

Electricity Regulatory Authority

FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

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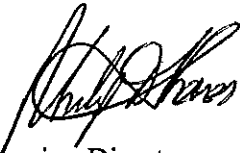
Electricity Regulatory Authority
Statement of Responsibility For Financial Statements
30 June 2009

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 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 2009 and performance for the financial year ended 30 June 2009; and
- (c) comply with generally accepted accounting practice.



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

Date: *November 19th 2009*



Cayman Islands

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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 2009, 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 notes as set out on pages 9 to 13 in accordance with provisions of Section 20 (2) of the *Electricity Regulatory Authority Law (2008 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 my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I 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 controls 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 controls.

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, these financial statements present fairly, in all material respects, the financial position of the Electricity Regulatory Authority as at 30 June 2009, and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying my opinion, I draw your attention to one matter. As at 30 June 2009 the Authority did not have an appointed Chairman. Therefore, these financial statements were not countersigned by the chairman or a member of the board.

Don Duguay

Dan Duguay, MBA, FCGA
Auditor General

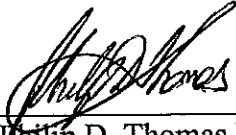


Cayman Islands
November 19, 2009

Electricity Regulatory Authority
Statement of Financial Position
as at 30 June 2009
(in Cayman Islands dollars)

CURRENT ASSETS	<u>NOTES</u>	<u>2009</u>	<u>2008</u>
Cash and Cash Equivalents	2(e)	430,221	30,088
Accounts Receivable		151,312	207,479
Deposits & Prepayments		3,377	3,763
		<u>584,910</u>	<u>241,330</u>
 NON CURRENT ASSETS			
Property, and equipment	3	15,132	12,828
TOTAL ASSETS		600,042	254,158
 CURRENT LIABILITIES			
Payable to the Cayman Islands Government	4	-	40,000
Accounts payable and accrued liabilities		115,345	57,915
TOTAL LIABILITIES		<u>115,345</u>	<u>97,915</u>
		<u>484,697</u>	<u>156,243</u>
 EQUITY:			
Contributed capital		146,400	146,400
Accumulative surplus		338,297	9,843
Total equity		<u>484,697</u>	<u>156,243</u>

Approved on behalf of the Board on the 19 of NOVEMBER 2009



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 Comprehensive Income
for the year ended 30 June 2009
(in Cayman Islands dollars)

	<u>NOTES</u>	<u>2009</u>	<u>2008</u>
INCOME			
Services provided to Cabinet	4	143,201	485,594
Regulatory fees	2(f)	790,948	207,479
Other income		989	58
Total Income		<u>935,138</u>	<u>693,131</u>
EXPENSES			
Consultancy fees		318,161	361,515
Personnel costs		173,757	140,687
Professional fees		48,917	11,500
Leases	6	29,925	20,601
Advertising		11,710	-
Telephone		6,456	5,591
Employee travel		5,511	3,833
Depreciation		3,410	1,867
Printing and stationary		2,899	2,700
Insurance		2,422	298
Postage		1,687	884
Subscriptions		834	359
Miscellaneous		-	1,083
Bank charges		598	535
Repairs and maintenance		397	479
Total Expenses		<u>606,684</u>	<u>551,932</u>
NET INCOME		<u>328,454</u>	<u>141,199</u>

The accompanying notes form an integral part of these financial statements

Electricity Regulatory Authority
Statement of Changes in Equity
As at 30 June 2009
(in Cayman Islands dollars)

	<u>2009</u>	<u>2008</u>
Accumulative surplus at beginning of period	9,843	(131,356)
Net income for the year	<u>328,454</u>	<u>141,199</u>
Accumulative surplus at end of period	<u><u>338,297</u></u>	<u><u>9,843</u></u>

**Electricity Regulatory Authority
Statement of Cash Flows
for the year ended 30 June 2009
(in Cayman Islands dollars)**

	<u>NOTES</u>	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for period		328,453	141,199
Adjustments for :			
Depreciation	3	3,410	1,573
(Increase)/ decrease in receivable from Cabinet		-	44,540
Decrease / (Increase) in regulatory fees receivable		56,167	(207,479)
(Decrease) / Increase payable to Cayman Islands Government		(40,000)	40,000
Prepaid expenses & deposits		386	(3,190)
Accounts payable and accrued liabilities		57,430	8,428
Net cash from operating activities		<u>405,846</u>	<u>25,071</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets net of disposals	3	(5,713)	(10,248)
Net cash used in investing activities		<u>(5,713)</u>	<u>(10,248)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity injection by Cayman Islands Government		-	8,975
Net cash used in financing activities		<u>-</u>	<u>8,975</u>
Net increase in cash and cash equivalents		400,133	23,798
Cash and cash equivalents at the beginning of the year		30,088	6,290
Cash and cash equivalents at end of year		<u>430,221</u>	<u>30,088</u>

The accompanying notes form an integral part of these financial statements

Electricity Regulatory Authority
Notes to Financial Statements
30 June 2009

1. Establishment and Principal Activity

The Electricity Regulatory Authority (“ERA”) is an independent Statutory Authority. The *Electricity Regulatory Authority Law (2008 Revision)* was issued on the 8th February 2008.

