



2021

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ANNUAL REPORT

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This is the 2021 Annual Report for the Utility Regulation and Competition Office (the 'Office' or 'OfReg') for the period 1 January 2021 to 31 December 2021. This report is submitted in accordance with the reporting requirements of section 52 of the Public Management and Finance Act (as revised) (the 'PMFA') and section 43 of the Utility Regulation and Competition Act (as revised) (the 'URC Act'). The report is prepared for Cabinet, to whom OfReg is accountable, as well as the general public and licensees.



Nature and Scope of Activities

We seek to adopt and enforce regulations in the public interest and ensure that service providers comply with established rules.

OfReg was established pursuant to section 4(1) of the URC Act and is the independent regulator for the energy, fuels, information and communications technology ('ICT'), and water sectors in the Cayman Islands. OfReg also regulates the use of electromagnetic spectrum and manages the .ky internet domain.

OfReg is also guided by the importance of balancing the needs of investors and the sectoral utilities, not only in terms of recognising the importance of a fair return to investors but also ensuring that the operating environment is fair for all sectoral providers, while at the same time protecting the interests of consumers.

As a Government Policy, OfReg is statutorily obligated to promote and be guided by the Cayman Islands Government National Energy Policy ("NEP") for the energy and fuel sectors.

Message from the Chairman

We have been implementing a flexible approach to managing resources and our current capability



Mr. Rudy B. Ebanks
Chair of the Board of Directors

On behalf of the Board of Directors, I am pleased to present OfReg's Annual Report for the financial year ended 31 December 2021.

I must first thank our talented people at OfReg, for their profound and continued dedication, support and commitment during a challenging and disruptive year. Nevertheless, we achieved positive performance for OfReg, as we delivered tangible results through robust operational execution and decisive actions.

Following the large-scale rollout of vaccination programmes and easing of COVID-19 restrictions, the Cayman Islands' industry activities have gradually rebounded from last year. In line with this, we have seen a broad-based increase in activity in most industries we regulate.

However, we are mindful of frequent global changes around us, such as the possibility of further waves

of infections from COVID-19 variants, international inflation rates, and now the war between Russia and Ukraine, impacting the cost of living in the Cayman Islands; as well as emerging and rapidly changing technologies that continue to create challenges in the sectors we regulate.

Barring any unforeseen circumstances, at OfReg, we have been implementing a flexible approach to managing resources and our current capability to adapt to these ever-changing circumstances.

In 2021, our focus was on assessing and strengthening our organisational performance, helping us become more effective, efficient, and resilient.

We are cognisant of this need to be flexible and responsive but are also wary of existing resource gaps which are gradually being rectified. Consideration will be given to the emerging and rapidly changing

technologies and the regulatory tools required to improve the regulatory environment, promote sustainability, economic growth and development, improved service delivery, and infrastructure resiliency.

Later in this Annual Report, you will read the disruption to the Board of Directors from mid-May to the end of October. However, the newly appointed Board of Directors is committed to improving service delivery and stakeholder engagement, with a keen concentration on our consumers. We recognise the importance of ensuring that OfReg is adequately equipped to deliver on its mandate of ensuring safe, reliable, economic public utilities to businesses and the people of the Cayman Islands.

As a regulator, the input of all our stakeholders is essential in contributing ideas and expertise to chart the development of future utility services. At OfReg, we will continue to seek to improve our consultation and outreach and develop a stakeholder engagement framework that will guide our communications with Government, Industry, and Consumers.

Despite the organisational changes in 2021, important achievements materialised with regard to strengthening the Cayman Islands' regulatory framework. OfReg resubmitted the Draft Consumer Protection Regulations for the ICT Sector and continued to finalise the work on the Draft Consumer Protection Regulations for both the Fuels and the Energy and Water Sectors.

Other notable accomplishments include the implementation of the revised 5-year Strategic Plan, intended to ensure not only relevance and adaptation to changes in the environment and the organisation but also to ensure OfReg's future objectives, plans, and priorities, as we advance, are informed by the Government's 2022-2024 strategic policy statement and National Energy Policy. Our regulatory reach

has continued to extend by publishing ten new consultations and administrative determinations for the Energy, Fuel and ICT sectors during the year.

Our employees are mainly responsible for allowing OfReg to achieve the objectives laid out in this Annual Report. We recognise the critical role employee engagement, training and development play in the successful accomplishment of our goals. As the team commits to producing key deliverables in challenging fields, a rewards regime will be established to recognise attitude, talent, accomplishments, and experience.

Accountability will be measured through the implemented performance management system, which seeks to promote and recognise excellence, thereby allowing the organisation to deliver exceptional regulatory services for the Cayman Islands.

We remain focused on our statutory duties and obligations and on achieving the objectives and outcomes set in our Annual Plan informed by our Strategic Plan.

I want to recognise the former Chairman for his stewardship during the first five months of the year. I must also thank my fellow Board Members, past and present in 2021, for contributing their business expertise and industry knowledge. In particular, I extend the entire Board's appreciation to all employees and stakeholders for their invaluable contributions and support over the past year. I am proud of what we accomplished together during 2021, and I am also very optimistic about the opportunities ahead.

I look forward to an even more rewarding 2022 as we continue to focus on our staff, our consumers, and indeed all our stakeholders.

Message from the CEO

OfReg focused on assessing and strengthening our organisational performance, helping us become more effective, efficient, and resilient.



Mr Peter Gough
Interim Chief Executive Officer

My tenure as Interim Chief Executive Officer commenced on March 1, 2022, and I am pleased to provide my remarks on the strategic initiatives we plan to focus on to build on the successes from the year under review.

Regulatory Strengthening

OfReg's remit is broad and all-encompassing in the sectors that we regulate. Our mandate demands that we approach our work in a manner that supports fair play between providers and economic growth that protects consumers' interests. This is a delicate balancing act and a role that we take very seriously, as we are keenly aware of the need to ensure that all persons living and working in the Cayman Islands can continue to enjoy a good quality of life supported by high-quality and fairly priced utilities and services.

During the last period, we resubmitted draft consumer protection regulations for the Information

and Communications Technology (ICT) Sector to the Ministry. This year we will also ensure that we deliver consumer protection regulations for the remaining sectors to the Government for approval. The Regulations will outline the protocols and rules service providers must adhere to when interacting with and serving consumers and support regulatory action if those rules are breached. An emphasis will also be placed on meeting key milestones related to our strategic plan, which details several critical initiatives for each sector. The following examples relate to the plans for the upcoming year, which are intended to enhance our regulatory regime and build on past regulatory successes:

1. Renewable Energy – The Renewable Energy Auction Scheme will be implemented in 2022 and is designed to enable the procurement of utility-scale renewable energy projects of a minimum of 20-megawatt capacity plus energy storage at

competitive prices while advancing the goals of the National Energy Policy (NEP).

2. Regulatory interventions in the Fuel Market

– Recommendations for regulatory strengthening in the fuel sector to further enhance the work that ensures that consumers are paying a fair and reasonable price for fuel relative to global fuel prices are expected to be submitted to the Cabinet for review and approval in 2022.

3. Completion of License Negotiations in the

Water Sector – The Office received a report on a Cost-of-Service Study of the Cayman Water Company (CWC) in 2021, and this report will assist with the determination of new water rates and establish a reasonable return on investment for the grant of a new Water Producers and Supply Licence. The negotiations are expected to continue in 2022, and following the issuance of a licence to CWC, the Office will focus on negotiating a licence with the Water Authority Cayman (WAC).

4. Quality of Service (QOS) Standards for

Broadband – A National Broadband Policy with applicable internet service standards will be developed and implemented in 2022. This will enable relevant and robust quality of service levels necessary to ensure acceptable delivery and development of ICT Services and ICT networks as contracted for by consumers.

Institutional Strengthening

While we concentrate on regulatory strengthening, we will couple these initiatives with plans to support and strengthen our team leading to enhanced efficiency in delivering services for the benefit of the Islands.

OfReg was set up in 2017 from three discrete

entities, with three distinct cultures and methods for achieving objectives. The Office has worked on creating synergies in its work under a 'One Ofreg' banner. We plan to continue our focus on integrating systems and processes where possible. Reshaping the organisational structure will also be key to achieving synergies and improving the efficiency and effectiveness of the organisation.

Our dedicated and committed employees are our most valuable resources, and we plan to ensure that we improve our capability and capacity in the upcoming year.

To improve capability and capacity, the Office will leverage an online learning platform so that all staff can enhance their skills in any area of expertise that pertains to the Office's remit. In addition, all staff will be able to enrol in the International Leadership and Management (ILM) Programme. The ILM programme is world-renowned and seeks to create leaders and develop managers through qualifications and training. We will also tailor education and training opportunities according to staff needs and strengthen succession plans for key posts to ensure continuity.

Finally, we will ensure that employee objectives will be continually aligned with the Office's strategic initiatives and the objectives contained in the ownership and purchase agreements with the Cayman Islands Government for greater accountability in delivery.

In closing, I look forward to working with the dedicated team at OfReg in achieving our mission, which is to ensure safe, reliable, economic public utilities to businesses and the people of the Cayman Islands.

