

Electricity Regulatory Authority

FINANCIAL STATEMENTS

For the Period Ended 15 January 2017

Table of Contents

Statement of Responsibility For Financial Statements	Page 2
Auditor General's Report	Page 3-4
Statement of Financial Position	Page 5
Statement of Comprehensive Income	Page 6
Statement of Changes in Equity	Page 7
Statement of Cash Flows	Page 8
Notes to the Financial Statements	Page 9-20

Electricity Regulatory Authority
Financial Statements
15 January 2017

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 (2017 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 (2017 Revision)*.

As Chair and Chief Executive Officer of the successor organisation, the Utility Regulation and Competition Office, we are 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.

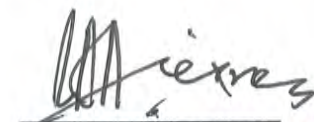
As Chair and Chief Executive Officer of the successor organisation, the Utility Regulation and Competition Office, we are responsible for the preparation of the Electricity Regulatory Authority financial statements and for the judgements made in them.

The financial statements fairly represent the financial position, statement of comprehensive income, and cash flows of the Electricity Regulatory Authority for the financial period ended 15 January 2017.

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

- (a) complete and reliably reflect the financial transactions of the Electricity Regulatory Authority for the period ended 15 January 2017;
- (b) fairly reflect the financial position as at 15 January 2017 and comprehensive income for the period ended 15 January 2017; and
- (c) comply with International Financial Reporting Standards (IFRS) under the responsibility of the International Accounting Standards Board.

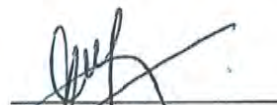
The office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all information necessary to conduct an audit in accordance with International Standards on Auditing.



Dr. the Hon. Linford Pierson, OBE, JP
Chair

Of the successor organisation, the Utility Regulation
and Competition Office

Date: April 24, 2018



J. Paul Morgan
Chief Executive Officer

Of the successor organisation, the Utility Regulation
and Competition Office

Date: April 24, 2018

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Electricity Regulatory Authority

Opinion

I have audited the financial statements of the Electricity Regulatory Authority (the "Authority"), which comprise the statement of financial position as at 15 January 2017 and the statement of comprehensive income, statement of changes in equity and cash flows statement for the 6.5 month period from 1 July 2016 to 15 January 2017, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 9 to 20.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 15 January 2017 and its financial performance and its cash flows for the 6.5 month period from 1 July 2016 to 15 January 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with the International Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to note 1 and note 2 to the financial statements, which describe that the going concern basis of preparing the financial statements has not been used due to the enactment of the Utility Regulation and Competition Law, (2016), which resulted in the discontinuance of the Entity as a separate legal entity of the Cayman Islands Government. My opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the 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.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

AUDITOR GENERAL'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of section 60(1)(a)(ii) of the Public Management and Finance Law (2017 revision). I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Sue Winspear, CPFA

30 April 2018

Auditor General

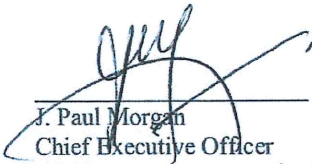
Cayman Island

**Electricity Regulatory Authority
Statement of Financial Position
As At 15 January 2017
(Stated in Cayman Islands Dollars)**

	NOTES	<u>Jan 2017</u> \$	<u>June 2016</u> \$
ASSETS			
Current assets			
Cash & cash equivalents	3	540,171	596,556
Short term investment	4	1,008,194	1,008,194
Accounts receivables (net)	5	77,723	178,849
Deposits & prepayments		55,512	14,819
Property, plant and equipment	6	706	-
Total current assets		<u>1,682,306</u>	<u>1,798,418</u>
Non-current assets			
Property, plant and equipment		-	5,485
TOTAL ASSETS		<u>1,682,306</u>	<u>1,803,903</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued Liabilities	7	50,241	57,928
Dividends payable		-	150,000
Total current liabilities		<u>50,241</u>	<u>207,928</u>
EQUITY			
Retained earnings		632,065	595,975
General reserve	9	1,000,000	1,000,000
Total equity		<u>1,632,065</u>	<u>1,595,975</u>
TOTAL LIABILITIES AND EQUITY		<u>1,682,306</u>	<u>1,803,903</u>

Approved on behalf of the Board on the April 24, 2018


Dr. the Hon. Linford Pierson, OBE, JP
Chair
Of the successor organisation, the Utility Regulation
and Competition Office


J. Paul Morgan
Chief Executive Officer
Of the successor organisation, the Utility Regulation
and Competition Office

Electricity Regulatory Authority
Statement of Comprehensive Income
For the Period Ended 15 January 2017
(Stated in Cayman Islands Dollars)

