General prepares and submits unaudited budget report within 28 days after the quarter end.

The preparation and publication of this report stem from Government's commitment to transparent reporting of the Turks and Caicos Islands Government's (TCIG) finances, contributing to the overall accountability arrangement and an improved quality of governance & decision making.

This enables the Government to monitor more closely the usage of public funds and the associated risks and challenges, so that where corrective measures may be needed to be undertaken, they can be done much earlier than later. Likewise, the public, financial institutions and other stakeholders are able to monitor the finances of the Government to be assured that financial decisions are made in accordance with prudent financial management.

During the first quarter, the annual budget was not passed in House of Assembly and the Government operated on a Provisional General Warrant issued by the House of Assembly in Resolution 3 of 2014. This warrant approved an amount of \$63,648,694.00 to cover the recurrent expenditure of the country. The budget for fiscal 2014/15 was passed at a sitting of House of Assembly Friday morning July 18th, however the current first quarter results are compared to the provisional budget.

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Arnold Ainsley (Mr)
Accountant General

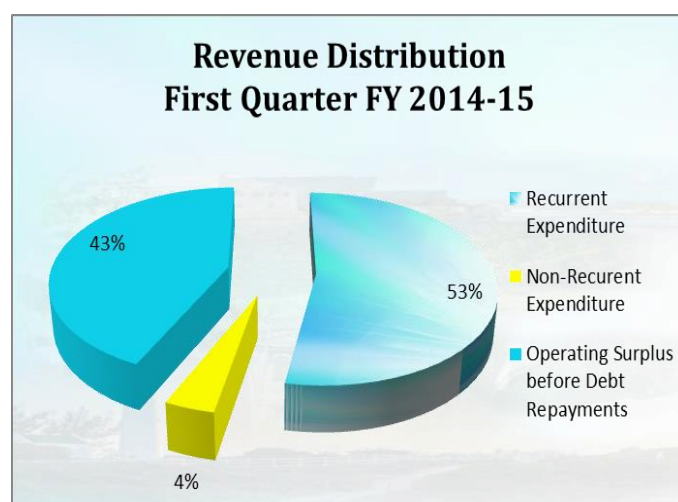
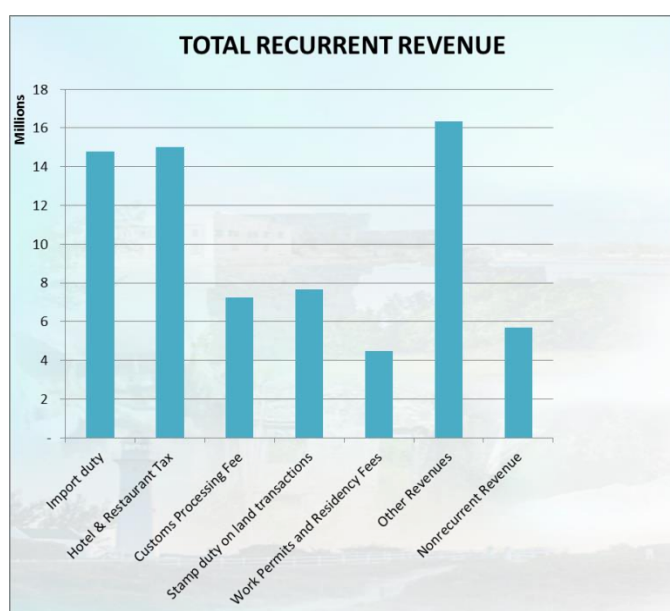
July 23, 2014

