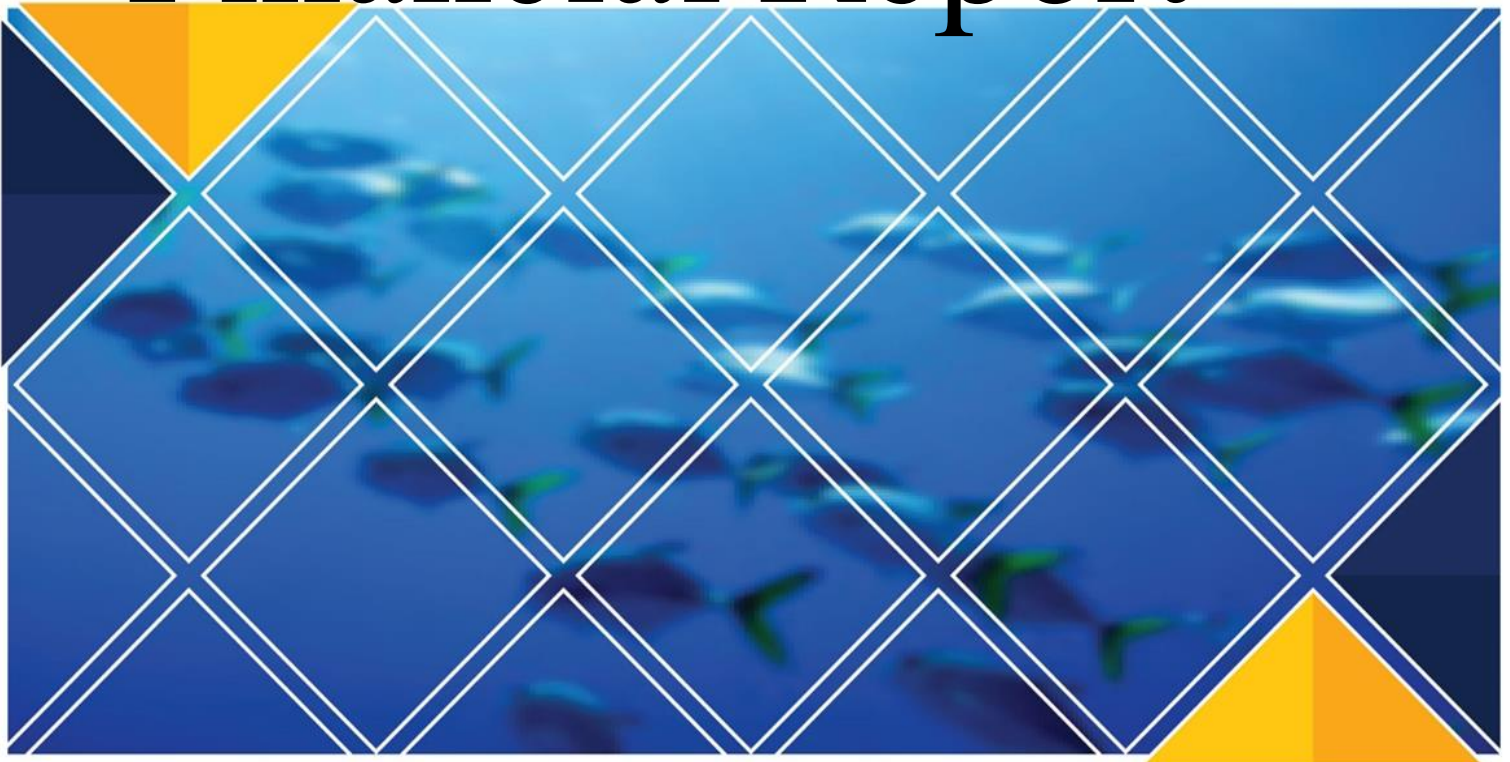




Turks & Caicos Islands

2017-18 First Quarter

Financial Report



April to June

2017

FOREWORD

The first quarter of FY2017-18 Financial Report (Unaudited) presents a summary of the results of the operations of the Government of the Turks and Caicos Islands for the first three months of this financial year 2017-18. 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 stems 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.

