

# III. FINANCIAL ANALYSIS

## Overview

The financial performance of the Turks and Caicos Islands Ports Authority (TCIPA) for FY 2020/21 was dominated by the impacts of COVID-19. The national borders were closed during the first quarter of the fiscal year which in turn adversely affected TCIPA’s revenue. A revised budget was agreed mid-way during the year that reflected an average 20% reduction in expenditure, a 37% decrease in budgeted revenue and a 56% decrease in the expected operating surplus.

TCIPA’s revenue is mainly driven by the importation of building materials for the construction sector. Revenues have increased, on average by 10.5% over the past six years and this upward trend was expected to continue as new hotel and villa developments commenced. Following the opening of the borders, monthly revenue gradually increased but not to the levels from previous years. The monthly revenue comparisons between FY’s 2019/20 and 2020/21 are shown below in *Figure 1*.

Expenses were decreased, on average, by 20% in the revised budget. As a result, expenses were closely monitored and spending was prioritized. The capital projects budget was not revised and 20% of this budget was capitalized during the year.

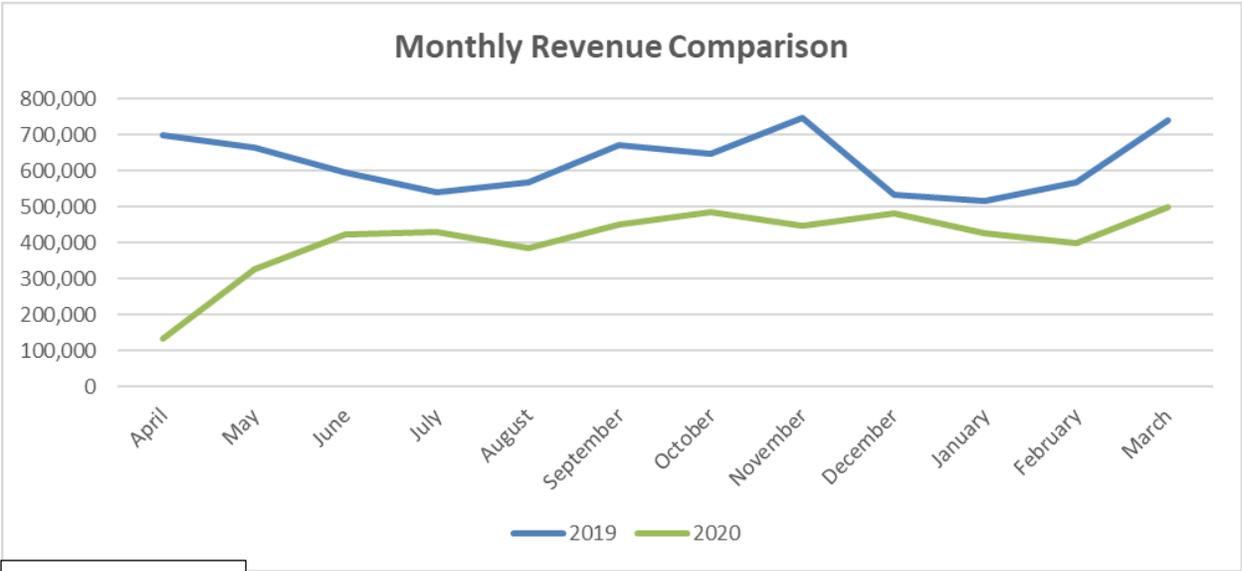


Figure 1

## Financial Performance

TCIPA’s total unaudited revenues for FY 2020/21 were \$4,840,662.83, which is \$2,662,659 or 35% lower than the prior year. This was largely attributable to the global pandemic which resulted in the closing of the country’s borders. For the year ended March 31, 2021 TCIPA processed 14,092 TEUs inbound. This represents a 30% decrease in container imports over the 2020’s volume of 20,261 TEUs.

Revenues were fueled by 140,666 tons of containerized cargo, 121,196 bulk aggregate tons, 45,018 break bulk tons and 67,315 tons of fuel. Figure 2 shows the breakdown of revenue generated by commodity. Containers accounted for 38% of the total revenue, bulk aggregate accounted for 32%, followed by fuel at 18%, and break bulk at 12%. For the FY 2021/22, TCIPA is budgeting gross revenue of \$5,528,692.