SUMMARY

	Quarter 1 2014			Variance				Year to Date			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year		Actual	Budget	Prior Year	Budget		Prior Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Recurrent Revenue	65,550.1	57,068.7	52,414.9	8,481.3	15%	13,135.2	25%	65,550.1	57,068.7	52,414.9	8,481.3	15%	13,135.2	25%
Recurrent Expenditure	37,754.7	40,262.2	35,841.1	2,507.5	6%	(1,913.6)	(5%)	37,754.7	40,262.2	35,841.1	2,507.5	6%	(1,913.6)	(5%)
Net Recurrent Surplus/(Deficit)	27,795.4	16,806.5	16,573.8	10,988.8	65%	11,221.6	68%	27,795.4	16,806.5	16,573.8	10,988.8	65%	11,221.6	68%
Non-Recurrent Revenue	5,695.2	4,650.0	702.4	1,045.2	22%	4,992.8	711%	5,695.2	4,650.0	702.4	1,045.2	22%	4,992.8	711%
Non-Recurrent Expenditure	2,721.1	4,509.0	4,504.2	1,787.9	40%	1,783.2	40%	2,721.1	4,509.0	4,504.2	1,787.9	40%	1,783.2	40%
Operating Surplus/(Deficit)	30,769.5	16,947.5	12,772.0	13,822.0	82%	17,997.5	141%	30,769.5	16,947.5	12,772.0	13,822.0	82%	17,997.5	141%

The unaudited year to date result for the first three months of the fiscal year showed an operating surplus of \$30.8 million, this results in a positive variance of \$13.8 million or 82% over the budgeted amount of \$16.9 million and \$18.0 million or 141% over last year's surplus of \$12.8 million.

Recurrent Revenue outturn for the quarter was \$65.6 million, which was 15% above the budgeted amount of \$57.1 million and 25% above last year's outturn of \$52.4 million, due to better than expected collections in all of the major revenue items.



Non Recurrent Revenue for the quarter totaled \$5.7 million which comprises mainly of an EU Grant of \$4.1 million received during the month for budgetary support and civil recovery of \$1.1 million.

Recurrent expenditure, which came in at \$37.8 million was 6% or \$2.5 million below budget estimates while being \$1.9 million or 5% above the outturn of \$35.8 million for the same quarter last year.

Non-recurrent expenditure of \$2.7 million came in \$40% or \$1.8 million below both the budgeted amount and last year's outturn of about \$4.5 million.

REVENUE & EXPENDITURE

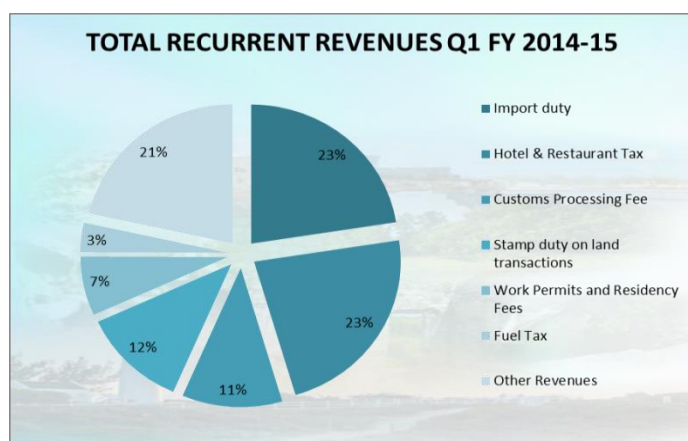
Revenue Results - April to June 2014

Revenue	Quarter 1		
	Actual	Budget	Prior Year
Import duty	14,775	13,192	12,993
Hotel & Restaurant Tax	15,005	14,907	11,393
Customs Processing Fee	7,247	6,004	5,083
Stamp duty on land transactions	7,676	4,500	5,608
Work Permits and Residency Fees	4,492	3,488	3,148
Other Revenues	16,354	14,978	14,191
Total Recurrent Revenue	65,550	57,069	52,415
Nonrecurrent Revenue	5,695	4,650	702
Total Revenue	71,245	61,719	53,117

Total Recurrent Revenue outturn for the quarter was \$65.6 million.

Of the total collected during the first quarter of FY2014-15, \$14.8 million or 23% was derived from Import Duties. Hotel and Restaurant tax also made up 23% of recurrent revenues coming in at \$15.0 million, while \$7.2 million from Customs Processing Fee, \$7.7 million from stamp duty on land transactions and \$4.5 from work permits & residency fees together accounted for 30% of recurrent revenues.

Other revenues of \$16.4 were \$1.4 million above the budgeted amount of \$15.0 million.