Our Vision: Fair Regulation for Consumers & Industry

Our mission: To ensure safe, reliable, economic public utilities to businesses and the people of the Cayman Islands.

To achieve this, OfReg will:

- Ensure that service providers operate in an environment that is fair and provides an opportunity to realise a reasonable return on investment;
- Advocate on behalf of consumers;
- Adopt and enforce regulations that are in the public interest and ensure that service providers comply with established regulations;
- Create standards and policies that protect the safety of the public;
- Explore innovation that will encourage the efficient and cost-effective delivery of utility services;
- Consider the economic and environmental impacts of all matters before OfReg;
- Encourage the conservation of natural resources and environmental preservation;
- Ensure effective methods of communicating OfReg's areas of regulation, decisions and their impacts on the public;
- Develop and promote activities that encourage stakeholder trust and confidence; and
- Serve the public interest through a commitment to professionalism, diversity, mutual respect and ethical conduct.

Governance

The URC Act defines the responsibilities of OfReg and all stakeholders and governs regulation for the energy, fuels, ICT, water sectors in the Cayman Islands. The Public Authorities Act (as revised) (“PAA”) is key complementary legislation which regulates the management and governance of all Statutory Authorities and Government Companies.

Board of Directors

The Board of Directors is responsible for the governance and general administration of the affairs and business of OfReg as well as carrying out regulatory powers and functions. There are four Executive Directors on the Board, which includes the Chief Executive Officer, Executive Director of Information, Executive Director of Energy and the Chief Fuels Inspector/ Executive Director of Fuels.

In 2021, the Board of Directors met 10 times during the year. The Board considered and took decisions on a wide range of issues relating to the sectors under its remit, and on organisational policy and governance matters.

In May 2021, OfReg bid farewell to its former Chairman of the Board, Dr. the Hon. Linford A. Pierson. Dr. Pierson served as Chairman of the Board from OfReg’s inception in 2017 and oversaw the initial development of OfReg. Dr. Pierson was replaced by Mr. Rudy Ebanks in September 2021.

In addition to the replacement of the Chairman of the Board, the three former Non-Executive Directors (“NEDs”) terms expired in May 2021 and these posts remained vacant until October 2021 when Mr. Frank Balderamos, Mr. Alric Lindsay, and Mr. Leroy Whorms were appointed by Cabinet as NEDs of the Board. As a result of the timing of the changes to the Board of Directors, the Board did not function from June to September 2021.

Codes of Conduct and Internal Policies

In 2021, the Board approved: a General Reserve policy; a Revised Procurement policy and Procedures Manual; and a Revised Payment Approval policy; OfReg continues to develop and establish robust mechanisms to improve governance and systems of control.

Committees

Pursuant to section 27 of the URC Act, OfReg established a Remuneration and Human Resource Committee. The role of the Remuneration and Human Resource Committee is to provide guidance to the Board on remuneration and human resources issues. OfReg also established a Finance Committee, an Innovation Committee and a Public Relations Committee. The role of the Finance Committee is to review and provide recommendations to the Board on financial governance policies and OfReg's annual budget, while the role of the Public Relations Committee is to provide policy guidance and strategy for interaction with stakeholders and the media.

During the year, the Board appointed a new Risk and Audit Subcommittee Chair, Dr. Wrendon Timothy. The role of the Committee is to provide independent assurance and assistance to the Board on control, governance and risk management. The subcommittee reports to the Board of Directors within four months of the publication of the fiscal year's annual report and publishes its report at OfReg's website within two months following Board review.

Duty to Publish

Pursuant to section 8 of the URC Act, OfReg maintains a website as a primary source for sectoral news and information and current regulatory documents, including administrative decisions and Minutes of the meetings of the Board of Directors.

Duty to Consult

In accordance with section 7 of the URC Act, OfReg is obligated to conduct public consultations prior to issuing an administrative determination which, in the reasonable opinion of OfReg, is of public significance and subject to specific procedures under sectoral legislation. The following consultations and determinations were published in 2021:

1. **E&U 2021- 1** – Final Determination on Proposed Renewable Energy Capacity Reallocation and Tariff Setting
2. **E&U 2021 - 2** – Consultation on Final Determination on Proposed Renewable Energy Capacity Reallocation and Tariff Setting (“RECRTS”)
3. **E&U 2021 – 2** – Final Determination on Proposed Renewable Energy Auction Scheme
4. **E&U 2021 - 3** – Consultation on Proposed Distributed Generation Resource 3 MW Cap
5. **E&U 2021 – 3** – Final determination on Proposed Distributed Generation Resources 3 MW Capacity Increase
6. **FS 2021 - 1** – Consultation on Draft Determination re Proposed Fuels Market Definition
7. **FS 2021 - 2** – Consultation on Proposed Fuels Market Economic and Regulatory Assessment
8. **FS 2021 – 3** - Draft Final Determination on Proposed Consumer Protection Regulations
9. **FS 2021 – 4** – Draft Final Determination on Proposed Fuel Market Economic & Regulatory Assessment
10. **ICT 2020 – 1** - Final Determination on Internet Exchange Point (IXP) Regulatory Framework

Our People

OfReg is comprised of a Board of Directors and 24 employees. Executive Directors are the principal sectoral advisors while the Chairman and Non-Executive Directors are chosen by Cabinet and initially appointed for fixed terms of up to 3 years.

Staff

There were two new additions to OfReg's staff complement in 2021. Both new hires were in the Fuels sector.

The Office recognizes that there are existing resource gaps, which are gradually being rectified, with planned additions to the Office staff complement to ensure that we are flexible and responsive to the emerging and rapidly changing environments that we are tasked with regulating. During the year, the Office developed and implemented an employee performance management system to support continued employee growth and succession planning.

Professional Development

OfReg is committed to the professional development of its staff by providing targeted training and development opportunities for up-skilling and overall employee development.

OfReg recognises the benefit of employee development and training and considers on a case-

by-case basis requests for support in the following areas: time off for training and/or study; time in OfReg environment to undertake a course or complete projects that support an employee's development needs; and tuition/course fees and expenses.

During 2021, the continued restrictions imposed by the Government arising from the Covid-19 pandemic frustrated the plans for training. Some training was completed through on-line resources, while some training has been deferred for 2022.

Internships

During 2021, OfReg continued its internship programme as part of its continuing commitment to knowledge transfer, exposure and up-skilling candidates with potential for development in the sectors OfReg regulates. Ofreg's current intern gained significant insight and has become more conversant with OfReg's role in the fuel sector, along with exposure in the other sectors and wider functions of OfReg. OfReg joins other global regulators with this initiative.

Summary of Achievements

Several multi-year projects continue to progress as planned, and OfReg remains optimistic that once these are finalised, they will yield significant improvements to the economic and regulatory framework and translate into increased benefits to consumers and other stakeholders.

Consumer Relations

During the year, OfReg conducted its first Customer Satisfaction Survey. The survey was completed by industry stakeholders and members of the general public who have had direct interaction with the services provided by OfReg. This survey was conducted to establish a baseline against which OfReg will measure the public's perceptions, and going forward, the results will serve as an integral element of our strategic planning to ensure continuous improvement in efficiency and effectiveness.

We commenced the redevelopment of OfReg's website to better manage and enable business processes while improving stakeholder engagement. Creating a more appealing, informative, and navigable website, where every customer contact would lead to action and meaningful insight, is envisioned to create a more satisfying customer experience for all our stakeholders.

Consumer Protection Regulations

In 2021, OfReg resubmitted the draft Consumer Protection Regulations for the ICT Sector to the Ministry of Border Control & Labour ("BCL") for Ministerial consideration and approval. The approval of these Regulations has been pending since 2020. The purpose of the Regulations is to outline the protocols and rules that service providers

should adhere to when interacting with and serving consumers in the Cayman Islands. These regulations will enable OfReg to better specify and uphold the terms and conditions under which ICT services are provided. OfReg expects the Regulations to be published in 2022.

OfReg also completed its final round of public consultations in 2021 on the proposed Consumer Protection Regulations for the fuel sector. These regulations will provide an enhanced regulatory framework which will strengthen the quality standards and terms and conditions under which services and products are provided. OfReg plans to submit the draft Regulations to Cabinet for approval during the first quarter of 2022.

During the year, OfReg also continued the work on the Draft Consumer Protection Regulations for the Energy and Water Sectors. It is anticipated that the Regulations will also be submitted to Cabinet in 2022.

Energy

Renewable Energy Auction Scheme (REAS)

OfReg issued its final determination on a Renewable Energy Auction Scheme. The REAS will be implemented in the first quarter of 2022 and is designed to enable the procurement of utility-scale renewable energy projects of 20 megawatts (MW) capacity or higher plus energy storage at competitive prices while advancing the goals of the NEP. These goals include 70% of electricity generation from renewable energy sources by 2037 and attainment of the 2015 Paris Accord of 4.8 tCO₂e of greenhouse gas (GHG) emissions per capita by 2030 (an approximate 60% reduction).

