



Turks & Caicos Islands

2014-15 Fourth Quarter Financial Report

January to March 2015

Prepared by the Office of the Accountant General

April 23, 2015

Information presented in this Fourth Quarter Financial Report is not audited

FOREWORD

The fourth 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 fourth quarter of 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 to prepare and submit unaudited budget reports within 28 days after the quarter end.

The preparation and publication of this report stems from Government's commitment to transparent reporting of the Turks and Caicos Islands Government's (TCIG) finances, contributing to the overall accountability arrangements and improving quality of governance and 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 can be undertaken in a timely manner. 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 the principles of prudent financial management.

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Arnold Ainsley (Mr)

Accountant General

April 23, 2015

SUMMARY

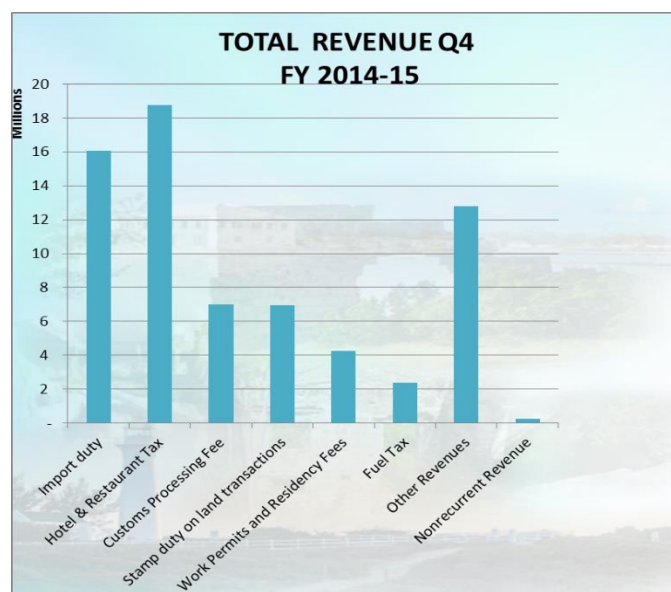
	Quarter 4			Variance				Year to Date			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year		Actual	Budget	Prior Year	Budget		Prior Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Recurrent Revenue	68,204.3	59,791.3	61,249.6	8,413.1	14%	6,954.7	11%	246,504.6	212,564.7	200,367.6	33,939.8	16%	46,136.9	23%
Recurrent Expenditure	47,661.3	47,110.6	43,447.8	(550.6)	(1%)	(4,213.5)	(10%)	161,922.9	173,760.2	156,653.4	11,837.3	7%	(5,269.5)	(3%)
Net Recurrent Surplus/(Deficit)	20,543.0	12,680.6	17,801.8	7,862.4	62%	2,741.3	15%	84,581.7	38,804.5	43,714.2	45,777.1	118%	40,867.5	93%
Non-Recurrent Revenue	258.8	860.6	743.6	(601.8)	(70%)	(484.8)	(65%)	6,489.9	6,810.6	3,139.0	(320.7)	(5%)	3,350.8	107%
Non-Recurrent Expenditure	4,158.6	7,830.4	4,157.7	3,671.8	47%	(0.9)	(0%)	13,815.8	18,723.0	16,122.1	4,907.2	26%	2,306.2	14%
Operating Surplus/(Deficit)	16,643.3	5,710.9	14,387.7	10,932.4	191%	2,255.6	16%	77,255.8	26,892.1	30,731.2	50,363.6	187%	46,524.5	151%

The unaudited result for the fourth quarter of the fiscal year showed an operating surplus of \$16.6 million, this resulted in a favourable variance of \$10.9 million over the budgeted surplus of \$5.7 million and a \$2.3 million increase over last year's surplus of \$14.4 million.

Recurrent revenue outturn for the quarter was \$68.2 million, which was 14% above the budgeted amount of \$59.8 million and 11% above last year's outturn of \$61.2 million, due to better than expected collections in all of the major revenue items.