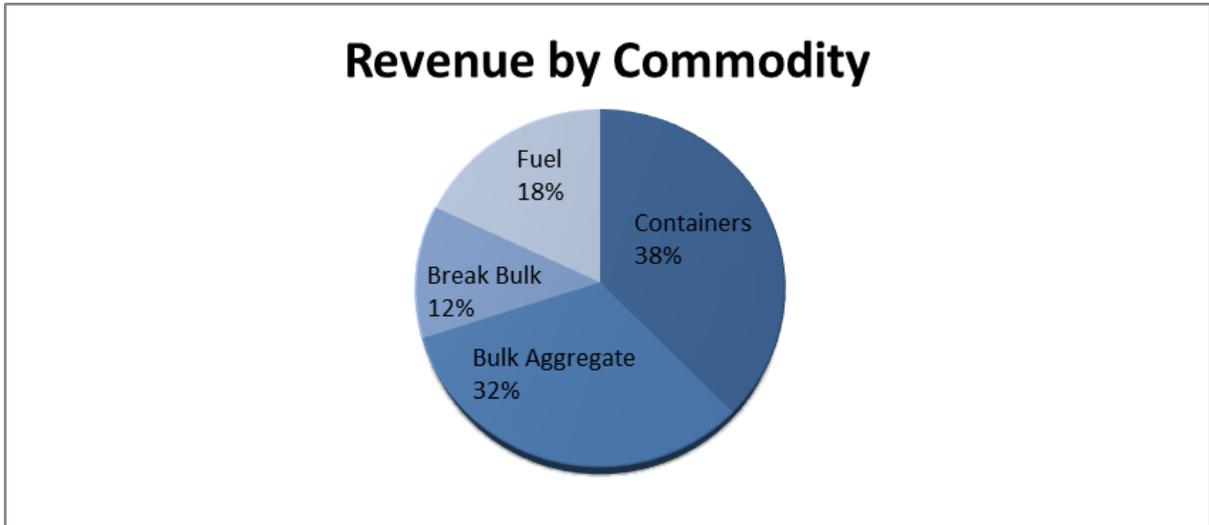


Figure 2

As shown in Figure 3, TCIPA’s net ordinary income over the past five years has increased but recognized a downfall in FY 2020/21. The revised budgeted net ordinary income was \$1,419,804 while the unaudited amount for FY 2020/21 was \$1,875,750 which is \$455,946 or 32% more than budget. Net ordinary income before the transfer to TCIG for FY 2021/22 is projected to be \$1,934,541 or \$68,705 higher than the FY 2020/21 unaudited actual net income. Operating expenses including depreciation and amortization of \$2,964,913 for the period ended March 31, 2021 were 6% higher than the budgeted operating expenses of \$2,790,407.