	NOTES	Jan 2017	June 2016
INCOME		\$	\$
Regulatory fees	2	387,835	739,470
Services provided to Cabinet	8	21,667	15,040
Other income	14	2,556	3,827
Total income		412,058	758,337
OPERATING EXPENSES			
Personnel costs	8	246,047	342,704
Leases	11	29,399	54,231
Professional and consultancy fees	12	26,651	35,021
Directors' fees		15,000	33,000
Regulatory consolidation costs	16	15,000	30,000
Recruitment and work permit fees		14,013	27,695
Legal fees	13	10,427	11,920
Depreciation	6	4,779	6,166
National energy policy committee		841	5,597
Subscriptions		2,781	5,110
Insurance		3,243	4,169
Employee travel & conference		2,394	3,583
Printing, stationary and supplies		1,453	3,404
Telephone		1,644	3,068
Repairs and maintenance		1,437	473
Bank charges		373	427
Training		255	-
Postage		231	268
Miscellaneous		-	161
Total expenses		375,968	566,997
NET INCOME		36,090	191,340

The accompanying notes on pages 9-20 form an integral part of these financial statements.

**Electricity Regulatory Authority
Statement of Changes in Equity
For the Period Ended 15 January 2017
(Stated in Cayman Islands Dollars)**

	NOTES	Retained earnings	General Reserve	Total
		\$	\$	\$
BALANCE AT 1 JULY 2015		1,554,635	-	1,554,635
Net income for the year		191,340	-	191,340
General reserve fund	9	(1,000,000)	1,000,000	-
Dividend payable		(150,000)	-	(150,000)
BALANCE AT 30 JUNE 2016		595,975	1,000,000	1,595,975
Net income for the period		36,090	-	36,090
BALANCE AT 15 JANUARY 2017		632,065	1,000,000	1,632,065

The accompanying notes on pages 9-20 form an integral part of these financial statements.

Electricity Regulatory Authority
Statement of Cash Flows
For the Period Ended 15 January 2017
(Stated in Cayman Islands Dollars)

	NOTES	Jan 2017	June 2016
CASH FLOWS FROM OPERATING ACTIVITIES		\$	\$
Net income for the period/year		36,090	191,340
Adjustment for:			
Interest received		(28)	(3,706)
Interest income		2,557	-
Increase in interest receivable		(2,529)	-
Depreciation	6	4,779	6,166
Decrease in accounts receivables	5	101,126	16,497
(Increase)/decrease in deposits & prepayments		(40,693)	552
Decrease in accounts payable and accrued liabilities	7	(7,687)	(47,206)
Net cash from operating activities		93,615	163,643
 CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of property, plant and equipment (net of disposals)	6	-	(1,428)
Net cash used in investing activities		-	(1,428)
 CASH FLOWS FROM FINANCING ACTIVITY			
Dividends paid		(150,000)	(150,000)
Net cash used in financing activities		(150,000)	(150,000)
 Net increase in cash and cash equivalents during the year		(56,385)	12,215
Cash and cash equivalents at the beginning of the year		596,556	584,341
Cash and cash equivalents at end of period/year		540,171	596,556

The accompanying notes on pages 9-20 form an integral part of these financial statements.

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Period Ended 15 January 2017
(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 *Electricity Regulatory Authority Law (2005)*. The Electricity Regulatory Authority Law was revised on October 12, 2010. The Authority reports to the Legislative Assembly of the Cayman Islands on its operations through the Ministry of Planning, Lands, Agriculture, Housing and Infrastructure of the Cayman Islands Government.

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 15 January 2017, the ERA had 3.6 full time employees (2016: 3.6 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.

Following the enactment of the Utility Regulation and Competition Law (2016), all responsibilities of the Electricity Regulatory Authority were passed to the Utility Regulation and Competition Office on 16 January 2017. The Entity ceased to operate as a separate legal entity of the Government from this date and merged with the Information and Communications Technology Authority (“ICTA”) to form the Utility Regulation and Competition Office. Effective 16 January 2017 all assets, liabilities, and net assets/equity were transferred at the fair value from ERA and ICTA into the Utility Regulation and Competition Office. The Utility Regulation and Competition Office is located at 85 North Sound Road, 3rd Floor of Alissta Tower, P.O. Box 2502 George Town, Grand Cayman, KY1-1104, 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 Board (IASB) as required under Section 20 (1) of the *ERA Law (2010 Revision)*. The significant accounting policies adopted by the ERA in these financial statements are as follows:

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Period Ended 15 January 2017
(Stated in Cayman Islands Dollars)**

2. Significant accounting policies (continued)

(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. As discussed in note 1, as a result of the enactment of the Utility Regulation and Competition Law (2016), effective 15 January 2017, the Entity ceased operations. Accordingly, these financial statements as at and for the period ended 15 January 2017 have been prepared on a basis other than going concern (the “accounting basis”). Under the accounting basis, the Entity measures its assets based on their net realizable value and its liabilities on expected settlement amounts. All assets and liabilities have been classified as current. As the Entity’s assets and liabilities predominantly comprise financial assets and liabilities carried at amortized cost, the change in basis of accounting did not result in different measurements for those under the going concern basis of accounting. The accounting policies have been applied consistently throughout the period.

(b) Reporting period

The Public Management and Finance (Amendment) Law, 2015 section 2(c), was passed on 15 October 2015 to reflect a change in the annual reporting date from 30 June 2016 to 31 December 2017. As disclosed in note 1 and note 2(a), these financial statements include 6.5 months for the period from 1 July 2016 to 15 January 2017.

The prior year amounts presented in the financial statements is for a 12 month period to 30 June 2016 and therefore are not entirely comparable to the current period actuals for the 6.5 month period. IAS 1.36 allows for the financial statements to be presented for a period longer or shorter than one year when an entity’s reporting date changes.

(c) Foreign currency translation

Assets and liabilities denominated in currencies other than Cayman Islands Dollars are translated at exchange rates in effect at the statement of financial position dates. 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.

(d) Cash & cash equivalents

Cash and cash equivalents are considered as cash held on demand and bank account with an original maturity of no more than three months from the date of acquisition.

(e) Receivables

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

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Period Ended 15 January 2017
(Stated in Cayman Islands Dollars)**

2. Significant accounting policies (continued)

(f) 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.

(g) 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:

	<u>Jan 2017</u>	<u>Jun 2016</u>
Computer equipment	3 years	3 years
Office equipment	5 - 10 years	5- 10 years

(h) Accounts payable

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

(i) 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.

(j) Expense recognition

Expenses are recognised when incurred.

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Period Ended 15 January 2017
(Stated in Cayman Islands Dollars)**

2. Significant accounting policies (continued)

(k) 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.

(l) 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.

(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.

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Period Ended 15 January 2017
(Stated in Cayman Islands Dollars)**

2. Significant accounting policies (continued)

(l) Financial instruments (continued)

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

(v) Credit Risk

Cash and short term investments are held with substantial financial institutions. Receivables are short term and settled after the year-end.

(vi) Interest Rate Risk

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

(m) 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.

(n) Comparative figures

Comparative figures are reclassified to ensure consistency with the current period unless it is impracticable to do so. Property, plant and equipment has been classified as current assets in the current period, due to the discontinuance of the Entity effective 15 January 2017.

(o) 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:

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Period Ended 15 January 2017
(Stated in Cayman Islands Dollars)**

2. Significant accounting policies (continued)

IFRS 9 Financial Instruments (replacement of IAS 39) (Effective for annual periods beginning on or after 1 January 2018).

The International Accounting Standards Board (the Board) completed the final element of its comprehensive response to the financial crisis with the publication of IFRS 9 *Financial Instruments* in July 2014. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. IFRS 9 introduces a logical approach for the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are complex and difficult to apply. The new model also results in a single impairment model being applied to all financial instruments removing a source of complexity associated with previous accounting requirements.

IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2018).

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

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Period Ended 15 January 2017
(Stated in Cayman Islands Dollars)**

2. Significant accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2018). (continued)

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.

IFRS 16 Leases (Effective for annual periods beginning on or after 1 January 2019)

In January 2016, the IASB issued IFRS 16, “Leases”, which replaces IAS 17, “Leases”. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard establishes a single lessee accounting model while maintaining the classification of either an operating or financing lease for the lessor similar to IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Electricity Regulatory Authority is currently assessing the impact of the new standard.

There are several new standards and amendments effective for annual periods beginning on or after January 2016. Some have an impact on the annual financial statements of the Authority. The nature and the impact of each new standard and amendment adopted by the Authority are described below:

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.