Recurrent expenditure came in at \$47.7 million which was marginally above the budget estimates while being \$4.2 million or 10% above the outturn of \$43.4 million for the same quarter last year.

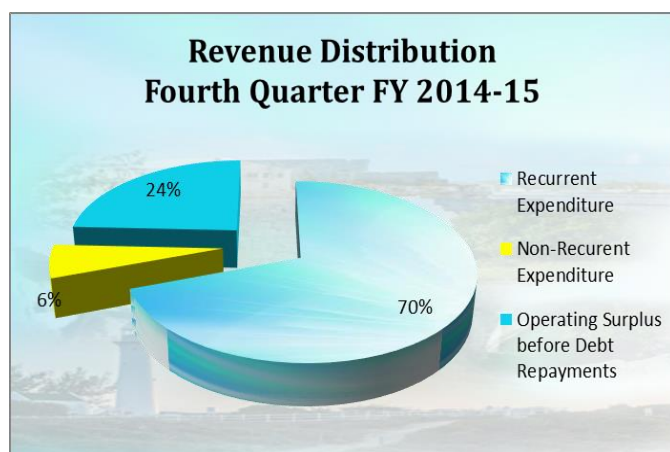
Non-recurrent expenditure of \$4.2 million came in 47% or \$3.7 million below budget and on par with the 2013/14 outturn.



Full year results for the fiscal year showed an operating surplus of \$77.3 million, being a positive variance of \$50.4 million or 187% above the budgeted amount of \$26.9 million.

Full year recurrent revenue outturn was \$246.5 million, which was 16% above the budgeted amount of \$212.6 million and 23% above last year's outturn of \$200.4 million, due to better than expected collections in all of the major revenue items. Non-recurrent revenues totaled \$6.5 million which comprises mainly of an EU Grant of \$4.1 million and \$1.3 million in land sales.

Recurrent expenditure, at \$161.9 million was 7% or \$11.8 million below budget estimates while being \$5.3 million or 3% above the outturn of \$156.7 million for the same period last year. Non-recurrent expenditure of \$13.8 million came in 26% or \$4.9 million below the budgeted amount but 14% below last year's outturn.



REVENUE & EXPENDITURE

Revenue & Expenditure - January to March 2015

Revenue outturn for the Fourth Quarter - \$68.5 million.

Revenue	Quarter 4		
	Actual	Budget	Prior Year
Import duty	16,044	13,800	13,574
Hotel & Restaurant Tax	18,768	13,574	15,412
Customs Processing Fee	7,018	6,801	6,713
Stamp duty on land transactions	6,967	4,500	9,768
Work Permits and Residency Fees	4,245	3,488	3,749
Fuel Tax	2,375	2,260	2,204
Other Revenues	12,787	15,369	9,829
Total Recurrent Revenue	68,204	59,791	61,250
Nonrecurrent Revenue	259	861	744
Total Revenue	68,463	60,652	61,993

Hotel and restaurant tax collection of \$18.8 million was 27% of the total recurrent revenues during the fourth quarter of FY2014-15 and came in a significant 38% above the budgeted outturn of \$13.6 million.

Import Duty accounted for 23% of recurrent revenues, coming in at \$16.0 million, while there was \$7.0 million from Customs Processing Fee, \$7.0 million from Stamp Duty on Land Transactions and \$4.2 from Work Permits & Residency Fees together accounted for 27% of total recurrent revenues.

Expenditure	Quarter 4		
	Actual	Budget	Prior Year
Personnel Costs	17,917	18,490	16,155
Transfers to NHIB	5,108	4,629	6,184
Hospital Provisional Charges	7,209	7,367	7,156
Subventions	2,667	2,608	1,862
Rental of Assets	1,429	1,029	2,002
Other Recurrent Expenditure	13,331	12,988	10,089
Total Recurrent Expenditure	47,661	47,111	43,448
Nonrecurrent Expenditure	4,159	7,830	4,158
Total Expenditure	51,820	54,941	47,605

Total Expenditure for the quarter was \$51.8 million.