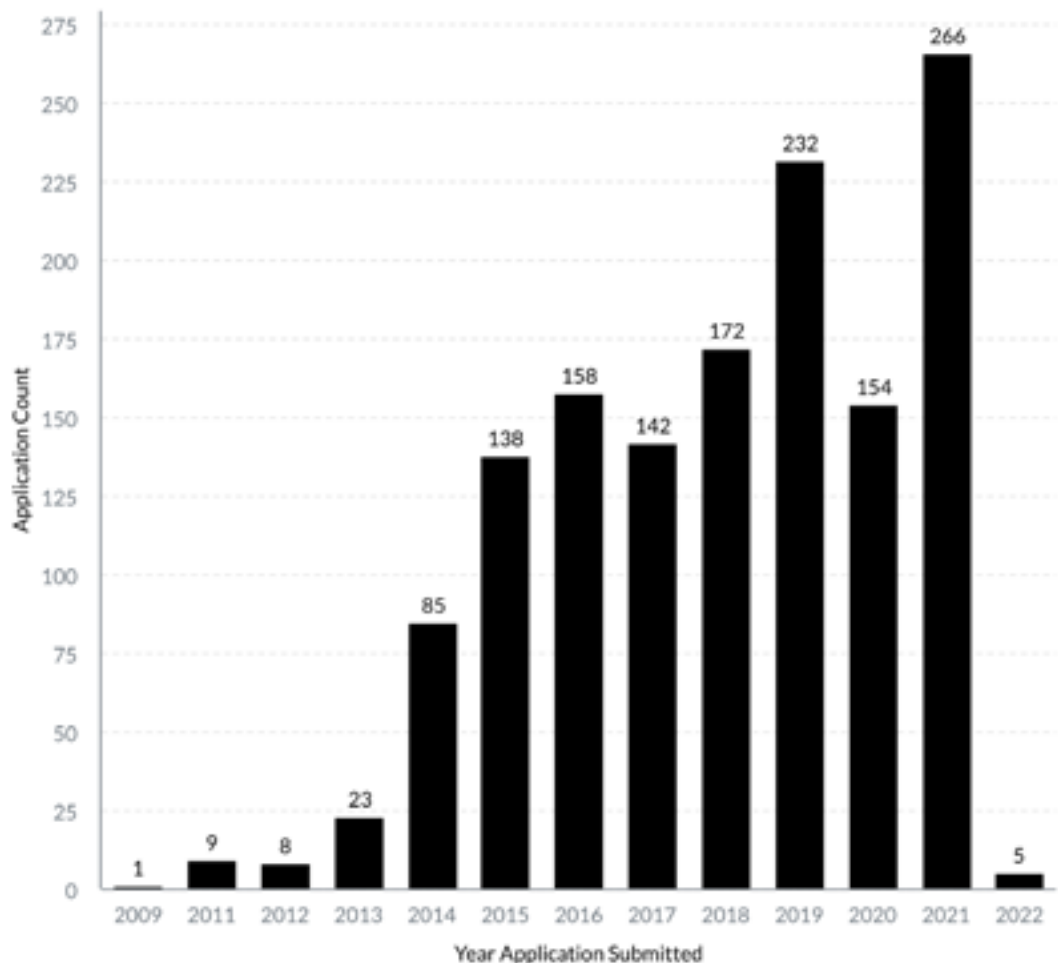


Renewable Energy Capacity Reallocation and Tariff Setting (RECRTS)

The Customer-Owned Renewable Energy Resources (CORE) programme reached maximum capacity in 2020. However, there was further demand from residents wishing to take part in the programme. After an extensive consultation period, which started in 2020, OfReg issued its final determination on the proposed RECRTS. The determination concluded that 500 Kilowatts (kW) of capacity would be reallocated from the Distributed Energy Resources (DER) programme to the CORE programme. The tariff was established at \$0.175/kWh for solar PV systems 5kW and below, and a tariff rate of \$0.15/kWh for systems between 5kW and 10kW.



Total CORE Applications Received by Year Submitted



Distributed Energy Resources Programme (DER)

The distributed generation market continues to grow, and there is an ongoing demand for capacity to accommodate the number of system installations. Accordingly, OfReg also issued a Consultation Paper on a proposed 3 MW capacity increase for the DER. The increase aims to ensure sufficient capacity is available to solar PV electricity producer-consumers (prosumers) until CUC's proposed 20 MW Battery Energy Storage System ("BESS") becomes operational. It was determined that this capacity would be made available for both the CORE and DER programmes. The tariffs have been set at the same rates as those established for the 500-kW capacity transfer. The rate mechanisms for the DER programme remain unchanged from their previous levels.

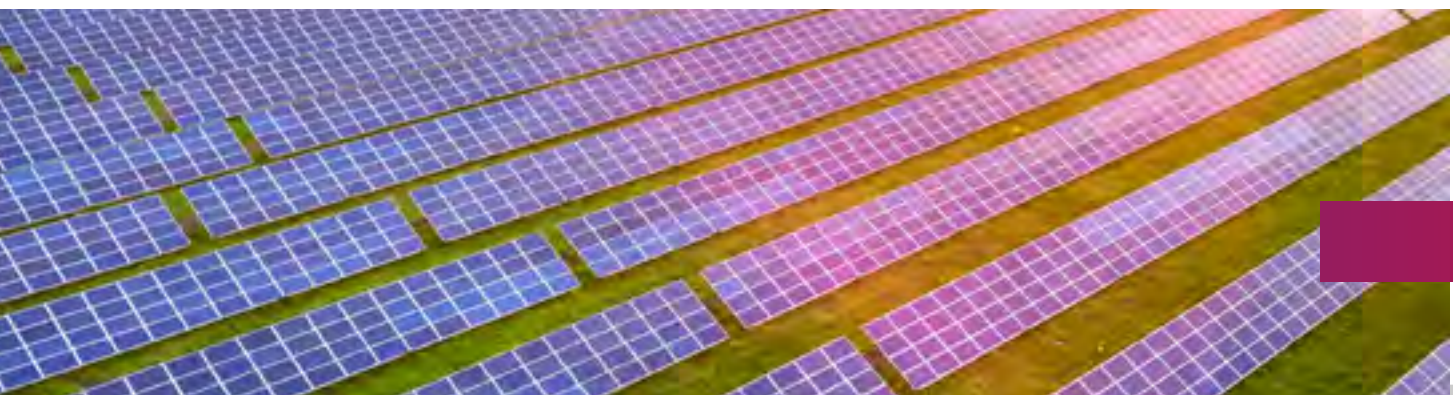
UN Climate Change Conference ("COP26")

OfReg was invited to participate in the Global Regulatory Accelerator for Energy Transition, launched at the UN Climate Change Conference ("COP26") in November

2021. A key function of the Accelerator for global energy regulators is to work alongside or in partnership with each other, leveraging the global diversity of regulatory skills, knowledge, and expertise in a meaningful way. It is anticipated that this collaboration will bode well for collective efforts to overcome the barriers to transitioning our energy systems from fossil fuels to green technology energy sources. OfReg's participation in the conference also helps meet our NEP requirements to promote and support regional international exchanges of thought leadership to position the Cayman Islands as a leading resource centre for information on best/next practices in energy research.

Advice to the Energy Policy Council

The Energy Policy Council is the body with oversight responsibility for implementing the NEP. OfReg advised the EPC on several initiatives that were being undertaken during the period, including the EPC request for proposals (RFP) for a 5-year review of the NEP, RFP for an energy audit of Cayman Islands Government ("CIG") buildings, as well as other NEP related matters.



Alternative Fuels for Electricity Generation

OfReg consulted with CUC on its proposal to engage K&M Advisors to produce a high-level gas-to-power strategy using natural gas as a transitional fuel. The objective is to establish a framework and agreement to implement a successful gas to power programme to achieve the benefits specified in the NEP and CUC's Integrated Resources Plan (IRP). It is anticipated that CUC will submit business cases for OfReg's consideration in 2022 to roll out the strategy.

Approval of CUC's Capital Investment Plan ("CIP") for 2022-2026

OfReg approved CUC's 5-year CIP for investments in its operations to provide dependable and reliable electricity service to its customers on Grand Cayman.

Approval of CUC's George Town Revitalisation Projects

OfReg approved the following CUC projects:

- George Town Distribution Resiliency Project Phase 1a rate for undergrounding of electricity distribution lines that the Government has requested as part of the George Town Revitalisation Project, and
- The 16-foot new pole and double luminaire rates.

Approval of CUC's Proposal to Extend the Useful Life of its Generating units G1, G2, G19 and G20

OfReg approved the following CUC projects:

- Extension of the useful life of its generating units G1 and G2 by an additional four years from May 2023 to April 2027 on the condition that the licensee provide a roadmap for the phasing out of these units, and
- Extension of the useful life of its generating units G19 and G20 by an additional five years. G19 will be extended from July 2021 to July 2026, and G20 will be extended from February 2024 to February 2029 on the condition that the licensee provides a roadmap for the phasing out of these units.