Millicent Hughes

Accountant General

July 25, 2017

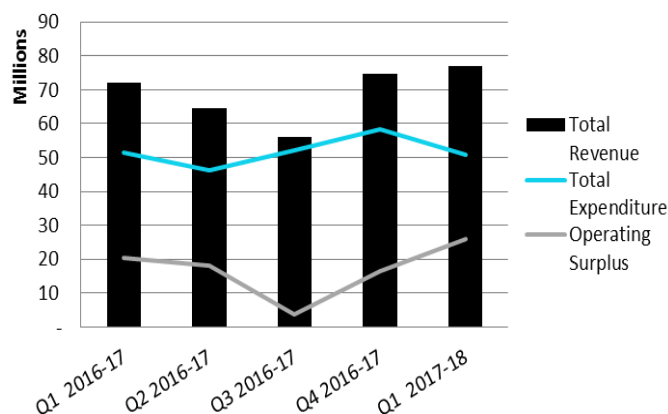
FISCAL SUMMARY

For the three months ended June 30, 2017

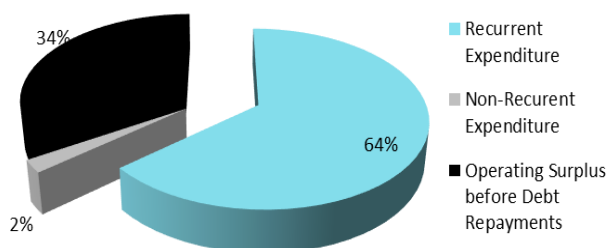
(Figures in US\$'000)	2017-18 Budget	3 Month Actual	3 Month Estimate	Prior Year Actual	Change from Estimate	% Change	Change from Prior Year	% Change
Revenue	273,971	76,870	74,145	71,954	2,725	↑ 4%	4,916	↑ 7%
Expenditure								
Recurrent	216,552	49,260	58,334	49,740	9,074	↓ 16%	480	↓ 1%
Non-Recurrent	13,046	1,597	3,274	1,836	1,677	↓ 51%	239	↑ 13%
Total Expenditure	229,599	50,857	61,608	51,576	10,750	↓ 17%	719	↓ 1%
Operating Surplus	44,372	26,013	12,537	20,377	13,475	↑ 107%	5,635	↑ 28%
Capital Contributions	38,325	3,789	6,194	4,995	2,405	↓ 39%	1,206	↓ 24%
Net Surplus after Capital Contributions	6,047	22,224	6,343	15,382	11,071	↑ 175%	4,429	↑ 29%

The **operating surplus** for the first three months of 2017-18 was \$26.0 million, \$13.5 million (107%) higher than expected, primarily due to lower than expected expenditure and sustained strength of key revenue areas. It is anticipated that the current under-expenditure will be absorbed as the year progresses.

On a year-over-year basis, the results for the quarter saw an improvement of \$5.6 million (28%) from the first quarter of the previous fiscal year primarily due to improved revenue performance.



Revenue Distribution First Quarter FY 2017-18



Recurrent Revenue for the first three months was \$76.7 million, \$2.6 million (4%) ahead of the budget estimates and \$4.8 million (7%) above last year's outturn of \$71.9 million. This was due to strong performance in the tourism sector as well as duties collected.

Non-recurrent Revenue totaled \$0.2 million for the first quarter and related to land sales.

Recurrent expenditure for the first three months was \$49.3 million, which was \$9.1 million (16%) behind the budget estimates, due mainly to lower than expected personnel and other operating expenses. The Q1 results were down \$0.5 million (1%) from the previous year's outturn.

Non-recurrent expenditure of \$1.6 million was \$1.7 million (34%) below the estimates while being up \$0.2 million (13%) from the previous year's outturn.

Capital Investment during the first three months of 2017-18 was \$3.8 million, \$2.4 million or 39% lower than estimated. Major contributors to this amount were the construction, renovation & upgrading of schools throughout the islands, the purchase of police boats and road development cost.