Personnel costs accounted for 35% of total expenditure stood at \$17.9 million for the quarter being 3% below the budget, the variance was due mainly to delays in recruitment, while being 11% above last year's outturn. Transfers to NHIB and Hospital Provisional Charges together accounted for 24% of total expenditure.

Non Recurrent expenditure totalled \$4.2 million for the quarter, which was 47% or \$3.7 million below budget.

Revenue & Expenditure – Full year

Full year Revenue outturn - \$253.0 million.

Revenue	Year to Date		
	Actual	Budget	Prior Year
Import duty	61,572	53,659	52,702
Hotel & Restaurant Tax	51,850	43,125	40,948
Customs Processing Fee	28,646	26,619	22,574
Stamp duty on land transactions	25,826	18,000	21,944
Work Permits and Residency Fees	17,698	13,950	13,321
Fuel Tax	8,685	8,321	7,681
Other Revenues	52,229	48,890	41,197
Total Recurrent Revenue	246,505	212,565	200,368
Nonrecurrent Revenue	6,490	6,811	3,139
Total Revenue	252,994	219,375	203,507

Total revenue for the financial year recorded a positive variance of \$33.6 million or 15% when compared to the budgeted outturn of \$219.4 million and a favourable variance of \$49.5 million or 24% when compared to the results of the same period last year.

The significant variances are primarily due to a very good tourist season and collection reforms in Customs and the Revenue Control Unit.

Expenditure	Year to Date		
	Actual	Budget	Prior Year
Personnel Costs	67,864	71,150	64,632
Transfers to NHIB	19,687	19,688	20,625
Hospital Provisional Charges	23,208	23,713	24,529
Subventions	8,168	8,185	6,188
Rental of Assets	4,926	5,067	5,615
Other Recurrent Expenditure	38,070	45,956	35,065
Total Recurrent Expenditure	161,923	173,760	156,653
Nonrecurrent Expenditure	13,816	18,723	16,122
Total Expenditure	175,739	192,483	172,775

Full year Expenditure outturn - \$175.7 million.

Full year expenditure outturn was \$16.7 million or 9% below the budgeted outturn of \$192.5 million and \$3.0 million below the results of the same period last year.

Non-recurrent expenditure of \$13.8 million came in 26% or \$4.9 million below the budgeted amount but 14% below last year's outturn.

CASH FLOW

	Quarter 4			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	16,643.3	5,710.9	14,387.7	10,932.4	191%	2,255.6	16%	77,255.8	26,892.1	30,731.2	50,363.6	187%	46,524.5	151%
Less:														
Capital Contributions	(5,930.2)	(10,758.6)	(5,155.8)	4,828.3	(45%)	(774.4)	15%	(7,914.0)	(14,484.9)	(9,712.1)	6,570.8	(83%)	1,798.1	(19%)
Debt Repayments	(2,303.4)	(2,776.7)	(3,359.8)	473.3	(17%)	1,056.4	(31%)	(15,941.4)	(6,763.3)	(7,465.3)	(9,178.1)	58%	(8,476.1)	114%
Bond Inflows	183.6	371.2	2,339.1	(187.6)	(51%)	(2,155.5)	(92%)	581.3	768.9	3,579.5	(187.6)	(32%)	(2,998.2)	(84%)
Herzog Payment	-	-	(830.8)	-	-	830.8	(100%)	-	-	(1,832.8)	-	-	1,832.8	(100%)
Transfers from/(to) NFF	-	-	4,790.0	-	-	(4,790.0)	-	-	-	4,675.2	-	-	(4,675.2)	(100%)
Transfers to Sinking Fund	(50,000.0)	(9,337.3)	(14,502.6)	(40,662.7)	435%	(35,497.5)	245%	(60,845.9)	(13,443.0)	(17,170.9)	(47,402.9)	78%	(43,674.9)	254%
Transfers from Sinking Fund	-	-	-	-	-	-	-	9,000.0	-	-	9,000.0	100%	9,000.0	-
Net Working Capital	2,579.0	-	3,253.6	2,579.0	-	(674.6)	-	373.0	-	617.9	373.0	100%	(245.0)	(40%)
Net Cash Flow	(38,827.8)	(16,790.4)	921.4	(22,037.4)	131%	(39,749.2)	(4314%)	2,508.7	(7,030.1)	3,422.8	9,538.8	(136%)	(914.1)	(27%)

