FINANCIAL STATEMENTS

ELECTRICITY REGULATORY AUTHORITY

30 JUNE 2014

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

Electricity Regulatory Authority

FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

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Electricity Regulatory Authority
Financial Statements
30 June 2014

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 2014.

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 2014;

(b) fairly reflect the financial position as at 30 June 2014 and comprehensive income for the year ended 30 June 2014; 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: 31st October 2014

Mr. Charles Farrington
Managing Director

Date: 31st October 2014

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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 2014, the statement of changes in equity, the statement of comprehensive income and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes on pages 5-20 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.

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 2014 and its comprehensive income and its cash flow for the year then ended in accordance with International Financial Reporting Standards.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
31 October 2014

Electricity Regulatory Authority
Statement of Financial Position
As At 30 June 2014
(Stated in Cayman Islands Dollars)

	NOTES	2014 $	2013 $
ASSETS			
Current Assets			
Cash & Cash Equivalents	3	1,353,519	1,022,598
Accounts Receivables (net)	4	241,533	355,834
Deposits & Prepayments		14,469	16,232
Total Current Assets		**1,609,521**	**1,394,664**
Non-Current Assets			
Property, plant and equipment	5	17,902	6,261
TOTAL ASSETS		**1,627,423**	**1,400,925**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts Payable and Accrued Liabilities	6	169,704	80,002
Dividends Payable	13	150,000	150,000
Total Current Liabilities		**319,704**	**230,002**
EQUITY			
Contributed Capital		-	-
Retained Earnings		1,307,719	1,170,923
Total Equity		**1,307,719**	**1,170,923**
TOTAL LIABILITIES AND EQUITY		**1,627,423**	**1,400,925**

Approved on behalf of the Board on the 31st of October 2014

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 2014
(Stated in Cayman Islands Dollars)

	NOTES	2014	2013
		$	$
INCOME			
Services provided to Cabinet	7	(342)	119,861
Regulatory Fees		966,258	955,679
Other Income	12	284	95
Total Income		**966,200**	**1,075,635**
OPERATING EXPENSES			
Personnel Costs		292,405	331,267
Professional Fees	11	185,946	98,102
Consultancy and Legal Fees	10	63,149	124,442
Leases	9	53,237	51,520
Directors' Fees		34,788	20,416
Recruitment and Work Permit Fees		27,575	25,793
Depreciation	5	6,602	5,778
Telephone		5,231	17,269
Subscriptions		3,176	6,815
Employee Travel & Conference		2,955	6,985
Printing, Stationary and Supplies		1,291	1,239
Repairs and Maintenance		934	680
Postage		651	500
Bank Charges		556	703
Insurance		493	2,827
Training		300	2,151
National Energy Policy Committee		73	457
Miscellaneous		42	734
Doubtful Account Expense	4	-	70,478
Total Expenses		**679,404**	**768,156**
Net Income		**286,796**	**307,479**

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 2014
(Stated in Cayman Islands Dollars)

	NOTES	Retained Earnings	Contributed Capital	Total
		$	$	$
BALANCE AT 1 JULY 2012		1,013,444	-	1,013,444
Net Income for the year		307,479	-	307,479
Dividend Payable		(150,000)	-	(150,000)
BALANCE AT 30 JUNE 2013		**1,170,923**	**-**	**1,170,923**
Net Income for the year		286,796	-	286,796
Dividend Payable	13	(150,000)	-	(150,000)
BALANCE AT 30 JUNE 2014		**1,307,719**	**-**	**1,307,719**

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 2014
(Stated in Cayman Islands Dollars)

	NOTES	2014	2013
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income for period		286,796	307,479
Adjustment for:			
Depreciation	5	6,602	5,778
Increase in accounts receivables	4	114,301	(96,841)
(Increase)/decrease in deposits & prepayments		1,763	(5,114)
Increase/(decrease) in accounts payable and accrued liabilities	6	89,702	56,599
Net cash from Operating Activities		**499,164**	**267,901**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (net of disposals)	3	(18,242)	(2,422)
Net cash used in Investing Activities		**(18,242)**	**(2,422)**
CASH FRLOWS FROM FINANCING ACTIVITIES			
Dividends paid	13	(150,000)	(150,000)
Net cash used in Financing Activities		**(150,000)**	**(150,000)**
Net increase in cash and cash equivalents during the year		330,921	115,479
Cash and cash equivalents at the beginning of the year		1,022,598	907,119
Cash and cash equivalents at end of year		**1,353,519**	**1,022,598**

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

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 Electrical 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 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 2014, the ERA had 2.6 full time employees (2013-2.75 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.

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 three 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.

2. Significant Accounting Policies (continued)

(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:

	2014	2013
Computer Equipment	3 Years	5 Years
Office Equipment	5 - 10 Years	5- 10 Years

The company changed its estimate of the useful life of Computer Equipment during the year ended 30 June 2014 to better reflect the impact that changing technology has on these assets. Ever evolving enhancements to software limits the utilisation of older hardware. Three years was determined to be a better estimate of the likely useful life.