Approval of CUC's Temporary Generation Plan (TGP)

OfReg also approved CUC's Proposed 2022-2023 TGP covering the one-year period for 2022 to enable the licensee to meet its generation reserve capacity conditions of its Transmission and Distribution (T&D) licence.

Fuel

Fuel Market Definition and Economic Regulatory Market Assessment

OfReg completed the Market Definition and Economic Assessment of the Fuels Market and Sector. One of the key findings of the assessment is that there is an acceptable level of competition in the retail network (gas stations); however, at the wholesale level, the market is not competitive. OfReg is finalising recommendations for intervention in the fuel sector to ensure consumers are paying a fair and reasonable price for fuel relative to global fuel prices while ensuring they have access to a reliable supply, a good mix and option of fuel types, acceptable quality, and that all the standards related to fuels in the Islands are being met.

Compliance and Enforcement

In keeping with its obligations under the Dangerous Substances Act (DS), OfReg successfully completed a major investigation into a tank leak at Rubis Cayman Islands Ltd.'s Jackson Point Terminal at George Town. This matter is

pending enforcement action. OfReg continues to proactively implement the recommendations from the investigation findings via a phased approach to increase compliance and enhance public safety. Arising from the foregoing, an industry-wide bulk tank and pipeline forum was held in October 2021 to address key issues impacting bulk fuel assets, including design and maintenance considerations to be adopted for the economic sustainability, safety, and continued reliability of the sector.

Another key obligation of OfReg is to ensure fair pricing to consumers. To this end, in 2021, OfReg carried out internal probes and reviews as necessary and took OfReg to monitor fuel prices to assess and ensure fuel pricing remains equitable and reflective of the global fuel price trends.

Alternative Fuels Options

OfReg continued its engagement with prospective liquified natural gas ("LNG") Suppliers and potential entrants to the Fuels Market as part of its obligations to advance/support broader NEP Objectives. One provider was granted permission to establish capability for cylinder refilling.

OfReg also facilitated the introduction of a pilot initiative under the NEP relating to liquid petroleum gas ("LPG"), commonly known as propane, as a fuel for transportation. As a result,





an application was received from one provider, and the site will be considered for retrofitting in early 2022 to allow for the fueling of LPG automobiles.

Crude Oil and Fuel Prices trends in 2021

Crude Oil (and, as a result, refined fuel) prices continued their volatile trend in 2021. At the beginning of the year, crude oil prices started at USD 50.80 per Barrel (Bbls) and continued on a steadily increasing trend during the year, reaching the highest price of USD 85.43 per Bbls in October 2021. This was the highest price since 2014, which led to pump prices in Cayman also reaching their peak around this period.

The intervention by the United States, which saw the release of several million barrels of oil reserves into the market to increase supply, resulted in crude oil prices trending downward to USD 69.53 per Bbls in early December 2021. However, by the close of the year, an average of USD 9.08 per Bbls increase in crude prices was recorded. Refined fuel

prices showed a similar trend to crude oil prices. Graph 1 (page 19) shows the trend of crude oil and refined fuel prices relevant to the Cayman Islands and local fuel prices during 2021. Local prices generally followed refined price trends throughout the year.

Consumers benefited from lower fuel prices across all grades of products in the first quarter of 2021. Regular gasoline and diesel were the lowest throughout the year in January (\$3.90 and KYD 3.91 per IG, respectively). While moderate fluctuations were observed during the year, there was, on average, a 31% increase in prices at the end of the year compared to the start of the year directly due to changes in refined (imported) fuel prices. Accordingly, the lowest prices recorded during the year were \$3.90 (regular gasoline), \$3.98 (premium gasoline) and 3.91 (diesel); however, by the end of December 2021, these prices had risen to \$5.21, \$5.40, and \$5.16 per IG respectively.

Across the region, prices in comparable jurisdictions followed similar trends as observed in previous years. Local prices continued in

the median price range compared to the regional jurisdictions analysed (see graph 2 - page 20).

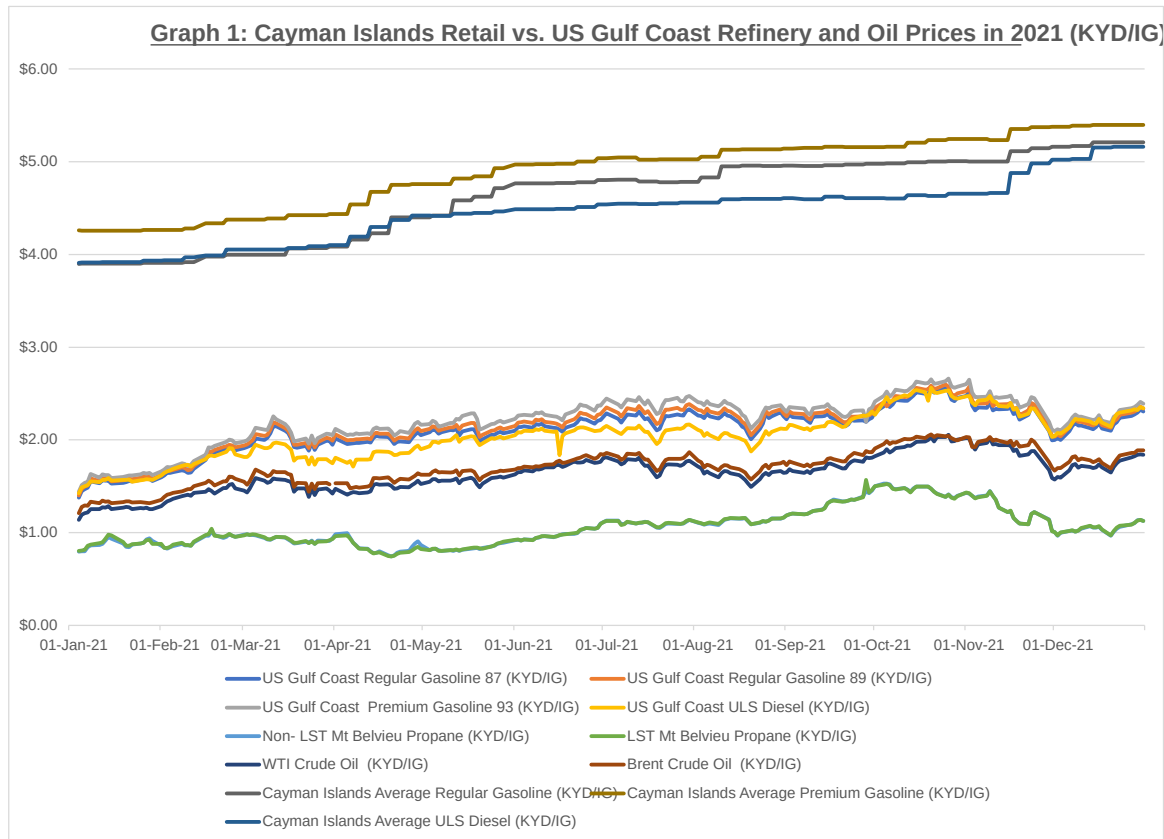
Monitoring and posting of fuel prices throughout the Cayman Islands are being done consistently and posted weekly to our website at www.ofreg.ky for the benefit of the public. Analyses of local price trends are also available for public access on OfReg's website.

International Maritime Organisation (IMO) Instrument Implementation Code ("III Code") Audit and National Maritime Oil Spill Contingency Plan.

In 2021, the Cayman Islands were audited as part of the IMO Member State Audit Scheme (IMSAS). The Code is the key instrument against which member states are audited to ensure that they are meeting their obligations as part of the United Nations global mandate to protect their marine environments against spills and other related marine disasters. Nationally, the Government also enacted the National Maritime Oil Spill Contingency Plan (NMOSCP) in October 2021, which sets similar requirements as the IMO for oil spill management. In 2021, OfReg enhanced its capacity and capability to ensure continued and sustained compliance and enforcement in key areas of its remit, to be in a position to achieve the objectives of the National Plan and a successful audit outcome.