The fourth quarter of FY2014-15 recorded a net cash deficit of \$38.8 million in the Consolidated Fund, compared to a budgeted deficit of \$16.8 million however this figure includes transfers to the Sinking Fund amounting to \$50.0 million that are earmarked for debt repayment. The end of year net cash of \$2.5 million compares very favourably with the projected deficit of \$7.0 million, while the prior year outturn was a cash surplus of \$3.4 million after transfers to the Sinking Fund.

The net cash flow forecast for ensuing months remain positive, therefore there should not be a need to draw on the credit facility.

OUTSTANDING PUBLIC DEBT

Debt Type	Opening	March 31, 2015	
	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)	.0
Other TCIG Bank Loans - Unsecured	17,971.7	(4,994.7)	12,976.9
TCInvest Loans - Unsecured	10,596.4	(1,835.4)	8,761.0
Total Outstanding Public Debt	207,568.1	(15,830.1)	191,738.0

The Turks and Caicos Government's outstanding public debt as of March 31, 2015 is \$191.7 million, as shown in the adjacent table. Total debt repayments for the financial year amounted to \$15.8 million, including the early repayment of \$9.0 million due to Scotiabank.

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 March 31, 2015.

SINKING FUND

The Sinking Fund balance as at end March 2015 stood at \$110.0 million, with \$60.0 million invested in a term deposit at Scotiabank (Turks and Caicos) and \$50.0 million at CIBC First Caribbean International Bank. Both term deposits will mature in time for the repayment of the principal amount outstanding on the \$170.0 Bond in February 2016. Net public debt outstanding at the end of March 2015 is therefore about \$81.7 million, when the Sinking Fund is taken into consideration.

NATIONAL FORFEITURE FUND

The National Forfeiture Fund had a balance of \$1.8 million at the end of March 2015.

DEVELOPMENT FUND

The total amount spent on capital projects in the fourth quarter of FY2014-15 was \$5.9 million. Full year capital expenditure was \$7.9 million, which was funded primarily by capital contributions totalling \$7.7 million provided by the Consolidated Fund. This outturn came in 45% below the budgeted outturn of \$14.5 million and 23% below last year's expenditure of \$10.2 million. Unused allocations were carried forward into the 2015/16 budget.

FINANCIAL OUTLOOK

The performance in the fourth quarter continued the trend of better than expected revenue and less than budgeted expenditure for the financial year as a whole. As anticipated, there has been some improvement in the performance of expenditure when compared to last year's results, while revenue performance has exceeded expectations in all of the major revenue codes. The unaudited financial results present a fiscal operating surplus of US\$77.3 million generated by the Government from its operations for year ended March 31, 2015 and total cash inflow of \$63.3million, being \$2.5 million in the Consolidated Fund and \$60.8 million to the Sinking Fund for the 2015/16 financial year.

Recurrent revenue outturn for the fourth quarter was impressive coming in 11% above last year's outturn whilst recurrent expenditure was a marginal 1% above budget estimates.

The overall strong revenue performance was due to increased economic activities, continued increases in tourist arrivals, improvements in the real estate market and enhanced compliance and audit review measures employed by the Revenue and Customs Departments. It is anticipated that the recent accolade of Providenciales, Turks and Caicos Islands being voted the best island vacation destination in the world by TripAdvisor in addition to winning the Global Travellers Leisure Travel Award for best beaches will continue to cement and strengthen Government revenues during 2015/16.

The Government also continued to provide training that resulted in increased awareness and reinforcement of the requirement of both Public Finance Management and the Public Procurement Ordinances.

The Government remains committed to prudent fiscal management, ensuring improvements in revenue collection and expenditure control measures while continuing to improve its financial performance and at the same time provide value for money and more efficient and effective public services.