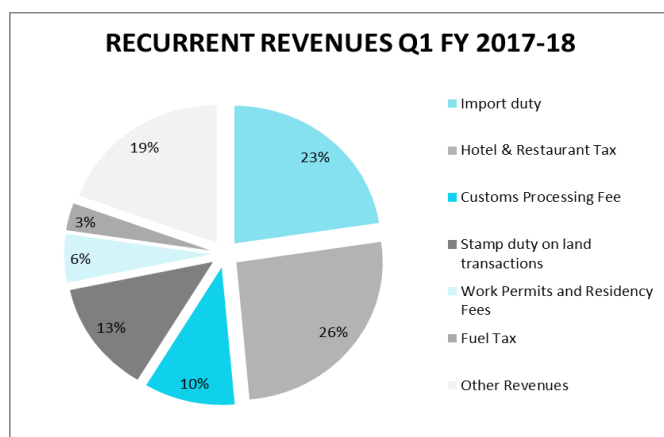
REVENUE & EXPENDITURE

Revenue Results - April to June 2017

Revenue <i>(Figures in US\$'000)</i>	Quarter 1 2017/18		
	Actual	Budget	Prior Year
Import duty	17,333	17,602	17,072
Hotel & Restaurant Tax	19,909	19,638	18,637
Customs Processing Fee	7,713	7,148	6,940
Stamp duty on land transactions	10,027	10,840	10,524
Work Permits and Residency Fees	4,327	3,180	3,088
Other Revenues	17,360	15,655	15,614
Total Recurrent Revenue	76,670	74,063	71,875
Nonrecurrent Revenue	200	82	79
Total Revenue	76,870	74,145	71,954

Recurrent Revenue for the first three months was \$76.7 million, \$2.6 million or 4% ahead of budget. This favourable variance is largely owing to sustained performance in key revenue areas along with a remittance of \$1.7 million which was received from the Financial Services Commission in accordance with their ordinance, for which no estimates were provided.

Of the total collected during the first quarter of FY2017-18, \$19.9 million or 26% was derived from Hotel and Restaurant tax. Import Duties also made up 23% of recurrent revenues coming in at \$17.3 million, while \$7.7 million from Customs Processing Fees, \$10.0 million from Stamp Duty on Land Transactions, and \$4.3 from Work Permits & Residency together accounted for 29% of recurrent revenues.



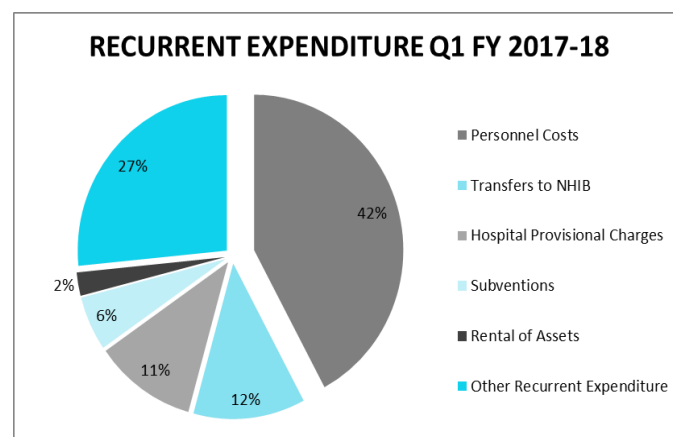
Expenditure Results - April to June 2017

Expenditure <i>(Figures in US\$'000)</i>	Quarter 1 2017/18		
	Actual	Budget	Prior Year
Personnel Costs	20,774	23,627	19,662
Transfers to NHIB	5,971	5,971	6,744
Hospital Provisional Charges	5,434	5,175	5,503
Subventions	2,792	2,387	5,697
Rental of Assets	1,198	1,306	1,247
Other Recurrent Expenditure	13,090	19,868	10,887
Total Recurrent Expenditure	49,260	58,334	49,740
Nonrecurrent Expenditure	1,597	3,274	1,836
Total Expenditure	50,857	61,608	51,576

Recurrent Expenditure for the first three months was \$49.3 million, an underperformance of \$9.1 million when compared to the 3 month estimates due mainly to lower than expected personnel & operating costs.

Personnel costs, which accounted for 42% of expenditure was \$20.8 million for the quarter, and was \$2.9 behind budget while being up \$1.1 million from prior year's cost largely owing to the recent strides in filling vacant positions. Transfers to NHIB and Hospital Provisional Charges together accounted for 23% of total expenditure, while Subventions and Rental of Assets accounted for 6% and 2% of expenditure respectively.

Other recurrent expenditure of \$13.1 million accounted for a further 27% of total expenditure and came in \$6.7 million or 34% below the budget.