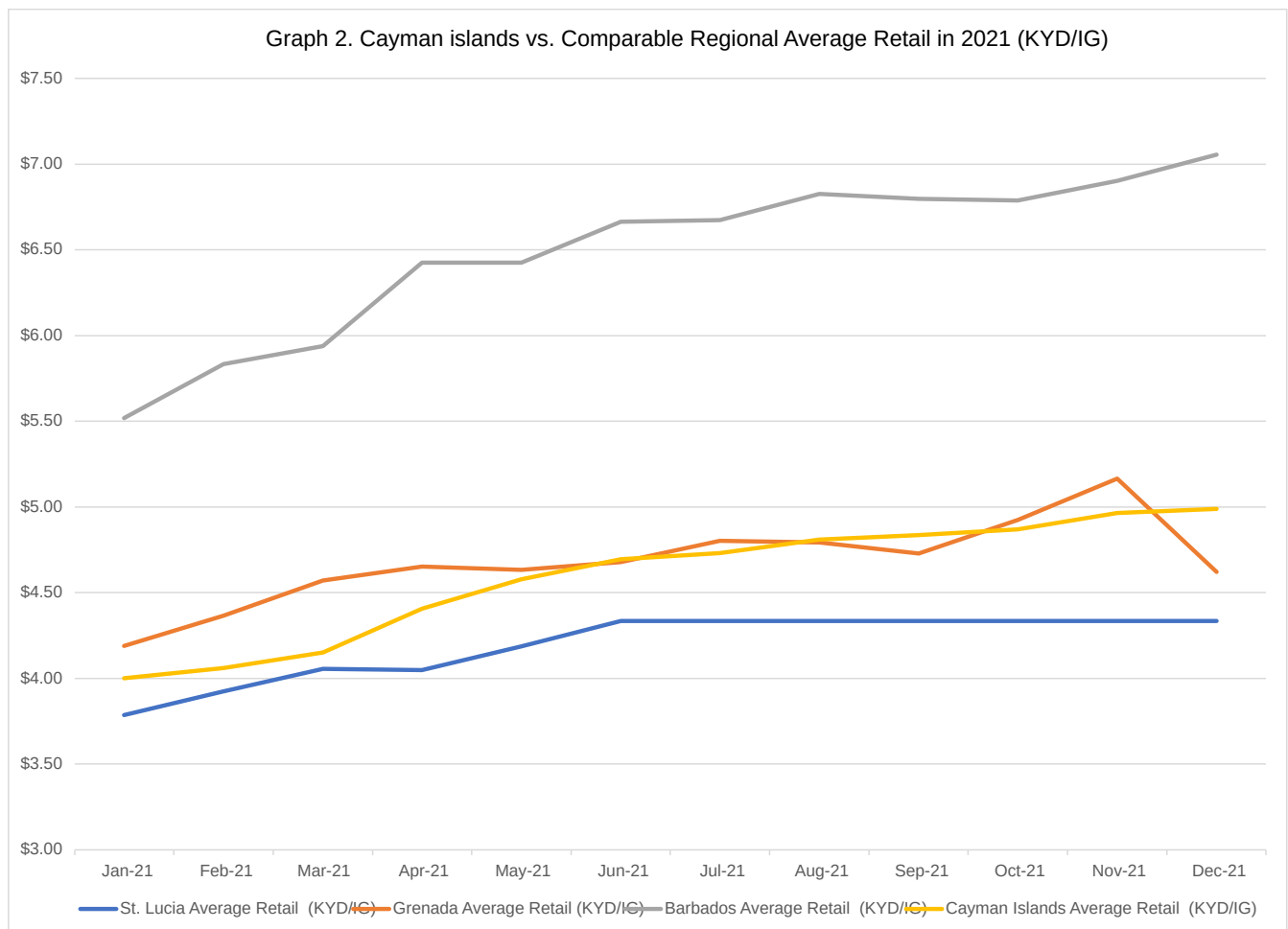
Graph 1: Cayman Islands Retail vs. US Gulf Coast Refinery and Oil Prices in 2021 (KYD/IG)*



*References:

- <https://www.cuc-cayman.com/customer-service/fuel-cost/>
- <https://www.cuc-cayman.com/customer-service/billing-rates/>
- <https://www.belco.bm/general/fuel-adjustment.html>
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- <https://www.nvgebe.com/rates-tariffs.php>

Graph 2. Cayman Islands vs. Comparable Regional Average Retail in 2021 (KYD/IG)*



The following results were achieved by the Fuel sector team during OfReg's 2021 financial year:

Monitoring and Controlling of Petroleum Products, Storage and Handling

Objectives/ Action/ Measures		Annual Objective	Actual
Quantity	General Inspection (all permitted premises and vehicle)	270-300	315
	Statutory Consultation (Planning and Permitting)	60-120	295
	Fuel and Energy related Initiatives Engagement	5-10	5
	FOI, Media and Complaints handled/addressed	40-60	14
	Quality Control & Fuel testing	4-10	8
	Issuance of Operating and Import Permits, and Calibration Certs	210-245	244
	Pump Calibrations witnessed/supervised (Premises/Vehicles)	40-50	48
	General Policy Advice and Consultation	35-50	1
	Emergency and Spill Response Management	8-10	10
	Technician certification (certificates issued)	30-40	0



100 %

Comply with the Dangerous Substances Handling and Storage Act, 2017, its Regulations and relevant industry codes and standards determined by CPI in consultation with relevant stakeholder



100 %

Inspections to be carried out by qualified, competent and experienced Inspectors



100 %

Activities to be carried out to the highest ethical and professional standards using relevant and up-to-date industry information and practice, and engaging certified organisations where necessary

Timelines



95 %

Inspections (Cycle)
to be completed
within five (5)
working days
Calibrations to be
completed within
48 hours



95 %

Turnaround time
of three (3) days to
action and respond
to applicant
on Planning
and Permitting
Applications



100 %

All other Tasks to be
completed within set/
established timeline
including and not
limited to Operating
Permit Issuance,
Remedial Notices,
Appeals, Reports, etc.



Economic Regulations; Monitoring and Directing the Fuel Sector and Relevant Market

	Objectives/ Action/ Measures	Annual Objective	Actual
Quantity	Collate and Analyse “Section 10” Data from Importers	200-264	200
	Execute License Agreement with Major Fuel Licensees	10-12	10
	Monitoring and post Fuel Prices and analysis on a fortnightly basis	30-52	30
	Bi-annual market review and report submission on adequacy of regulation and state of competition in relevant markets	2-6	2
	Establish guidelines and criteria for new entrants to relevant Fuels Market	1-2	1
	Evaluate and report on adequacy of fuel mix bi-annually	1-2	1
	Function as Focal Point for CEIS/SRC providing data as required	10-13	10
	Represent government on Intl. Fuel Regulatory Affairs	2-3	2
	Annual engagement with Licensees	12-20	12
	Enforce Regulatory Breaches	4-6	4
	Regulatory Investigations	20-40	20
	Consumer & Public Awareness and Engagement on Fuel Sector	2-5	2



100 %

Comply with Fuels Market Regulation and Utility Regulation and Competition laws, and relevant regulation and competition regulations, guidelines and determination required by OfReg and Cabinet



100 %

Economic Regulations to be administered by qualified, competent and experienced Analysts, Economists and Management team members



100 %

Activities to be carried out to the highest ethical and professional standards using relevant and up-to-date industry information and practice, and engaging certified organisations where necessary to augment the work of OfReg

Timelines



95 %

Relevant analysis, research, assessment to be carried out within adequate timeframe to allow OfReg to minimise and mitigate against negative competition effects in a timely manner.



95 %

Local price monitoring data to be posted within 48 hours of the most recent surveyed prices



100 %

All other tasks to be completed within set/established timeline



ICT

Licence Renewals and Expansions

In 2021, OfReg renewed the licences of the four large telecommunications companies operating in the Cayman Islands, promoting certainty and predictability in the market and allowing for the promotion of investment in sustainable infrastructure. In addition to the renewal of licences, OfReg issued approval to an existing operator to expand their service offerings to become a third mobile service provider. The licensee proposes to launch a new fixed and mobile service network to support 4G LTE and 5G services.

Internet Exchange Points (“IXPs”) Framework

Following a consultation process relating to the licensing of the regulatory framework to support Internet Exchange Points (“IXPs”) in the

Cayman Islands and having considered industry best practices and the views of respondents to the related consultation, OfReg issued a determination which included the regulatory framework on IXPs and local peering options and obligations. Following this, OfReg issued the first IXP Licence.

The operation of the IXP provides a peering option to Internet Service Licensees to connect via the IXP to ensure that local internet traffic remains within the jurisdiction rather than being routed overseas. In addition to a peering service, the IXP can also onboard new attractive content and value-added services to its members.

Cable Landing Station Licensing Framework

In 2021, OfReg developed improvements to the Cable Landing Station licensing and regulatory framework to improve resiliency, protect critical national infrastructure, promote innovation, and facilitate economic and national development. OfReg intends to conduct a public consultation on the framework for implementation in 2022.



Significant Market Power (“SMP”) Assessment

OfReg restarted the SMP review of the ICT sector in 2021. This important piece of work will appropriately define the economic markets within the ICT industry, identify dominant players, and allow for the development and application of rules to ensure fair competition to protect the consumers’ interests. This project is slated to be completed in 2022.

Dispute Resolution

OfReg made significant progress in resolving a dispute between two licensees regarding access to infrastructure sharing. The team completed an investigation into the matter and is on track to issue a final determination by the second quarter of 2022. The determination will mark a milestone in better clarifying OfReg’s expectations in relation to how licensees are expected to work together with respect to infrastructure sharing. The determination will also include several directions to the parties leading to more internet service options for consumers and will facilitate licensees’ access infrastructure faster for rolling out their networks and services.

Spectrum Management

Following its obligations to ensure efficient use of the electromagnetic spectrum, OfReg conducted a utilisation and fee payment audit of spectrum assignments and returns. As a result of the foregoing, we were able to recover approximately 890Mhz of spectrum in several key

areas that can be used to deliver fifth-generation (5G) highspeed networks and space allocated to the public for unregulated use. Additionally, other areas of unauthorised use of spectrum were identified, and licensees were notified in such instances and made to pay for such use or migrate out of those areas going forward.