Non recurrent revenues were \$5.7 million for the first quarter, coming in significantly above both budgeted and last year's receipts.

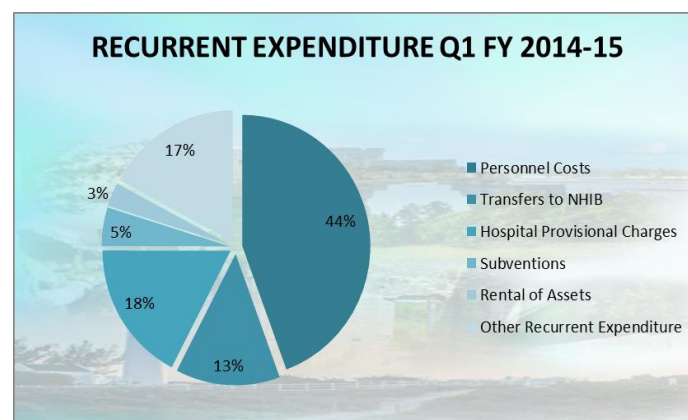
Expenditure Results - April to June 2014

Expenditure	Quarter 1		
	Actual	Budget	Prior Year
Personnel Costs	16,764	16,808	15,371
Transfers to NHIB	4,983	5,299	6,058
Hospital Provisional Charges	6,582	5,992	4,679
Subventions	1,798	1,631	1,268
Rental of Assets	1,114	1,308	1,321
Other Recurrent Expenditure	6,515	9,225	7,144
Total Recurrent Expenditure	37,755	40,262	35,841
Nonrecurrent Expenditure	2,721	4,509	4,504
Total Expenditure	40,476	44,771	40,345

Recurrent expenditure outturn for the first quarter was \$37.8 million.

Personnel costs, which accounted for 44% of recurrent expenditure stood at \$16.8 million for the quarter which was on par with the budget while being \$1.4 million or 9% above last year's outturn of \$15.4 million. Transfers to NHIB and Hospital Provisional Charges together accounted for 31% of total recurrent expenditure, while Subventions and Rental of Assets accounted for 5% and 3% of recurrent expenditure respectively.

Other recurrent expenditure of \$6.5 million came in \$2.7 million or 29% below the budget, due to delays in the start of SIPT trials.



Non-recurrent expenditure was \$2.7 million for the first quarter, which was \$1.8 million or 40% below both the budgeted and last year's outturn.

CASH FLOW

	Quarter 1 2014			Variance				Year to Date			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year		Actual	Budget	Prior Year	Budget		Prior Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Cash Flow from Operations	30,769.5	16,947.5	12,772.0	13,822.0	82%	17,997.5	141%	30,769.5	16,947.5	12,772.0	13,822.0	82%	17,997.5	141%
Less:														
Capital Contributions	(1,140.6)	(1,140.6)	(2,006.5)	-	-	865.9	(43%)	(1,140.6)	(1,140.6)	(2,006.5)	-	-	865.9	(43%)
Debt Repayments	(2,331.3)	(2,331.3)	(2,540.2)	-	-	208.9	(8%)	(2,331.3)	(2,331.3)	(2,540.2)	-	-	208.9	(8%)
Bond Inflows	237.2	237.2	537.7	-	-	(300.5)	(56%)	237.2	237.2	537.7	-	-	(300.5)	(56%)
Herzog Payment	-	-	(501.0)	-	-	501.0	(100%)	-	-	(501.0)	-	-	501.0	(100%)
Transfers from/(to) NFF	-	-	(114.8)	-	-	114.8	(100%)	-	-	(114.8)	-	-	114.8	(100%)
Transfers to Sinking Fund	(4,040.0)	(4,040.0)	(2,609.5)	-	-	(1,430.5)	55%	(4,040.0)	(4,040.0)	(2,609.5)	-	-	(1,430.5)	55%
Net Workin Capital	(5,521.2)	(5,521.2)	(3,359.9)	-	-	(2,161.3)	64%	(5,521.2)	(5,521.2)	(3,359.9)	-	-	(2,161.3)	64%
Net Cash Flow	17,973.6	4,151.6	2,177.8	13,822.0	333%	15,795.8	725%	17,973.6	4,151.6	2,177.8	13,822.0	333%	15,795.8	725%

The first quarter of FY2014-15 recorded a positive net cash flow of \$18.0 million. These results compare very favorably with the projected net cash flow of \$4.2 million and the results for the same period last year which was \$2.2 million.