REVENUE & EXPENDITURE BY MINISTRY

(All figures in US\$'000)	2017-18 Budget	% Allocation	Quarter				Year to Date			
			Actual	Revised Budget	Variance		Actual	Revised Budget	Variance	
CASH INFLOWS										
01 Governor's Office	1,194	0%	0	298	(298)	0	-	298	(298)	0
03 Police	112	0%	5	9	(4)	0%	5	9	(4)	0%
04 Attorney General's Chambers	30,446	11%	10,245	11,140	(895)	(8%)	10,245	11,140	(895)	(8%)
05 Judiciary	944	0%	127	252	(125)	(50%)	127	252	(125)	(50%)
14 Statutory Charges	500	0%	200	82	119	146%	200	82	119	146%
16 Border Control & Employment	27,556	10%	5,961	5,463	498	9%	5,961	5,463	498	9%
54 Finance Trade & Investment	201,578	74%	57,468	53,861	3,608	7%	57,468	53,861	3,608	7%
57 Education Youth Sports & Culture	417	0%	14	25	(11)	(43%)	14	25	(11)	(43%)
59 Home Affairs Transportation & Communication	4,283	2%	871	948	(77)	(8%)	871	948	(77)	(8%)
60 Infrastructure Housing & Planning	1,431	1%	381	672	(291)	(43%)	381	672	(291)	(43%)
61 Tourism Environment Heritage & Culture	5,158	2%	1,506	1,315	190	14%	1,506	1,315	190	14%
62 Health Agriculture & Human Services	353	0%	91	80	11	14%	91	80	11	14%
TOTAL RECEIPTS	273,971		76,870	73,846	3,023	4%	76,870	73,846	3,023	4%
PAYMENTS										
01 Governor's Office	6,364	3%	1,023	1,816	793	44%	1,023	1,816	793	44%
03 Police	25,174	11%	5,426	6,840	1,415	21%	5,426	6,840	1,415	21%
04 Attorney General's Chambers	6,407	3%	1,557	1,690	133	8%	1,557	1,690	133	8%
05 Judiciary	9,451	5%	2,100	2,574	474	18%	2,100	2,574	474	18%
14 Statutory Charges	18,143	5%	4,695	9,331	4,636	50%	4,695	9,331	4,636	50%
16 Border Control & Employment	8,204	3%	1,846	2,088	242	12%	1,846	2,088	242	12%
54 Finance Trade & Investment	19,085	8%	3,016	4,414	1,398	32%	3,016	4,414	1,398	32%
56 Deputy Governor's Office	2,393	1%	578	659	81	12%	578	659	81	12%
57 Education Youth Sports & Culture	29,579	13%	6,261	7,887	1,626	21%	6,261	7,887	1,626	21%
58 Director of Public Prosecutions	1,566	1%	292	402	110	27%	292	402	110	27%
59 Home Affairs Transportation & Communication	11,353	5%	2,587	3,357	771	23%	2,587	3,357	771	23%
60 Infrastructure Housing & Planning	16,510	8%	3,644	5,629	1,985	35%	3,644	5,629	1,985	35%
61 Tourism Environment Heritage & Culture	7,478	3%	2,184	1,820	(364)	(20%)	2,184	1,820	(364)	(20%)
62 Health Agriculture & Human Services	62,305	29%	14,551	16,075	1,524	9%	14,551	16,075	1,524	9%
63 House of Assembly	3,125	1%	707	776	69	9%	707	776	69	9%
64 Office of The Premier & District Administration	2,461	1%	390	748	357	48%	390	748	357	48%
TOTAL PAYMENTS BEFORE CAPITAL	229,599		50,857	66,108	15,250	23%	50,857	66,108	15,250	23%
OPERATING SURPLUS/(DEFICIT)	44,372		26,013	7,739	(18,274)	-236%	26,013	7,739	18,274	236%

Program expenditure saw a slow start for first three months of financial year 2017-17. All ministries' expenditure outturn, with the exception of Tourism, came in significantly less than estimated, resulting in a variance of \$15.3 million or 23% below budget. This under expenditure was the major contributor in the operating surplus for the period being \$18.3 million ahead of the budgeted amount. Increases in expenditure and a slight reduction in revenues however are expected in the second quarter, which will offset some of this early gain.