Having received reports of spectrum interference between two mobile providers, which contributed to poor connectivity and quality of service, OfReg vetted and oversaw a project to reassign/migrate spectrum frequencies between the operators to eliminate the interference.

Collection and verification of licence fees

OfReg recovered over \$140k in outstanding licence fees. Additionally, several outstanding Audited Financial Statements and quarterly reports were submitted as a direct result of the initiatives. Work remains ongoing to bring and keep all licensees in compliance.

Collection and Verification of Licence Fees



	Target	Actual
Number of licence fees processed per year	50-70	57

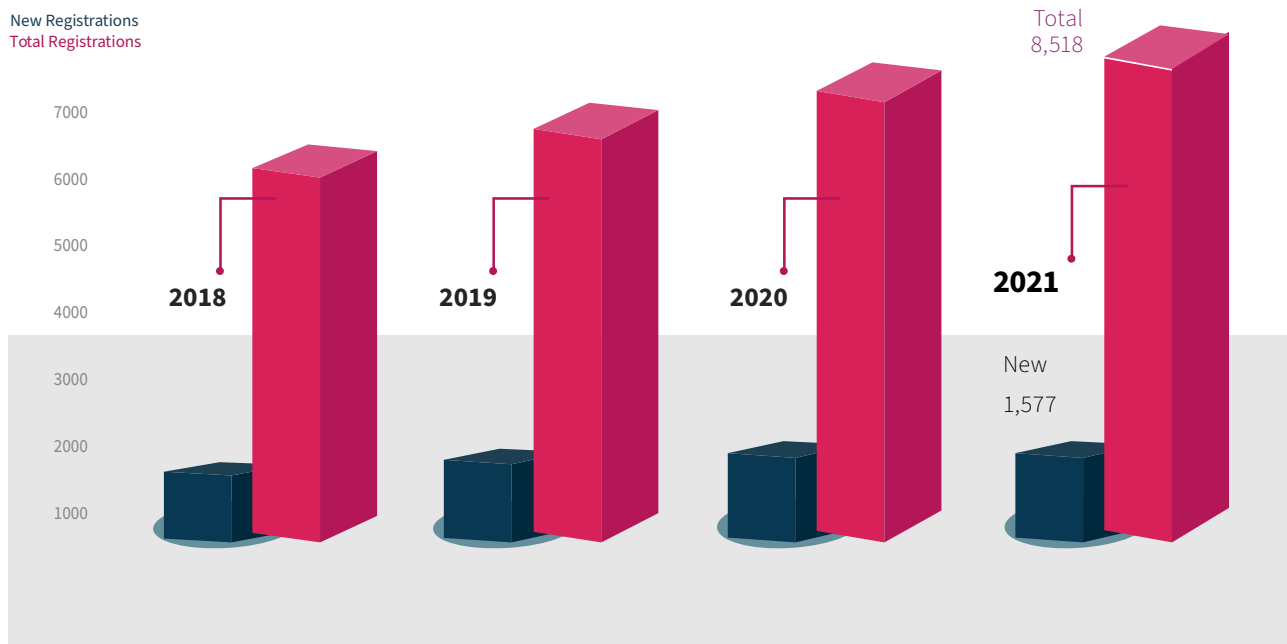
Coastal Radio Licence

In support of the establishment and further capacity development of the Cayman Islands Coast Guard, OfReg issued its first Coastal Radio Licence to the Coast Guard. The Coastal Licence will assist in providing the marine community with a variety of distress, search and rescue, navigational, business, and personal communication needs for vessels.

.ky Domain Management

OfReg made significant positive steps to improve the profile and attractiveness of the country's .ky domain by completing amendments to the existing Registry Services Agreements. The amendments pave the way for the onboarding of new registrars and will support the launch of a .ky flash sale campaign programme, which will highlight the value of the .ky domain and ultimately lead to the release of attractive high-value domain names that are currently not for sale.

.KY DOMAIN SALES & REGISTRATIONS



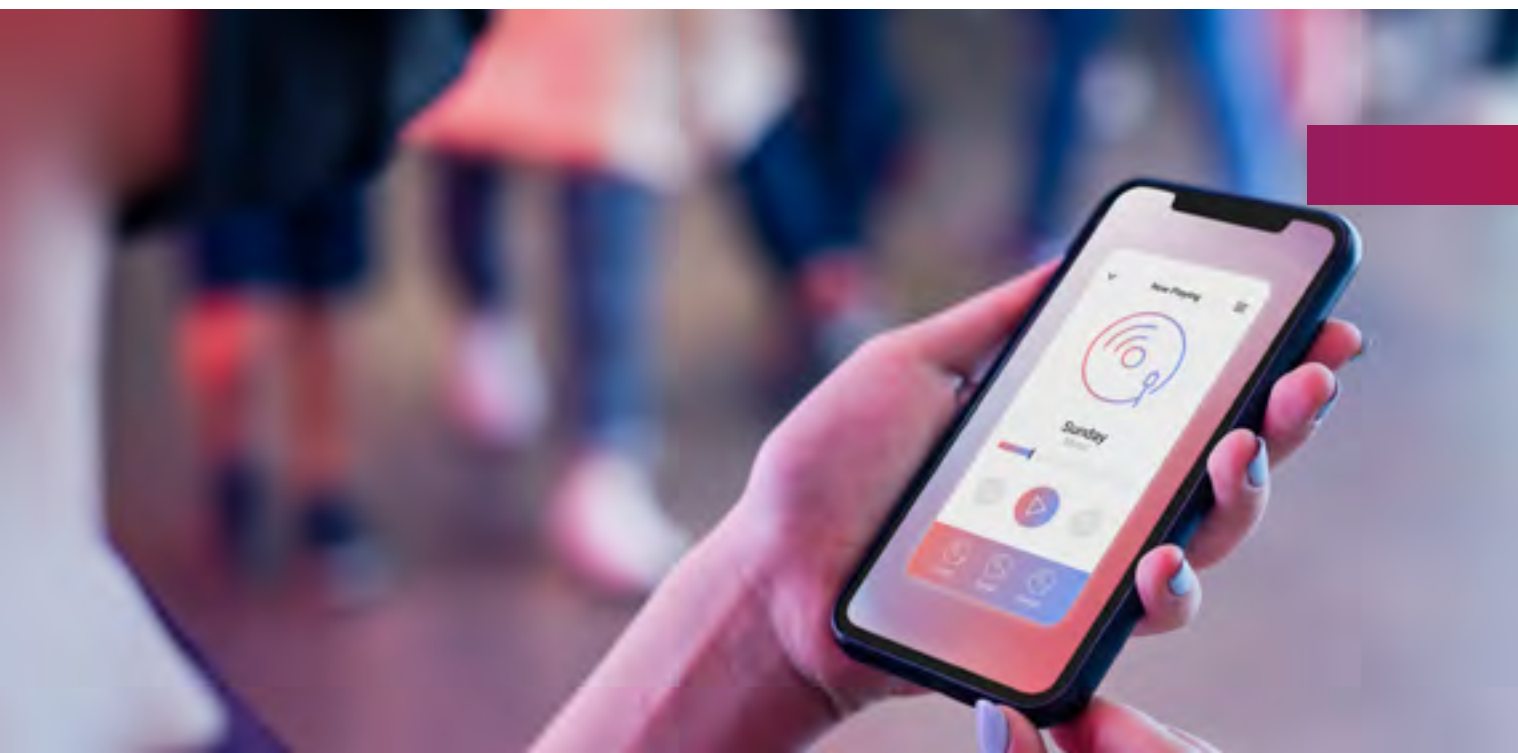
Internet Corporation for Assigned Names (“ICANN”) Policy Development

The ICT Team represented the Cayman Islands as a member of The Governmental Advisory Committee (GAC) of ICANN in a series of virtual policy meetings. The ICT Team made meaningful contributions on the various topics and areas across the ICANN ecosystem, including but not limited to:

- Subsequent Rounds of New General Top-Level Domains (gTLDs),
- Domain Name Serve Abuses (DNS),
- Competition,
- Consumer Trust, Consumer Choice and Access to Under-Served Communities,
- Stability and Resiliency (CCT and SSR2) Recommendations, and
- Registration Data/WHOIS/General Data Protection Regulation Matters.

Support of Cayman’s Young Professionals via the International Institute of Communications (“IICs) Future Leader’s Competition

OfReg supported the International Institute of Communications (IIC’s) Future Leaders’ Competition which encourages and rewards young persons who show original thought in the areas of communications and policy. Support was extended through a small financial contribution, dissemination of competition details locally and the creation of a promotional video to encourage local participation. The competition provided international exposure to ambitious young professionals and encouraged submissions from across the globe.