The Electricity Regulatory Authority is responsible for the following:

- Monitoring of licenses granted to Caribbean Utilities Company 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 especially in the use of renewable resources
- Managing the solicitation for new generation capacity
- Ensuring that all license and regulatory fees are collected in a timely fashion
- Ensuring that all reports due under the ERA Law from licensees are received in a timely fashion
- Ensuring that the ERA works closely with licensees and the Department of the Environment to ensure that all Licensees comply with environmental laws

The ERA has 1 full time employee (2008: 1) and 1 part time employee and is located at Suite 2, 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 issued by the International Accounting Standards Board (IASB) as required under Section 20 (1) of the *ERA Law (2008 Revision)*, and interpretations issued by the Standing Interpretations Committee of the IASB. The significant accounting policies adopted by the ERA in these financial statements are as follows:

(a) Early adoption of IAS 1 (Revised)

International Accounting Standard (IAS) 1 (Revised), Presentation of Financial Statements and IAS 1 (Amendment) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). IAS now requires recognised Income and Expenses to be presented in a single statement (a statement of comprehensive income) separately from owner changes in equity. The balance sheet will be referred to as the ‘Statement of Financial Position’ and the cash flow statement is referred to as the ‘Statements of Cash Flows’. The Electricity Regulatory Authority made a decision to implement early adoption of IAS 1 (Revised) and the changes are reflected in the 30 June 2009 Financial Statements.

Electricity Regulatory Authority
Notes to Financial Statements
30 June 2009

2. Significant Accounting Policies (continued)

(b) 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.

(c) 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.

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

Computer Equipment	5 Years
Office Equipment	10 Years

(d) Foreign currency translation

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

(e) Cash & cash equivalents

Cash and cash equivalents are considered as cash held on demand and fixed deposits with a maturity of three months or less.

(f) Revenue recognition

The ERA derives its income from:

- (1) Services provided to the Cabinet of the Government of the Cayman Islands which were billed on a monthly basis, under a purchase agreement signed with the Cabinet.
- (2) Regulatory fees are collected in accordance with the Transmission and Distribution licence issued to Caribbean Utilities Company in April 2008 and are calculated based on the gross revenues of Transmission and Distribution electrical companies licensed in the Cayman Islands and subject to the ERA Law.

Electricity Regulatory Authority
Notes to Financial Statements
30 June 2009

2. Significant Accounting Policies (continued)

(g) Employees benefits

The ERA 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.

(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. 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
30 June 2009

(i) Reclassification of prepayments

In previous years, prepayments have been included with accounts receivable on the statement of financial position. To provide a clearer presentation, prepayments have been included with deposits in 2009. As a result, an amount of \$3,743 of prepayments has been reclassified from accounts receivable to deposits and prepayments for 2008.

3. Property and equipment

	Computer Equipment	Office Equipment	Total 2009	Total 2008
Cost				
Start of year	13,429	2,530	15,959	5,711
Additions during the year	4,833	880	5,713	11,475
Disposals	-	-	-	(1,227)
Balance at end of year	18,262	3,410	21,672	15,959
Accumulated Depreciation				
Start of year	2,564	566	3,130	1,558
Depreciation expense	2,863	547	3,410	1,867
Disposals	-	-	-	(294)
Balance at end of year	5,427	1,113	6,540	3,131
Net book value	\$12,835	\$ 2,297	\$ 15,132	\$12,828

4. Related Party Transactions

The ERA provided services to the Cabinet of the Cayman Islands during the period in the amount of \$143,201 (2008: \$485,594).

In October 2008, the Electricity Regulatory Authority repaid the final payment of the advance received from the Ministry of Communications, Work and Infrastructure in the amount of \$40,000.

The ERA engages the services of other government departments of the Cayman Islands Government. Such services are provided at prevailing market prices on an arm's length basis. Services to the value of \$ 1,635 were provided by other Cayman Islands Government departments (2008: \$193).

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 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 \$ 18,058 to the Public Service Pensions Fund during the period (2008: \$14,455). The amount paid to the Managing Director for salary and benefits \$141,428 (2008: \$131,471).

During the year the ERA contributed 13% of employees' salaries (2008: 13%).

6. Leases

The Authority leases an office at Suite 2, Grand Pavilion Suites, West Bay Road under a lease agreement with the Grand Pavilion Suites. The lease was signed on the 5th day of November 2007. Lease payments are currently CI \$ 2,453 per month, and totaled \$28,853 in the year (2008: \$19,244). Cleaning of the office totaled \$663 in the period, and rentals for the Conference facilities were \$409.

7. Consultancy Fees

The Electricity Regulatory Authority contracts the services of a number of consultants specialising in the electrical utility field and these consultants assisted the ERA in on-going discussions with Licensees.

8. Financial Instruments

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 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.

9. Subsequent Events

In accordance with condition 14 (5) of the *Electricity Regulatory Authority Law (2008 Revision)*. In July 2009, the ERA repaid the equity contributed by the Cayman Islands Government amounting to \$146,400.