Electricity Regulatory Authority
Notes to the Financial Statements
For the Period Ended 15 January 2017
(Stated in Cayman Islands Dollars)

3. Cash & cash equivalents

	Jan 2017	June 2016
Bank balances	\$540,171	\$596,556
Total cash & cash equivalents	\$540,171	\$596,556

4. Short term investment

	Jan 2017	June 2016
Term deposit- Butterfield Bank (Cayman) Ltd. for one year maturing 14 June 2017 @ 0.37%	\$1,008,194	\$1,008,194
Total cash & cash equivalents	\$1,008,194	\$1,008,194

5. Accounts receivables

	Jan 2017	June 2016
Receivables from Cabinet	\$ 36,708	\$ 15,040
Regulatory fees receivable	30,000	162,005
Receivables from Of Reg	6,784	
Employee advance	1,500	1,600
Term deposit interest receivable	2,731	204
Total accounts receivables	\$77,723	\$178,849

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

	Jan 2017	June 2016
Opening provision	-	\$8,890
Doubtful accounts provided for during the year	-	-
Less recoveries	-	-
Write off for accounts previously provided	-	(8,890)
Closing provision	\$-	\$-

The employee advance of \$1,500 (2016: \$1,600) 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 16 days of accrued interest earned on the term deposit of \$1,008,194 placed with Butterfield Bank (Cayman) Ltd. for a period of one year from June 15, 2016 to June 14, 2017 at an interest rate of 0.46%.

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Period Ended 15 January 2017
(Stated in Cayman Islands Dollars)**

5. Accounts receivables (continued)

Aging profile of trade receivables

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

Period outstanding (days)	Jan 2017	June 2016
1-30	\$76,223	\$177,249
30-90	-	-
Over 90	1,500	1,600
Total	\$77,723	\$178,849

6. Property, plant and equipment

Cost	Computer equipment	Office furniture and equipment	Total
Balance at 1 July 2016	31,544	11,000	42,544
Additions during the period	-	-	-
Disposals during the period	-	-	-
Balance at 15 January 2017	31,544	11,000	42,544
Accumulated depreciation			
Balance at 1 July 2016	28,900	8,159	37,059
Charge for the period	2,644	2,135	4,779
Disposals for the period	-	-	-
Balance at 15 January 2017	31,544	10,294	41,838
Net book value at 15 January 2017	\$-	\$706	\$706
Net book value at 30 June 2016	\$2,644	\$2,841	\$5,485

7. Accounts payable & accrued liabilities

	Jan 2017	June 2016
Accrued expenses	\$31,005	\$28,706
Payroll liabilities	19,236	29,222
Total accounts payable & accrued liabilities	\$50,241	\$57,928

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Period Ended 15 January 2017
(Stated in Cayman Islands Dollars)**

8. Related party transactions

The ERA provided services to the Cabinet of the Cayman Islands during the period in the amount of \$21,667 (2016: \$15,040). As at 15 January 2017, \$36,707 is owing to the ERA from Cabinet (2016: \$15,040). The Office of the Auditor General provided audit services to the ERA during the period in the amount of \$10,000 (2016: \$12,000).

The amount paid to the Managing Director for salary and other short term benefits (including statutory vacation pay) for the period to January 15, 2017 was \$47,225 (2016: \$70,345), recorded under personnel costs.

9. General reserve fund

Section 18 of the ERA Law (2010) requires the Authority to maintain a reserve fund; the management of such fund being at the discretion of the Authority. The law requires the fund to be applied only for the purposes of the Authority. The current reserve fund represents approximately two (2) times the annual operating requirements (2016: \$1,000,000).

10. Pensions

The defined contribution pensions 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 \$ 17,855 to the Public Service Pensions Fund during the period (2016: \$ 27,689).

11. 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 formal lease commenced on 1 November 2013 and expired on 1 November 2015 and with the agreement of the Landlord the Authority continues to occupy the premises on a month-to-month rental basis. Rent payments are currently CI \$4,523 per month and totaled \$29,399 in the period (2016: \$ 54,231).

12. 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.

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Period Ended 15 January 2017
(Stated in Cayman Islands Dollars)**

13. Legal fees

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

14. 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.

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 period ended 15 January 2017 was \$2,556 (2016: \$3,827).

Credit risk

Credit risk refers to the risk that 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 15 January 2017, 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 (2016: Nil).

**Electricity Regulatory Authority
Notes to the Financial Statements
For the Period Ended 15 January 2017
(Stated in Cayman Islands Dollars)**

14. Financial risk management (continued)

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 15 January 2017 and 2016, all of the financial liabilities were due within one month of the balance sheet dates.

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.

15. 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.

16. Subsequent events

Effective 16 January 2017, the Entity merged with the Information Communications and Technology Authority to form the new Utility Regulation and Competition Office entity in accordance with the Utility Regulation and Competition Office Law, 2016.

In preparing these financial statements management has evaluated and disclosed all material subsequent events up to April 24, 2018 which is the date that the financial statements were available to be issued.