CASH FLOW

<i>(Figures in US\$'000)</i>	Quarter 1 2017/18			Variance				Year to Date			Variance			
	Actual	Budget	Prior Year	Budget	Prior Year			Actual	Budget	Prior Year	Budget	Prior Year		
Cash Flow from Operations	26,016.8	12,537.1	20,377.4	13,479.7	108%	5,639.4	28%	26,016.8	12,537.1	20,377.4	13,479.7	108%	5,639.4	28%
Less:														
Capital Contributions	(3,788.8)	(6,193.8)	(4,995.2)	2,404.9	(39%)	1,206.3	(24%)	(3,788.8)	(6,193.8)	(4,995.2)	2,404.9	(39%)	1,206.3	(24%)
Debt Repayments	(4,096.2)	(4,532.6)	(3,104.1)	436.4	(10%)	(992.2)	32%	(4,096.2)	(4,532.6)	(3,104.1)	436.4	(10%)	(992.2)	32%
Borrowing														
Bond Inflows	183.6	-	183.6	183.6	-	.0	0%	183.6	-	183.6	183.6	-	.0	0%
Transfers from/(to) NFF	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Working Capital	3,817.2	-	2,862.4	3,817.2	-	954.7	33%	3,817.2	-	2,862.4	3,817.2	-	954.7	33%
Net Cash Flows	22,132.6	1,810.8	15,324.2	20,321.8	1122%	6,808.3	44%	22,132.6	1,810.8	15,324.2	20,321.8	1122%	6,808.3	44%

The underlying cash balance at the end of the first quarter was \$22.1 million, \$20.3 million over the projected net cash flow of \$1.8 million as well as \$6.8 million up from the results for the same period last year.

To enhance the government's treasury management, an amount of \$60.2 million is currently placed in an on-call money market account at Scotiabank (Turks and Caicos), which is earning interest at a rate of 0.4% per annum. It is expected that on approval of the TCIG's investment policy, investments will be diversified.

The cash flow forecast for the ensuing month indicates that flows should remain positive.

OUTSTANDING PUBLIC DEBT

Public Debt	Opening	June 30, 2017	
		Principal Repayment	Outstanding Principal
<i>(Figures in US\$'000)</i>	01-Apr-17		
Other TCIG Bank Loans - Unsecured	31,351.9	(3,072.1)	28,279.8
TCInvest Loans - Unsecured	1,024.1	(1,024.1)	.0
Total Outstanding Public Debt	32,376.0	(4,096.2)	28,279.8

Total year to date loan repayment was \$4.1 million, which reduced Loans and Bonds from a total \$32.4 million at March 31 2017, to \$28.3 million at the end of June 2017.

This repayment amount included \$1.0 million paid to the Caribbean Development Bank (CDB) in early settlement of loans relating to TCInvest.

DEVELOPMENT FUND

<i>DEVELOPMENT FUND SUMMARY</i>	EXPENDITURE*	APPROVED CONTRACT	AVAILABLE	
			FOR YEAR	CUMULATIVE
Opening balance			967.2	967.2
2014	3,942.8	9,876.9	5,934.2	6,901.4
2015	8,381.3	16,830.5	8,449.2	15,350.6
2016	21,192.2	29,226.7	8,034.5	23,385.0
Jun-17	3,788.8	-	(3,788.8)	19,596.2
	37,305.1	55,934.1	19,596.2	

* Relates only to Approved Contracts

Total year to date Capital Expenditure was \$3.8 million, underperforming by \$2.4 million (39%) in comparison to the budgeted amount and \$1.2 million in comparison to the prior year's outturn. Of the total spent, \$1.3 million was spent on the construction, renovation & upgrading of schools throughout the islands. A further \$0.5 million was spent on the purchase of police boats, \$0.4 million on the hosting of the CDB board of Governors meeting and \$0.3 million on roads.

Spending on capital projects is expected to increase within the ensuing months as the procurement plan for the current financial year will be published during the month of July 2017 and tendering of projects listed in the current development budget will commence soon after during the second quarter of the current financial year.

NATIONAL FORFEITURE FUND

The National Forfeiture Fund had a balance of \$5.1 million at June 30, 2017.

FISCAL OUTLOOK

The performance in the first quarter depicts a promising start for the fiscal year 2017/18. There are already some improvements in the performance budget estimates and last year's results.

Recurrent revenue outturn for the quarter has been notable coming in above budgeted amount. The government will continue to monitor economic and revenue developments and will provide further forecast in future fiscal updates. It is too early however, to determine whether or not the current level of revenue surpluses and under expenditure will continue throughout the financial year, until the results of the summer months are known, when revenue is traditionally lower.

Although Expenditure lagged behind both the budgeted and prior year's results it is expected to make gains in the ensuing months. Forecasting remains a problem and efforts are being made to better profile expenditure based on historical trends and known events.

Managing growth in program spending while achieving value for money, as well as more efficient and effective public services, remains a key component of the government's fiscal plan. Appropriate compliance measures will continue to be enforced, and both the Public Finance Management and the Public Procurement Ordinances will also be reinforced.