Recurrent payments for Inter-Health Canada, National Health Insurance Board, and debt servicing payments were made during the quarter, as scheduled. The cash flow forecast for ensuing months indicates that cash flow should remain positive and there should not be a need to draw on the credit facility.

OUTSTANDING PUBLIC DEBT

Debt Type	Opening	June 30, 2014	
	01-Apr-14	Principal Repayment	Outstanding Principal
	\$ 000's	\$ 000's	\$ 000's
RBTT Bonds 2016 - Guaranteed	170,000.0	-	170,000.0
Scotia Bank Loan 2016 - Guaranteed	9,000.0	-	9,000.0
Other TCIG Bank Loans - Unsecured	17,971.8	(1,579.6)	16,392.2
TCInvest Loans - Unsecured	10,596.6	(751.7)	9,844.9
Total Outstanding Public Debt	207,568.4	(2,331.3)	205,237.1

The Turks and Caicos Government's outstanding debt as of June 30, 2014 is \$205.2 million, as shown in the adjacent table. Total debt repayments for the year to date were \$2.3 million.

The guaranteed loans are secured by a United Kingdom/DFID guarantee in the amount of \$260 million.

All loan principal and interest payments are up to date as of June 30, 2014.

SINKING FUND

The Sinking Fund balance as at end March 2014 stood at \$62.2 million. Net public debt outstanding at the end of June 2014 is therefore about \$143.0 million, when the Sinking Fund is taken into consideration. A withdrawal of \$9.0 million was made from the Fund in July 2014 and used to repay a \$9.0 million term loan facility with ScotiaBank, which was due for repayment in February 2016. The current balance is therefore \$53.2 million.

NATIONAL FORFEITURE FUND

The National Forfeiture Fund had a balance of \$2.0 million at the end of June 2014. No funds were collected through the SIPT recovery process for the first quarter the year.

DEVELOPMENT FUND

Development Fund	Quarter 1 2014			Variance				Year to Date			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year		Actual	Budget	Prior Year	Budget		Prior Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Capital Contributions	1,140.6	1,140.6	2,006.5	-	-	(865.9)	(43%)	1,140.6	1,140.6	2,006.5	-	-	865.9	43%
Capital Expenditure	(1,140.6)	(1,140.6)	(2,006.5)	-	0%	(865.9)	76%	(1,140.6)	(1,140.6)	(2,006.5)	-	0%	(865.9)	76%
Net Capital Surplus/(Deficit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The total amount spent on capital projects in the First quarter of FY2014-15 was \$1.1 million, which was funded by capital contributions totaling \$1.1 million provided by the Consolidated Fund. The capital expenditure of \$1.1 million in the first quarter was \$0.9 million or 43% less than the amount spent in the same period last year.

FINANCIAL OUTLOOK

The performance in the first quarter depicts a quite promising start for the year as a whole. As anticipated, there has been some improvement in the performance of both revenue and expenditure when compared to last year's results. The unaudited financial analysis presents a fiscal surplus of US \$30.8 million generated by the Government from its operations during the quarter ending 30th June 2014 and net cash inflow of \$18.0 million.

Recurrent revenue outturn for the quarter has been impressive coming in well above last year's outturn. Recurrent expenditure for the quarter also came in favorable being 6% below budget estimates. This is as a result of enhanced compliance measures and continued reinforcement of the both Public Finance Management and the Public Procurement Ordinances.

The Government remains committed to prudent fiscal management, ensuring improvements in revenue collection and that expenditure control measures continue to enhance its financial performance. We anticipate that summer months may present some revenues challenges but a major effort will be made further improve compliance in revenue collection while at the same time providing value for money, more efficient and effective public services.