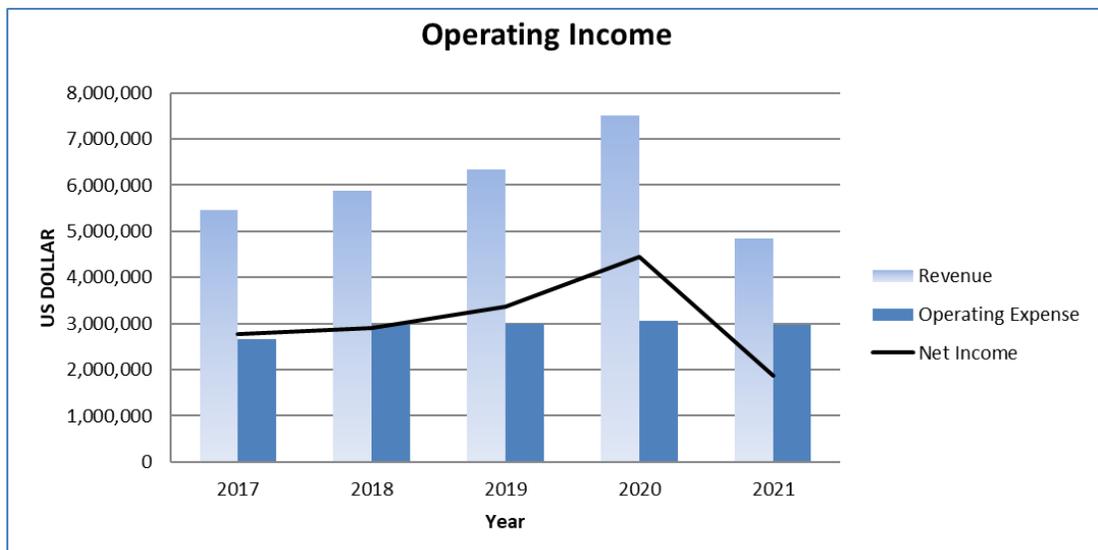


Figure 3

The comparative balances for the income statement and balance sheet for fiscal years 2017 to 2021 is shown in Table 1. Total current assets decreased from \$11,472,915 (2020) to \$6,260,379 (2021) or a decrease of 45%. Cash and cash equivalents decreased by \$4,964,357 or 47% as a result of transferring to TCIG accumulated excess revenue of \$5.1 million. Gross accounts receivables decreased by \$263,825 during FY 2020/21. Capital expenses for FY 2021/22 are budgeted at \$3,663,357. However, for FY 2020/21, TCIPA incurred capital expenses totaling \$612,000, due to cessation of project during the national lockdown during April to July 2020. Increase in property, plant and equipment as at 31st March 2021 represents costs incurred for the purchase of a new vehicle, design costs for Bellefield Landing Welcome Centre and the Providenciales' new office building, installation of the CCTV in Grand Turk and South Caicos and the Grand Turk Port Pavement project. There was a significant decrease in liabilities as result of the payment of excess revenue made to TCIG

| <b>Financial Summary</b>                      |                           |             |             |             |             |
|---|---------------------------|-------------|-------------|-------------|-------------|
| <b>Income Statement</b>                       | <b>2021<br/>Unaudited</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> |
|   | \$                        | \$          | \$          | \$          | \$          |
| Total Revenue                                 | 4,840                     | 7,503       | 6,346       | 5,872       | 5,447       |
| Total Operating Expenses                      | 2,964                     | 3,052       | 2,989       | 2,858       | 2,667       |
| <b>Total Income</b>                           | 1,876                     | 4,450       | 3,357       | 3,014       | 2,780       |
|   |                           |             |             |             |             |
| <b>Balance Sheet</b>                          | <b>2020<br/>Unaudited</b> |             | <b>2019</b> | <b>2018</b> | <b>2017</b> |
| <b>Assets</b>                                 |                           |             |             |             |             |
| Total Current Assets                          | 6,260                     | 11,473      | 9,283       | 9,623       | 8,431       |
| Net PP&E                                      | 4,892                     | 4,260       | 2,220       | 941         | 666         |
| Non-Current Assets                            | 34                        | 25          | 25          | 23          | 23          |
| <b>Total Assets</b>                           | 11,186                    | 15,758      | 11,529      | 10,587      | 9,120       |
|   |                           |             |             |             |             |
| <b>Liabilities &amp; Shareholder's Equity</b> |                           |             |             |             |             |
| Total current Liabilities                     | 640                       | 5,620       | 5,642       | 2,885       | 1,517       |
| <b>Total Liabilities</b>                      | 640                       | 5,620       | 5,642       | 2,885       | 1,517       |
|   |                           |             |             |             |             |
| <b>Total Equity</b>                           | 10,546                    | 10,138      | 5,887       | 7,702       | 7,602       |

Table 2.3 (In Millions)

## **Liquidity and Capital Resources**

The TCIPA's primary source of operating liquidity is cash flows generated from operations. In June 2018, TCIPA obtained a one year \$1,202,700 fixed term deposit from Scotia Bank for its reserve fund. TCIPA's principal use of cash is to fund budgeted operating expenditures, capital expenditures and excess revenue transfers to TCIG. Despite the economic downfall due to the pandemic, the resumption of construction activity and increased imports for the tourism sector whilst monitoring and containing expenditure has enabled TCIPA to exceed its net revenue target. At the present time, TCIPA does not have any long-term debt outstanding. With a favorable cash balance and ability to generate revenue from operations as the economy rebounds, TCIPA has sufficient liquidity to meet its ongoing needs for the financial year.

## **Critical Accounting Estimates**

Management determines the estimated useful lives of the properties, plant and equipment, based on the period over which the assets are expected to be available for use. Depreciation is recorded monthly for each Property, Plant and Equipment category.

## **Controls and Procedures**

The Government's management requirements for statutory bodies are outlined in an annual Sponsorship Letter which is issued by the respective Minister. The annual Sponsorship Letter requires statutory bodies to provide a Statement on Internal Control as part of their financial statements that explains the how the control environment has operated throughout the year and the Board's assurances from its governance arrangements. The TCIPA's Board of Directors recognizes the importance of sound internal controls and risk management practices to good corporate governance. Accordingly, the Board of Directors can provide reasonable assurance against misstatement of management and financial information and records. The management of the TCIPA is responsible for the establishment and maintenance of its system of internal control in order to identify and manage risks. To this end, the management has established an organizational structure which clearly defines lines of accountability and delegated authority.

## **Changes in Internal Control over Financial Reporting**

There have been no material changes in internal control over the financial reporting period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Conclusion**

The Board and Management continue to work on ensuring ongoing efforts will be made to enhance budgeting, reporting, and accountability of the Turk Caicos Islands Ports Authority and therefore fulfill its mission to be a financially self-sustaining public service providing efficient transportation facilities to its users.

