

FINANCIAL STATEMENTS
ELECTRICITY REGULATORY
AUTHORITY
June 30, 2015

The Ministry of Planning, Lands, Agriculture, Housing, and Infrastructure

Electricity Regulatory Authority

FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

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**Electricity Regulatory Authority
Financial Statements
30 June 2015**

STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements have been prepared by the Electricity Regulatory Authority in accordance with the provisions of the *Public Management and Finance Law (2013 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these statements and their compliance with the *Public Management and Finance Law (2013 Revision)*.

As Chairperson, I am responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Electricity Regulatory Authority.

As Chairperson and Managing Director we are responsible for the preparation of the Electricity Regulatory Authority financial statements and for the judgements made in them.

The financial statements fairly represent the financial position, statement of comprehensive income, and cash flows of the Electricity Regulatory Authority for the financial year ended 30 June 2015.

To the best of our knowledge we represent that these financial statements:

- (a) complete and reliably reflect the financial transactions of the Electricity Regulatory Authority for the year ended 30 June 2015;
- (b) fairly reflect the financial position as at 30 June 2015 and comprehensive income for the year ended 30 June 2015; and
- (c) comply with International Financial Reporting Standards (IFRS) as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants.

The office of the Auditor General conducts an independent audit and expresses an opinion accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards Auditing.



Ms. Sherri Bodden Cowan
Chairperson

Date:

October 13, 2015



Mr. Charles Farrington
Managing Director

Date:

October 13, 2015

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Electricity Regulatory Authority

I have audited the accompanying financial statements of the Electricity Regulatory Authority which comprise of the statement of financial position as at 30 June 2015, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information on pages 5-19 in accordance with the provisions of Section 60(1) (a) of the Public Management and Finance Law (2013 Revision).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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

My responsibility is to express an opinion on these financial statements based on our audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 upon 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 the entity'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 the entity'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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

AUDITOR GENERAL'S REPORT (continued)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Electricity Regulatory Authority as at 30 June 2015 and its comprehensive income and its cash flow for the year then ended in accordance with International Financial Reporting Standards.



Garnet Harrison, CPA, CA
Acting Auditor General

13 October, 2015
Cayman Islands

Electricity Regulatory Authority
Statement of Financial Position
As At 30 June 2015
(Stated in Cayman Islands Dollars)

	NOTES	<u>2015</u>	<u>2014</u>
		\$	\$
ASSETS			
Current Assets			
Cash & Cash Equivalents	3	1,588,829	1,353,519
Accounts Receivables (net)	4	195,346	241,533
Deposits & Prepayments		15,371	14,469
Total Current Assets		<u>1,799,546</u>	<u>1,609,521</u>
Non-Current Assets			
Property, plant and equipment	5	10,223	17,902
TOTAL ASSETS		<u>1,809,769</u>	<u>1,627,423</u>
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts Payable and Accrued Liabilities	6	105,134	169,704
Dividends Payable	14	150,000	150,000
Total Current Liabilities		<u>255,134</u>	<u>319,704</u>
EQUITY			
Contributed Capital		-	-
Retained Earnings		1,554,635	1,307,719
Total Equity		<u>1,554,635</u>	<u>1,307,719</u>
TOTAL LIABILITIES AND EQUITY		<u>1,809,769</u>	<u>1,627,423</u>

Approved on behalf of the Board on the 9th of October 2015



Ms. Sherri Bodden-Cowan
Chairperson



Mr. Charles Farrington
Managing Director

The accompanying notes on pages 9-19 form an integral part of these financial statements.

**Electricity Regulatory Authority
Statement of Comprehensive Income
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)**

	<u>NOTES</u>	<u>2015</u>	<u>2014</u>
INCOME		\$	\$
Services provided to Cabinet	7	5,500	(342)
Regulatory Fees		909,243	966,258
Other Income	12	12,982	284
Total Income		<u>927,725</u>	<u>966,200</u>
OPERATING EXPENSES			
Personnel Costs		290,850	292,405
Professional and Consultancy Fees	10	70,004	185,946
Leases	9	54,096	53,237
Directors' Fees		34,000	34,788
Recruitment and Work Permit Fees		27,927	27,575
Legal Fees	11	27,408	63,149
Depreciation	5	7,679	6,602
Telephone		5,661	5,231
Subscriptions		4,924	3,176
Insurance		2,628	493
Employee Travel & Conference		2,299	2,955
Printing, Stationary and Supplies		1,258	1,291
Bank Charges		605	556
Repairs and Maintenance		577	934
Training		400	300
Postage		268	651
Miscellaneous		225	42
National Energy Policy Committee		-	73
Total Expenses		<u>530,809</u>	<u>679,404</u>
NET INCOME		<u>396,916</u>	<u>286,796</u>

The accompanying notes on pages 9-19 form an integral part of these financial statements.