The impact of the change on the financial statements is summarised as follows:

	Net Book Value	Depreciation Expense
2014		
Financial statement balances had there been no change in the policy in 2014 FY:	20,352	4,152
Actual financial statement balances	17,902	6,602
Decrease / (Increase) in Financial Statement balances	2,450	(2,450)
2013		
Financial statement balances had the new policy applied in 2013 FY:	5,510	6,529
Actual financial statement balances	6,261	5,778
Decrease / (Increase) in financial statement balances	(751)	751

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 monthly 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 are calculated based on the gross revenues of transmission and distribution electrical companies licensed in the Cayman Islands and subject to the ERA Law.

(i) Expense recognition

Expenses are recognised when incurred.

(f) 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 Pension Law*. Set contributions rates are charged to expenses when an employee has rendered services in exchange for those contributions.

(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, 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.

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

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.

2. Significant Accounting Policies (continued)

(i) 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.

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

(j) 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:

IAS 1 Clarification of the requirement for comparative information (Amendment).
The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. This standard does not have an impact on the Authority's financial statements.

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)
The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the financial statements for the Authority, as there is no tax consequences attached to cash or non-cash distribution.

2. Significant Accounting Policies (continued)

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. This standard does not have an impact on the Authority's financial statements.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)
IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Authority is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Authority.

2. Significant Accounting Policies (continued)

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the financial statements of the Authority.

3. Cash & Cash Equivalents

	2014	2013
Bank accounts	$353,519	$1,022,598
Term deposit- Butterfield Bank (Cayman) Ltd. for one year maturing 17 June 2015 @ 0.45%	$1,000,000	-
Total Cash & Cash Equivalents	**$1,353,519**	**$1,022,598**

4. Accounts Receivables

	2014	2013
Receivables from Cabinet	$-	$119,778
Regulatory fees receivable	239,373	234,056
Suspense Account	17,356	70,478
Employee advance	2,000	2,000
Allowance for doubtful accounts	(17,356)	(70,478)
Term Deposit interest receivable	160	-
Total Accounts Receivables	**$241,533**	**$355,834**

4. Accounts Receivables (continued)

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

	2014	2013
Opening Provision	$70,478	$ -
Doubtful Accounts provided for during the year	-	70,478
Less recoveries	-	-
Write off for accounts previously provided	(53,122)	-
Closing Provision	**$17,356**	**$70,478**

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 $1,000,000 placed with Butterfield Bank (Cayman) Ltd. for a period of one year from June 18, 2014 to June 17, 2015 at an interest rate of 0.45%.

Aging Profile of Trade Receivables

Regulatory fees are billed on a monthly basis, while outputs from cabinet are billed on a quarterly basis.

Period Outstanding (Days)	2014	2013
1-30	$82,396	$ 82,049
30-90	157,137	212,007
Over 90	2,000	61,778
Total	**$241,533**	**$355,834**

5. Property, Plant and Equipment

Cost	Computer Equipment	Office Furniture and Equipment	Total
	$	$	$
Balance at 1 July 2013	28,250	5,612	33,862
Additions during the year	12,855	5,388	18,243
Disposals during the year	-	-	-
Balance at 30 June 2014	**41,105**	**11,000**	**52,105**
Accumulated Depreciation			
Balance at 1 July 2013	23,843	3,758	27,601
Charge for the Period	5,486	1,116	6,602
Disposals for the Period	-	-	-
Balance at 30 June 2014	**29,329**	**4,874**	**34,203**
Net Book Value at 30 June 2014	**11,776**	**6,126**	**17,902**
Net Book Value at 30 June 2013	**$ 4,406**	**$ 1,855**	**$ 6,261**

6. Accounts Payable & Accrued Liabilities

	2014	2013
Accrued Expenses	$132,581	$45,666
Due to Vendor	17,356	17,356
Payroll Liabilities	19,767	16,980
Total Accounts Payable & Accrued Liabilities	**$169,704**	**$80,002**

The balance of $17,356 shown as Due to Vendor is under dispute but represents the claimed cost of electronic equipment purportedly supplied to the ex-Managing Director of the ERA by the Mac Store.

7. Related Party Transactions

The ERA provided services to the Cabinet of the Cayman Islands during the period in the amount of $ (342) (2013 - $ 119,861). As at 30 June 2014, $Nil is owing to the ERA from Cabinet (2013- $ 119,778).

ERA engages the services of other government departments of the Cayman Islands Government. Since 1 July 2009, government wide policy stated that such services are not subject to inter-agency charging.

The amount paid to the Managing Director for salary and other short term benefits (including pension) for the ten month period to June 30, 2014 was $ 75,000 (2013 $ 118,642- Former Managing Director), recorded under personnel costs.

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 (2013- $ 33,183).

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 $ 4,506 per month and totaled $ 53,237 in the period (2013- $ 51,520).

10. Consultancy & Legal Fees

The Electricity Regulatory Authority from time to time retains the services of a consultant specialising in the electrical utility field to provide the ERA with advice on and analytical review of specific topics related to the regulatory duties of the ERA. Similarly the Authority also from time to time retains the services of Legal Advisors, who assist the Authority in specific legal matters.

11. Professional Fees

The Electricity Regulatory Authority retains the services of a number of consultants specialising in the electrical utility field and these consultants 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.

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.

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 and available on demand. The total interest earned during the year ended 30 June 2014 was $ 284 (2013: $ 95)

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 the CUC.

12. Financial Instruments (continued)

No credit limits have been established. As at 30 June 2014, 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 (2013: 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 2014 and 2013, 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.

13. 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 2014, which was reported as dividends payable at 30 June 2014 (2013: $150,000).