Water

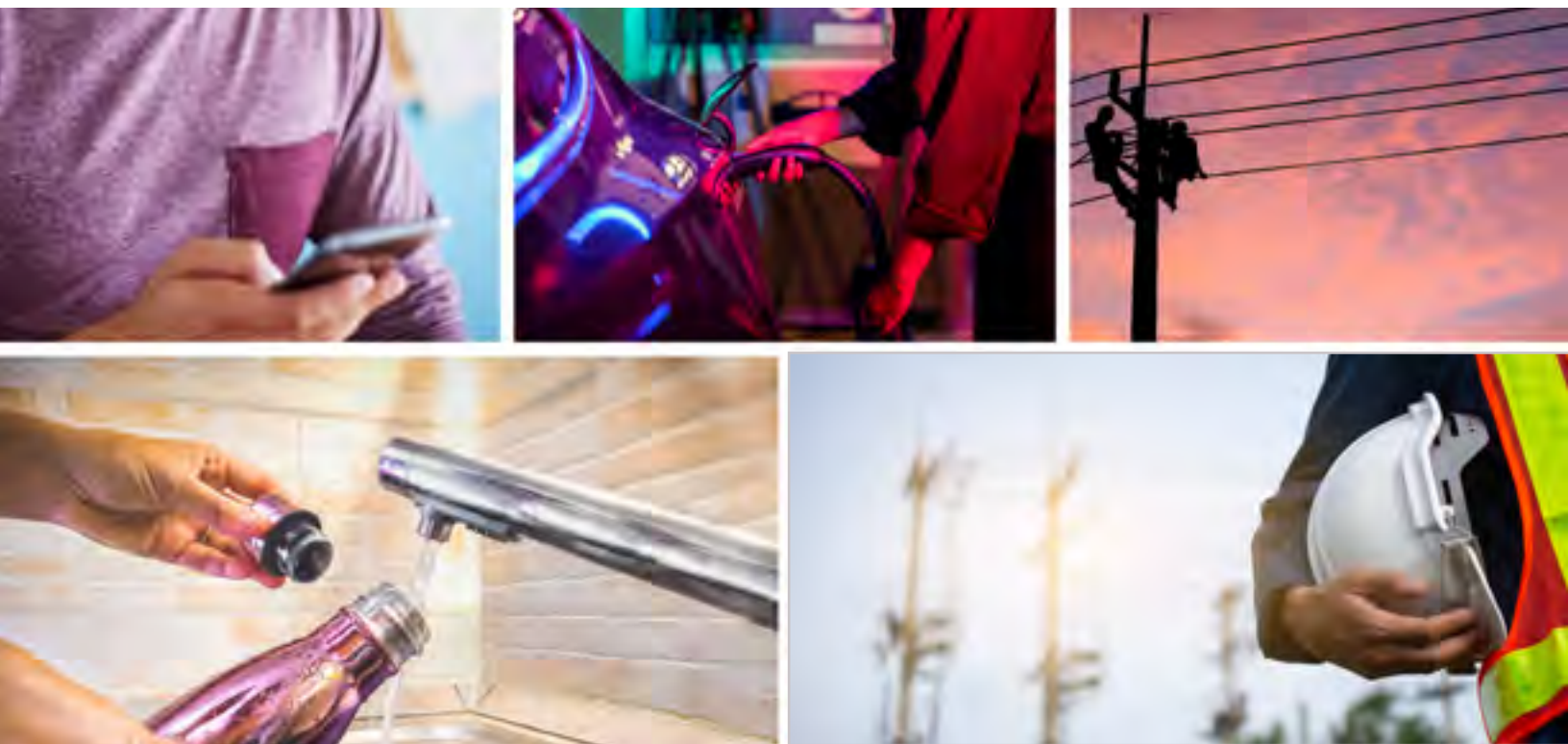
Water Sector Regulations

OfReg resubmitted draft amendments to the Water Sector Regulation Act and several draft regulations addressing administrative penalties, licences & fees, and production & supply to the Ministry (Border Control & Labour) for Cabinet’s approval. When enacted, these legislative and regulatory changes will enhance the regulatory framework and establish a long-term funding mechanism for the Water Sector, thereby enabling OfReg to effectively execute its regulatory activities for water service providers and wastewater operators.

Regulation of the Cayman Water Company (“CWC”)

OfReg continues to make progress in this sector, emphasising the completion of licence negotiations with CWC. In 2021, OfReg received the report on the Cost-of-Service Study (COSS) of CWC to assist with the determination of new water rates and establish a reasonable return on investment for the grant of a new Water Producers and Supply Licence.

During the year, OfReg reviewed and rejected an application from CWC for an annual rate increase for 2021. OfReg also reviewed and subsequently approved CWC’s CIP for the replacement of its West Bay desalination plant to continue to provide dependable and reliable water service to its customers.



Report of the Efficiency and Effectiveness of the Utility Regulation and Competition Office (Performance Audit)

Section 42 of the URC Law requires the Auditor General to report to the Board of Directors every three years on OfReg's performance against its annual plan. The Auditor General's Office concluded the three-year review of OfReg's performance in June 2020. Sixteen recommendations were made to address deficiencies and challenges OfReg faced.

The Public Accounts Committee (PAC) met to consider the Auditor General's Performance Audit Report in July 2020. Five Public Hearings were held with several witnesses called by the PAC to submit evidence for the Committee's consideration. The PAC issued a report on the Performance Audit, which included an additional set of twenty-three recommendations.

Of the thirty-nine recommendations made in total, eleven have been completed by OfReg; nine have been submitted to the Ministry (Border Control and Labour) for submission to the Cabinet as legislative change requests; sixteen are in progress. They are expected to be completed within the 2022 financial year, and three fell under the remit of Government decision-making.

Financial Performance & Analysis

Summary of PMFA Ownership Targets

Pursuant to the PMFA, the following ownership targets for OfReg were agreed between Cabinet and the Board for the 2021 financial year.

Ownership Agreement Targets for Fiscal year January – December 2021

Target	Deadline	Status
To establish a 90-day operating expenses reserve for the organisation.	31 December 2020	The General Reserve has been established and a policy to govern the use of the General Reserve has been approved.
To identify and complete the necessary corporate governance policies and procedures required to enable OfReg to effectively carry out its functions under the various laws.	31 March 2020	During 2020, the Board approved: a board and management communications framework; an Anti-Fraud policy; an IT Acceptable Use and Security policy; a Hospitality, Entertainment and Gift policy; an Information Security Breach Policy; and a Human Resource Policy and Procedure Manual. The update of the 5-year Strategic Plan will pave the way for the implementation of additional corporate governance policies and procedures. OfReg continues to develop and put in place robust mechanisms to improve governance and systems of control.
To secure new office accommodations in order to improve productivity and ensure adequate space is available for employees.	30 September 2021	OfReg signed a lease on 30 September 2021 and relocated in Q4 2021.
To develop and implement an employee performance management system to support continued employee growth and succession planning.	30 June 2020	An office wide performance management system was implemented in Q4 2021.

Financial Targets

Pursuant to subsection 52(2)(c) in the PMFA, the tables below show the execution against agreed financial targets for the 2021 financial year.

Financial Performance Measure		2021 Budget 12 Months \$ 000's	2021 Actual 12 Months \$000's
#			
1.	Revenue from Cabinet	1,758	1,714
2.	Revenue from ministries, portfolios, statutory authorities and government companies	Nil	Nil
3.	Revenue from other persons or organisations	4,874	4,069
4.	Other expenses	5,516	4,646
5.	Net Surplus/Deficit	1,116	1,137
6.	Total Assets	6,194	5,950
7.	Total Liabilities	300	1,549
8.	Net Worth	5,894	4,401
9.	Cash flows from operating activities	1,254	(1,113)
10.	Cash flows from investing activities	(649)	(3,191)
11.	Cash flows from financing activities	-	-
12.	Change in cash balances	605	(4,304)

Financial Performance Ratio		2021 Budget 12 Months \$ 000's	2021 Actual 12 Months \$000's
#			
13.	Current Assets:Current Liabilities	18.35:1	19.22:1
14.	Total Assets: Total Liabilities	20.65:1	3.84:1

Human Capital Maintenance		2021 Budget 12 Months	2021 Actual* 12 Months
#			
15.	Total full time equivalent	28	24
16.	Staff turnover (%)	Nil	Nil
17.	Average length of service (Number of Years)		
18.	Senior management	5.98	5.88
19.	Professional staff	6.71	6.24
20.	Administrative Staff	13.13	13.13
21.	Significant changes to personnel management	None	None

Physical Capital Measures		2021 Budget 12 Months	2021 Actual 12 Months
#			
22.	Value of total assets	6,194	5,950
23.	Asset replacements: total assets	0.004:1	0.009:1
24.	Book value of depreciated assets: initial cost of those assets	0.41:1	0.23:1
25.	Depreciation: Cash flow on asset purchases	0.36:1	0.364:1
26.	Changes to asset management policies	None	None

Major Capital Expenditure Projects		2021 Target \$	2021 Actual \$
#			
27.	Leasehold Improvements	-	13,887
28.	Fuel Analyzer	75,000	-
29.	IT Equipment	25,000	46,993

Operating Statement		2021 Budget 12 Months \$ 000's	2021 Actual 12 Months \$000's
#			
30.	Revenue	6,632	5,783
31.	Operating Expenses	5,516	4,646
32.	Net Surplus/(Deficit)	1,116	1,137