**Electricity Regulatory Authority
Statement of Changes in Equity
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)**

	NOTES	Retained Earnings	Contributed Capital	Total
		\$	\$	\$
BALANCE AT 1 JULY 2013		1,170,923	-	1,170,923
Net Income for the year		286,796	-	286,796
Dividend Payable		(150,000)	-	(150,000)
BALANCE AT 30 JUNE 2014		1,307,719	-	1,307,719
Net Income for the year		396,916	-	396,916
Dividend Payable	14	(150,000)	-	(150,000)
BALANCE AT 30 JUNE 2015		1,554,635	-	1,554,635

The accompanying notes on pages 9-19 form an integral part of these financial statements.

**Electricity Regulatory Authority
Statement of Cash Flows
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)**

	<u>NOTES</u>	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		\$	\$
Net Income for period		396,916	286,796
Adjustment for:			
Depreciation	5	7,679	6,602
Increase in accounts receivables	4	46,187	114,301
(Increase)/decrease in deposits & prepayments		(902)	1,763
Increase/(decrease) in accounts payable and accrued liabilities	6	(64,570)	89,702
Net cash from Operating Activities		<u>385,310</u>	<u>499,164</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (net of disposals)	3	-	(18,242)
Net cash used in Investing Activities		<u>-</u>	<u>(18,242)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	13	(150,000)	(150,000)
Net cash used in Financing Activities		<u>(150,000)</u>	<u>(150,000)</u>
Net increase in cash and cash equivalents during the year		235,310	330,921
Cash and cash equivalents at the beginning of the year		<u>1,353,519</u>	<u>1,022,598</u>
Cash and cash equivalents at end of year		<u>1,588,829</u>	<u>1,353,519</u>

The accompanying notes on pages 9-19 form an integral part of these financial statements.

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)**

1. Establishment and Principal Activity

The Electricity Regulatory Authority (“the Authority”, “ERA”) is an independent Statutory Authority which was created on April 12, 2005 by the *Electrical Regulatory Authority Law (2005)*. The Electricity Regulatory Authority Law was revised on October 12, 2010.

The Electricity Regulatory Authority is responsible for the following:

- Monitoring of licenses granted to Caribbean Utilities Company Ltd (“CUC”) and Cayman Brac Power and Light
- Encouraging the introduction of competition within the electricity generation industry within the Cayman Islands with new licenses to be issued to new entrants to the market
- Managing the solicitation for new firm generation capacity
- Encouraging the implementation and use of Renewable Energy by Consumers and Licensees
- Ensuring that all licence and regulatory fees are collected in a timely fashion; and
- Ensuring that the ERA works closely with licensees and the Department of the Environment to ensure that all Licensees comply with environmental laws.

As at 30 June 2015, the ERA had 2.6 full time employees (2014-2.6 full time employees). Its offices are located at Suites 12, 14, and 16 Grand Pavilion, West Bay Road, P.O. Box 10189 George Town, KY1-1002 Grand Cayman, Cayman Islands.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Committee (IASC) as required under Section 20 (1) of the *ERA Law (2010 Revision)*, and interpretations issued by the Standing Interpretations Committee of the IASC. The significant accounting policies adopted by the ERA in these financial statements are as follows:

(a) Basis of preparation

The financial statements of the ERA are presented in Cayman Island dollars and are prepared on the accrual basis under the historical cost convention.

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)**

2. Significant Accounting Policies (continued)

(b) Foreign currency translation

Assets and liabilities denominated in currencies other than Cayman Islands Dollars are translated at exchange rates in effect at the balance sheet date. Revenue and expense transactions denominated in currencies other than Cayman Islands Dollars are translated at exchange rates ruling at the date of those transactions. Gains and losses arising on translation are included in the Statement of Comprehensive Income.

(c) Cash & cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are considered as cash held on demand and fixed deposits with an original maturity of twelve months or less.

(d) Receivables

Receivables are stated at original invoice amounts less provision for doubtful debts.

(e) Allowance for bad debts

The allowance for bad debts is established through a provision for bad debts charged to expenses. Accounts receivable are written off against the allowance when management believes that the collectability of the amount is unlikely. The allowance is an amount that management believes will be adequate to cover any bad debts, based on an evaluation of collectability and prior bad debts experience.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the property, plant and equipment and other assets that are accounted for separately.

The estimated useful lives of the property, plant and equipment are as follows:

	2015	2014
Computer Equipment	3 Years	3 Years
Office Equipment	5 - 10 Years	5- 10 Years

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)**

2. Significant Accounting Policies (continued)

(g) Accounts Payable

Accounts payable are recorded at the amount owing after allowing for credit notes and other adjustments.