Except for the usual reduction in revenue collection expected during the second quarter, there are no adverse conditions or major foreseeable challenges that should significantly change the current forecast for better than originally budgeted revenue and expenditure performances for the financial year.

APPENDICES

Other Revenues <i>(Figures in US\$'000)</i>	Quarter 1 2017/18			Year to Date		
	Actual	Budget	Prior Year	Actual	Budget	Prior Year
Fuel Tax	2,455	2,651	2,574	2,455	2,651	2,574
Financial Services Commission	1,705	-	-	1,705	-	-
TCI Telecommunications Commission	1,618	-	-	1,618	-	-
Business Licence renewal	1,256	1,435	1,413	1,256	1,435	1,413
Communications Tax	1,179	1,295	2,135	1,179	1,295	2,135
Gaming machine tax	1,002	723	775	1,002	723	775
Telecommunication Licences	988	1,003	857	988	1,003	857
Overtime cost Recovered	859	822	798	859	822	798
Seaport Departure Tax	644	623	578	644	623	578
Vehicle Licence	572	635	617	572	635	617
Permanent Residency Fees	526	537	521	526	537	521
Stamp duty - vehicle hire	445	474	432	445	474	432
Port Authority Excess Revenue	380	375	5	380	375	5
Insurance Premiums Tax	267	263	263	267	263	263
Dormant Account Receipts	243	-	707	243	-	707
Sale of Water	230	216	210	230	216	210
Duty Free Shops Royalties	217	166	161	217	166	161
Drivers Licence	202	196	191	202	196	191
Bank Services Tax	192	221	183	192	221	183
Temporary Work Permits	173	237	230	173	237	230
Labour Clearance Fees	170	159	155	170	159	155
PDA application fees	142	445	432	142	445	432
Aviation Fuel Royalty	137	186	181	137	186	181
Lottery Tax	135	86	84	135	86	84
Visas	134	81	79	134	81	79
Crown Land Rents Received	118	182	177	118	182	177
National Parks fees	118	96	93	118	96	93
Work Permits Repatriation Program	116	416	404	116	416	404
Legal Fees recovered	105	102	99	105	102	99
Other Receipts	94	76	82	94	76	82
Fines and forfeitures	85	167	163	85	167	163
Gaming location licence	65	14	3	65	14	3
Interest Income	65	92	90	65	92	90
Migrant Processing Fee	51	45	44	51	45	44
Other Receipts*	672	1,634	879	672	1,634	879
Total Other Revenues	17,360	15,655	15,614	17,360	15,655	15,614

*Accounts with values less than \$50,000

GOVERNMENT OF THE TURKS AND CAICOS ISLANDS • FIRST QUARTER FINANCIAL REPORT

Other Recurrent Expenditure	Quarter 1 2017/18			Year to Date		
	Actual	Budget	Prior Year	Actual	Budget	Prior Year
<i>(Figures in US\$'000)</i>						
Operating Expenses	2,435	3,686	2,848	2,435	3,686	2,848
Claims Against Government	1,672	129	65	1,672	129	65
Maintenance Expenses	1,580	3,519	1,472	1,580	3,519	1,472
Insurance	1,014	1,211	778	1,014	1,211	778
Grants and Contributions	984	2,073	1,190	984	2,073	1,190
Utilities	666	1,000	645	666	1,000	645
Recurrent Sub Programmes and Projects	664	1,088	405	664	1,088	405
Professional and Consultancy Services	621	1,067	412	621	1,067	412
Local Travel and Subsistence	612	850	422	612	850	422
Social Welfare	513	537	385	513	537	385
Sundry Expenses	490	600	206	490	600	206
Office Expenses	478	658	481	478	658	481
Communications Expenses	330	455	280	330	455	280
International Travel and Subsistence	278	616	384	278	616	384
Computer Licence Software and Hardware Maintenance	249	500	386	249	500	386
Hosting and Entertainment	238	379	129	238	379	129
Other Supplies Materials and Equip	106	425	71	106	425	71
Training	62	362	81	62	362	81
Protective Clothing Chemicals	61	200	94	61	200	94
Advertising and Promotions	27	73	30	27	73	30
Drugs Medical and Lab. Supplies	5	80	25	5	80	25
Subscriptions Periodicals Books	4	361	44	4	361	44
Total Other Recurrent Expenditure	13,090	19,868	10,834	13,090	19,868	10,834