

Electricity Regulatory Authority

FINANCIAL STATEMENTS For the Two Month Period Ending 30 June 2005

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**Electricity Regulatory Authority
Financial Statements
30 June 2005**

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, (2005 Revision). The financial statements comply with generally accepted accounting practice as defined in International Public Sector Accounting Standards and International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Law, (2005 Revision).

To the best of my knowledge the statements are:

- (a) complete and reliable;
- (b) fairly reflect the financial position as at 30 June 2005 and performance for the period ended 30 June 2005; and
- (c) comply with generally accepted accounting practice.



Managing Director
Mr. Philip D. Thomas F.C.C.A

Date: *August 9th 2007*



Cayman Islands

Electricity Regulatory Authority

CERTIFICATE OF THE AUDITOR GENERAL

To the Board of Directors of the Electricity Regulatory Authority And the Financial Secretary of the Cayman Islands

I have audited the accompanying financial statements of the Electricity Regulatory Authority ("The Authority") which comprise the Balance Sheet as at 30 June 2005, and the Statement of Net Loss and Accumulated Deficit and Statement of Cash Flows for the period then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 5 to 12 in accordance with provisions of Section 20 (2) of the *Electricity Regulatory Authority Law (2005 Revision)*, and Section 52(3) of the *Public Management and Finance Law (2005 Revision)*

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 2005, and of its financial performance and its cash flows for the two month period then ended in accordance with International Financial Reporting Standards.

Without qualifying my opinion I draw your attention to one other matter. As at 30 June 2005 the Authority did not have the requisite number of board members or an appointed Chairman. Therefore, these audited financial statements were not countersigned by the chairman or a representative of the board.

A handwritten signature in black ink that reads "Dan Duguay". The signature is written in a cursive, flowing style.


Dan Duguay, MBA, CGA
Auditor General

Cayman Islands
9 August 2007

Electricity Regulatory Authority
Balance Sheet
As At 30 June 2005
(Stated in Cayman Islands Dollars)

	<u>NOTES</u>	<u>2005</u>
		\$
CURRENT ASSETS		
Cash & Cash Equivalents	2 (d)	103,939
Deposits		20
Total Current Assets		103,959
 CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities		(7,125)
Total Current Liabilities		(7,125)
 NET CURRENT ASSETS		
		96,834
 FIXED ASSETS		
Computer Equipment		2,475
Office Desks & Chairs		1,364
Office Equipment		369
Total Fixed Assets	3	4,208
 TOTAL NET ASSETS		
		101,042
 EQUITY REPRESENTED BY:		
Contributed Capital	4	136,000
Accumulative Deficit		(34,958)
Total Equity		101,042

Approved on the 9th of August 2007



Mr. Philip D. Thomas F.C.C.A.
Managing Director

The accompanying notes form an integral part of these financial statements

Electricity Regulatory Authority
Statement of Net Loss and Accumulative Deficit
For the Two Month Period Ended 30 June 2005
(Stated in Cayman Islands Dollars)

	NOTES	2005
INCOME		\$
Income of the Authority for the period		-
		-
 OPERATING EXPENSES		
Staff Costs		20,309
Consultancy Fees		8,699
Professional Fees		5,000
Postage & Courier		324
Rent of Office	6	188
Printing & Stationary		148
Travel and Subsistence		127
Depreciation		78
Bank Charges		41
Telephone		32
Miscellaneous		12
Total Expenses		34,958
Net Loss for Period		(34,958)
Accumulative Deficit at beginning of period		-
Accumulative Deficit at end of period		(34,958)

The accompanying notes form an integral part of these financial statements

Electricity Regulatory Authority
Statement of Cash Flow
For the Two Month Period Ended 30 June 2005
(Stated in Cayman Islands Dollars)

	NOTES	2005
		\$
CASH FLOW FROM OPERATING ACTIVITIES		
Net Loss for period		(34,958)
Adjustment for non cash transactions:		
Depreciation		78
Operating Profit before Working Capital		(34,880)
Prepaid Expenses & Deposits		(20)
Accounts Payable and Accrued Liabilities		7,125
Net Cash Used by Operating Activities		(27,775)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	3	(4,286)
Net Cash Used by Investing Activities		(4,286)
CASH FLOWS FROM FINANCING ACTIVITIES		
Equity Injection by Cayman Islands Government		136,000
Net Cash Provided by Financing Activities		136,000
 Net Increase in Cash and Cash Equivalents During the Period		 103,939
Cash and Cash Equivalents at the Beginning of the Period		-
Cash at End of Period		103,939

The accompanying notes form an integral part of these financial statements

Electricity Regulatory Authority
Notes to Financial Statements
For the Two Month Period Ended 30 June 2005
(Stated in Cayman Islands Dollars)

1. Establishment and Principal Activity

The Electricity Regulatory Authority (ERA) is an independent statutory Authority. The Electricity Regulatory Authority Law 2005 came into effect on 12 April 2005 and was revised by the Law Commissioner on 12 July 2005.