(h) Revenue recognition

The ERA derived its income during the year from:

- (1) Services provided to the Cabinet of the Government of the Cayman Islands which are billed on a quarterly basis, under a purchase agreement signed with Cabinet.
- (2) Regulatory Fees are in accordance with the Transmission and Distribution licence issued to CUC in April 2008 and are calculated based on the gross revenues of CUC.

(i) Expense recognition

Expenses are recognised when incurred.

(j) Employees benefits

Being required to provide pension for employees under the National Pension Law, the Authority participates in the Public Service Pensions Plan, a defined contribution pension fund, in accordance with the *Public Service Pensions Law*. Contributions based on set contribution rates are charged to expenses when an employee has rendered services in exchange for those contributions.

(k) Financial Instruments

(i) Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise of cash and cash equivalents, accounts receivables, and deposits and prepayments.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise of accounts payables and accrued expenses, as well as, dividends payable.

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)**

2. Significant Accounting Policies (continued)

(ii) Recognition

The Authority recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the statement of comprehensive income.

(iii) Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets are recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

(iv) Derecognition

A financial asset is derecognised when the Authority realises the rights to the benefits specified in the contract or loses control over any right that comprise that asset.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expires.

(v) Credit Risk

(vi) Cash and short term investments are held with substantial financial institutions. Receivables are short term and settled after the year-end.*Interest Rate Risk*

The Authority's income and operating cash flows are substantially independent of changes in market interest rates.

(l) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect:

- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities at the date of the financial statements
- the reported amounts of revenue and expenses during the reporting period.

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)**

2. Significant Accounting Policies (continued)

Actual results could differ from those estimates, the impact of which would be recorded in future periods.

(m) Changes in International Financial Reporting Standards

Below are several new standards and amendments that have been issued but are not yet effective. They do not impact the annual financial statements of the Authority. The nature and impact of each new standard/amendment is described below:

IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2017).

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 will be applied using a five-step model: 1. Identify the contract(s) with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognise revenue when (or as) the entity satisfies a performance obligation The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)**

2. Significant Accounting Policies (continued)

IAS 1 Disclosure Initiative – Amendments to IAS 1 (Effective for annual periods beginning on or after 1 January 2016.)

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (Effective for annual periods beginning on or after 1 January 2016.)

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

3. Cash & Cash Equivalents

	2015	2014
Bank accounts	\$584,341	\$353,519
Term deposit- Butterfield Bank (Cayman) Ltd. for one year maturing 17 June 2016 @ 0.37%	1,004,488	1,000,000
Total Cash & Cash Equivalents	\$1,588,829	\$1,353,519

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)**

4. Accounts Receivables

	2015	2014
Receivables from Cabinet	\$ 5,500	\$ -
Regulatory fees receivable	187,704	239,373
Suspense Account	17,356	17,356
Employee advance	2,000	2,000
Allowance for doubtful accounts	(17,356)	(17,356)
Term Deposit interest receivable	142	160
Total Accounts Receivables	\$195,346	\$241,533

The movement in allowance for doubtful accounts is detailed as follows:

	2015	2014
Opening Provision	\$17,356	\$70,478
Doubtful Accounts provided for during the year	-	-
Less recoveries	-	-
Write off for accounts previously provided	-	(53,122)
Closing Provision	\$17,356	\$17,356

The Employee advance of \$2,000 represents the unpaid balance on an original advance of \$10,000 to the former Managing Director. The ERA anticipates ultimate recovery of this balance.

Term Deposit interest receivable represents 13 days of accrued interest earned on the Term Deposit of \$1,004,488 placed with Butterfield Bank (Cayman) Ltd. for a period of one year from June 18, 2015 to June 17, 2016 at an interest rate of 0.37%.

Aging Profile of Trade Receivables

Regulatory fees are billed on quarterly basis as are outputs from cabinet.

Period Outstanding (Days)	2015	2014
1-30	\$193,346	\$239,533
30-90		
Over 90	2,000	2,000
Total	\$195,346	\$241,533

Electricity Regulatory Authority
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)

5. Property, Plant and Equipment

Cost	Computer Equipment	Office Furniture and Equipment	Total
Balance at 1 July 2014	\$41,105	\$11,000	\$52,105
Additions during the year	-	-	-
Disposals during the year	-	-	-
Balance at 30 June 2015	41,105	11,000	52,105
Accumulated Depreciation			
Balance at 1 July 2014	29,329	4,874	34,203
Charge for the Period	6,036	1,643	7,679
Disposals for the Period	-	-	-
Balance at 30 June 2015	35,365	6,517	41,882
Net Book Value at 30 June 2015	\$5,740	\$4,483	\$10,223
Net Book Value at 30 June 2014	\$11,776	\$6,126	\$17,902

6. Accounts Payable & Accrued Liabilities

	2015	2014
Accrued Expenses	\$73,529	\$132,581
Due to Vendor	8,890	17,356
Payroll Liabilities	22,715	19,767
Total Accounts Payable & Accrued Liabilities	\$105,134	\$169,704

The balance of \$8,890 (2014: \$17,356) shown as Due to Vendor is under dispute but represents 50% of the claimed cost of electronic equipment purportedly supplied to the ex-Managing Director of the ERA by the vendor. The ERA has agreed in principle to settle this claim for 50% of its nominal value.

7. Related Party Transactions

The ERA provided services to the Cabinet of the Cayman Islands during the period in the amount of \$ 5,500 (2014 - \$ (342)). As at 30 June 2015, \$5,500 is owing to the ERA from Cabinet (2014- \$ Nil).

The amount paid to the Managing Director for salary and other short term benefits (including statutory vacation pay) for the period to June 30, 2015 was \$ 75,500 (2014 \$ 75,000), recorded under personnel costs.

Electricity Regulatory Authority
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)

8. Pensions

The defined contribution pension of employees of the Authority are paid directly to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board and is operated as a multi-employer non-contributory Fund, whereby the employer pays both the employer and employee contributions.

The ERA paid contributions of \$ 22,718 to the Public Service Pensions Fund during the period (2014- \$ 22,718).

9. Leases

The Authority leases an office at Suites 12, 14 and 16, Grand Pavilion Suites, West Bay Road under lease agreement with the Grand Pavilion Suites. The lease commenced on 1 November 2013 and expires on 1 November 2015. Lease payments are currently CI \$4,508 per month and totaled \$54,096 in the period (2014 - \$ 53,237).

10. Professional and Consultancy Fees

The Electricity Regulatory Authority retains the services of a number of consultants specialising in the electrical utility field to provide the Authority with advice on and analytical review of specific topics related to the regulatory duties of the entity. These consultants also assist and advise the ERA in on-going regulatory activities with Licensees. Additionally the ERA engages the services of the Auditor General to conduct an annual statutory audit.

11. Legal Fees

The Authority from time to time retains the services of Legal Advisors, who assist the Authority in specific legal matters.

12. Financial Risk Management

The Authority is exposed to a variety of financial risks including interest rate risk, credit risk and liquidity risk. The Authority's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of up-to-date and reliable information systems. These risks are managed within the parameters established by the Financial Regulations.

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)**

12. Financial Risk Management (continued)

Interest Rate Risk

The Authority is subject to interest rate risk on the cash placed with a local bank which attracts interest. No interest payments are charged to customers on late payments on accounts receivable. The Authority is not exposed to significant interest rate risk as the cash and cash equivalents are placed on call or short term time deposit. The total interest earned during the year ended 30 June 2015 was \$ 4,516 (2014: \$ 284).

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Authority. Financial assets which potentially expose the Authority to credit risk comprise cash and cash equivalents and accounts receivables.

The Authority is exposed to potential loss that would be incurred if the counterparty to the bank balances fails to discharge its obligation to repay. All bank balances are with one financial institution located in the Cayman Islands which management considers to be financially secure and well managed.

The Authority is also exposed to a significant concentration of credit risk in relation to accounts receivables, which are due from both the Cayman Islands Government and Caribbean Utilities Company, Ltd.

No credit limits have been established. As at 30 June 2015, a provision for doubtful accounts has not been made as none of these receivables are impaired and management consider them to be recoverable in full (2014: Nil).

The carrying amount of financial assets recorded in the financial statements represents the Authority's maximum exposure to credit risk. No collateral is required from the Authority's debtors.

Liquidity Risk

Liquidity risk is the risk that the Authority is unable to meet its payment obligations associated with its financial liabilities when they fall due.

The ability of the Authority to meet its debts and obligations is dependent upon its ability to collect the debts outstanding to the Authority in a timely basis. As at 30 June 2015 and 2014, all of the financial liabilities were due within one month of the balance sheet dates.

Electricity Regulatory Authority
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)

12. Financial Risk Management (continued)

Fair values. The carrying amount of cash deposits, prepayments, and accounts payables and accrued liabilities approximate their fair value due to their short-term maturities. Fair values are determined at specific points in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

13. Contingent Liabilities

The Authority may be required to pay a company the amount of \$12,250 (including legal fees) relating to a number of outstanding invoices entered into by a former ERA official. The settlement of this amount is contingent upon the recovery of said amount from the previous official. Management believes that this probably will not, require an outflow of resources from the Authority.

14. Subsequent Events

In accordance with section 14 (5) of the *Electricity Regulatory Law (2010 Revision)*, the ERA paid \$ 150,000 to the Cayman Islands Government as a dividend in October 2015, which was reported as dividends payable at 30 June 2015 (2014: \$150,000).

During the board meeting held on July 23, 2015, the Authority plans to establish a General Reserve Fund in the amount of \$1million.