The ERA is responsible for negotiating with the present utility company in Grand Cayman for a new licence to replace their existing license which expires in January 2011. In addition the ERA will monitor the activities of the Cayman Brac Power & Light Company (CBP&L), although the activities of CBP&L are not presently subject to the requirements of the ERA Law of 2005.

As at 30 June 2005, the ERA had 1 employee. The ERA is located at 85 North Sound Way, 3rd floor of Alissta Tower, P.O. Box 10189 APO George Town, 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 Public Sector Accounting Standards Committee as required under Section 20 (1) of the ERA Law 2005, 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.

(b) Fixed Assets/depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

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

The estimated useful lives of the other fixed assets are as follows:

Office Desks & Chairs	10 Years
Computer Equipment	5 Years
Office Equipment	10 Years

Electricity Regulatory Authority
Notes to Financial Statements
For the Two Month Period Ended 30 June 2005
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(c) 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 Net Loss and Accumulative Deficit.

(d) 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 three months or less.

(e) Revenue recognition

The ERA had no income in the period, for future periods the ERA will receive Regulatory Fees based on the gross revenues of Electrical Companies licensed in the Cayman Islands.

(f) Employees benefits

The Authority participates in the Public Service Pensions Plan, a defined contribution pension fund, in accordance with the Cayman Islands National Pension Law. Contributions are charged to expenses as they are incurred based on set contribution rates. The Authority makes monthly contributions at a rate of 13%.

(g) Start-up Costs

There were no start up costs incurred.

Electricity Regulatory Authority
Notes to Financial Statements
For the Two Month Period Ended 30 June 2005
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(h) 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 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.

(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 statements of 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.

Electricity Regulatory Authority
Notes to Financial Statements
For the Two Month Period Ended 30 June 2005
(Stated in Cayman Islands Dollars)

3. Fixed Assets

Cost	Computer Equipment	Desks & Chairs	Office Equipment	Total
	\$	\$	\$	\$
Opening Balance	-	-	-	-
Additions	2,529	1,377	380	4,286
Disposals	-	-	-	-
Balance at 30 June 2005	<u>2,529</u>	<u>1,377</u>	<u>380</u>	<u>4,286</u>
Accumulated Depreciation				
Opening Balance	-	-	-	-
Charge for Period	54	13	11	78
Disposals	-	-	-	-
Balance at 30 June 2005	<u>54</u>	<u>13</u>	<u>11</u>	<u>78</u>
Net Book Value At 30 June 2005	<u>2,475</u>	<u>1,364</u>	<u>369</u>	<u>4,208</u>

4. Related Party Transactions

The Cayman Islands Government appoints the Chairman and Members to the Authority's Board of Directors. The following transactions occurred during the period between the Authority and Cayman Islands Government.

1. Equity Injection \$ 136,000

During the period under review, the Cayman Islands Government provided the Authority with capital injection of \$ 136,000. The capital injection was to cover staff salaries, office accommodation, office supplies and services, and capital equipment requirements. The Authority provided Outputs to the Government relating to regulating the Electricity Regulatory Authority. The Authority will in the future engage the services of other government departments of the Cayman Islands Government. Such services will be provided at current prevailing market prices on an arm's length basis. In the period under review no such services were provided by other Government departments.

As detailed in Note 5 the Authority on behalf of its eligible employee paid contributions of \$ 1,941 to the Public Service Pensions Fund during the period.

Electricity Regulatory Authority
Notes to Financial Statements
For the Two Month Period Ended 30 June 2005
(Stated in Cayman Islands Dollars)

5. Pensions

The pension contributions 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 (the 'Pensions Board') and is operated as a multi-employer non-contributory Fund, whereby the employer pays both the employer and employee contributions.

During the current period the Authority contributed 13% of employees' monthly salary.

6. Leases

The Authority rents a small office on the 3rd floor of Alissta Towers under a sub lease agreement with the Information & Communication Technology Authority. The sub lease commenced on 20 May 2005 on month to month terms and it is terminable by either party on one month's notice, expiring at the end of any calendar month. Lease payments are currently \$ 125 per month, and were a total of \$ 188 for the period.

7. Financial Instruments

Fair values. The carrying amount of cash and cash equivalents, and accounts payables and accrued liabilities approximate their fair value due to their short-term maturities. Fair values are made 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.