Balance Sheet		2021 Budget 12 Months \$ 000's	2021 Actual 12 Months \$000's
#			
33.	Assets	6,194	5,950
34.	Liabilities	300	1,549
35.	Net Worth	5,894	4,401

Statement of Cash Flows	2021 Budget 12 Months \$ 000's	2021 Actual 12 Months \$000's
#		
36. Net cash flows from operating activities	1,254	(1,113)
37. Net cash flows from investing activities	(649)	(3,191)
38. Net cash flows from financing activities	-	-

Transaction	Amount for 2021 Target \$	Amount for 2021 Actual \$
#		
39. Equity Investments into OfReg	Nil	Nil
40. Capital Withdrawals from OfReg	Nil	Nil
41. Dividend Distributions to be made by OfReg	Nil	Nil
42. Government Loans to be made to OfReg	Nil	Nil
43. Government Guarantees to be issued in relation to OfReg	Nil	Nil
44. Related Party Payments (Non-Remuneration) made to Key Management Personnel	Nil	Nil
45. Remuneration Payments made to Key Management Personnel	204,000	101,702
46. Remuneration Payments made to Senior Management	1,097,676	1,010,789

	Number for 2021 Target	Number for 2021 Actual*
#		
47. No of Key Management Personnel	7	6
48. No of Senior Management	7	7

* One staff member seconded from Cabinet Office

Utility Regulation and Competition Office

Financial Statements

31 December 2021

Utility Regulation and Competition Office

FINANCIAL STATEMENTS 31 December 2021

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Utility Regulation and Competition Office
Statement of Responsibility for the Financial Statements
31 December 2021

These financial statements have been prepared by the Utility Regulation and Competition Office in accordance with the provisions of the *Public Management and Finance Act (2020 Revision)*. The financial statements comply with generally accepted accounting practice as defined in International Public Sector Accounting Standards.

I accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Act (2020 Revision)*.

As Chairman of the Board, 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 Utility Regulation and Competition Office.

As Chairman of the Board, we are responsible for the preparation of the Utility Regulation and Competition Office's financial statements and for the judgements made in them.

The financial statements fairly present the statement of financial position, financial performance and cash flows for the financial year ended 31 December 2021.

To the best of my knowledge, I represent that these financial statements:

- (a) completely and reliably reflect the financial transactions of the Utility Regulation and Competition Office for the year ended 31 December 2021;
- (b) fairly reflect the financial position as at 31 December 2021 and financial performance for the period ended 31 December 2021; and
- (c) comply with International Public Sector Accounting Standards under the responsibility of International Public Sector 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 the information necessary to conduct an audit in accordance with International Standards on Auditing.



Rudy Ebanks
Chairman

Date: 30 April 2022

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Utility Regulation and Competition Office

Opinion

I have audited the financial statements of the Utility Regulation and Competition Office (the "Office"), which comprise the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the year ended 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 4 to 37.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Office as at 31 December 2021 and its financial performance and its cash flows for the year ended 31 December 2021 in accordance with International Public Sector Accounting 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 Office in accordance with the International Ethics 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.

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 Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation and fair presentation 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 Office'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 Office or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Office financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

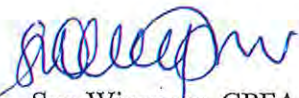
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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.

AUDITOR GENERAL'S REPORT (continued)

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 Office'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 Office'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 Office 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) of the *Public Management and Finance Act (2020 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
Auditor General

30 April 2022
Cayman Islands

Utility Regulation and Competition Office
Statement of Financial Position
As at 31 December 2021
(stated in Cayman Islands dollars)

		31 December 2021	31 December 2020
CURRENT ASSETS	Notes		
Cash and cash equivalents	3(a)	865,881	5,170,702
Short term investment	3(b)	1,425,095	-
Restricted Cash	3(c)	1,627,000	-
Accounts receivable	4	1,630,907	1,474,274
Prepaid expenses		179,875	103,737
		5,728,758	6,748,713
NON-CURRENT ASSETS			
Property, plant and equipment	5	214,433	132,449
Intangible Assets	6	6,638	-
TOTAL ASSETS		5,949,829	6,881,162
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	7	296,139	622,594
Collections Payable to Government	8	1,961	2,088,878
LONG TERM LIABILITIES			
Defined Benefit Healthcare liability	10	984,000	1,008,000
Defined Benefit Pension liability	10	267,000	352,000
TOTAL LIABILITIES		1,549,100	4,071,472
NET ASSETS	9	4,400,729	2,809,690

Approved on behalf of the Board of Directors on the 30 of April 2022



Rudy Ebanks
Chairman



Peter Gough
Interim Chief Executive Officer

The accompanying notes form an integral part of these financial statements.

Utility Regulation and Competition Office
Statement of Financial Performance
For the Year Ended 31 December 2021
(stated in Cayman Islands dollars)

	Notes	31 December 2021	31 December 2020
INCOME			
Regulatory fees	12	3,267,123	2,940,419
Services provided to Government	8,11	1,714,329	1,628,183
Licensing Fees	14	381,143	393,380
.ky domain fees		197,991	182,426
Permit Fees		97,269	137,716
Other Income	13	125,231	59,378
		5,783,086	5,341,502
EXPENSES			
Personnel costs	10,16	3,613,618	3,563,201
Professional and consultancy fees	17	303,002	304,733
General and Administration Costs	18	401,236	396,051
Lease of Office space	15	137,906	80,400
Litigation Costs	19	7,560	23,801
Directors' fees		103,273	180,973
Official Travel and conferences		5,789	9,982
Depreciation and amortisation	5,6	50,676	52,451
Training		22,970	13,245
		4,646,030	4,624,837
NET SURPLUS		1,137,056	716,665

The accompanying notes form an integral part of these financial statements.

Utility Regulation and Competition Office
Statement of Changes in Net Assets
For the Year Ended 31 December 2021
(stated in Cayman Islands dollars)

	Notes	Contributed Capital	General Reserve	Accumulated (deficit)/surplus	Other Comprehensive Income	Total Equity
Balance at 1 January 2020		2,393,678	1,524,000	(1,471,689)	(99,000)	2,346,989
Prior Period Adjustment				(7,176)		(7,176)
Balance at 1 January 2020 (restated)		2,393,678	1,524,000	(1,478,865)	(99,000)	2,339,813
Equity Injection		27,213				27,213
Net surplus for the year				716,665		716,665
Remeasurement of defined benefit plans					(274,000)	(274,000)
Balance at 31 December 2020		2,420,891	1,524,000	(762,200)	(373,000)	2,809,691
Balance at 1 January 2021		2,420,891	1,524,000	(762,200)	(373,000)	2,809,691
Prior Period Adjustment	25			23,982		23,982
Balance at 1 January 2021 (restated)		2,420,891	1,524,000	(738,218)	(373,000)	2,833,673
Net Surplus for the year		-		1,137,056		1,137,056
Remeasurement of defined benefit plans					430,000	430,000
Transfer to/from General Reserve	9		103,000	(103,000)		-
Balance at 31 December 2021		2,420,891	1,627,000	295,838	57,000	4,400,729

The accompanying notes form an integral part of these financial statements.

Utility Regulation and Competition Office
Statement of Cash Flows
For the Year Ended 31 December 2021
(stated in Cayman Islands dollars)

	Note	31 December 2021	31 December 2020
CASH FLOW (USED IN)/GENERATED FROM OPERATING ACTIVITIES			
Net surplus for year		1,137,056	716,665
Adjustment for non-cash transactions:			
Non-Cash Defined Benefit Cost	10	321,000	254,000
Depreciation and Amortisation	5,6	50,676	52,451
Prior Period Adjustment	25	23,982	(7,176)
		1,532,714	1,015,940
Net changes in non-cash operating balances:			
Accounts receivable		(156,633)	(95,857)
Prepaid expenses		(76,138)	(4,425)
Accounts Payable and Accrued Expenses		(326,455)	69,385
Collections Payable to Government		(2,086,917)	(37,077)
Net cash (used in)/generated from operating activities		(1,113,429)	947,966
CASH FLOW (USED IN)/GENERATED FROM INVESTING ACTIVITIES			
Transfer (to)/from Fixed Deposit		(1,425,095)	1,027,027
Transfer to Restricted Cash		(1,627,000)	-
Purchase of property, plant and equipment		(132,659)	(52,631)
Purchase of intangibles		(6,638)	-
Net cash (used in)/generated from investing activities		(3,191,392)	974,396
CASH FLOW GENERATED FROM FINANCING ACTIVITIES			
Contribution of property, plant and equipment		-	27,213
Net cash generated from financing activities		-	27,213
Net increase in cash and cash equivalents during the year		(4,304,821)	1,949,575
Cash and cash equivalents at beginning of the year		5,170,702	3,221,127
CASH AND CASH EQUIVALENTS AT END OF YEAR		865,881	5,170,702

The accompanying notes form an integral part of these financial statements.

Utility Regulation and Competition Office
Notes to the Financial Statements
For the Year Ended 31 December 2021
(stated in Cayman Islands dollars)

1. Establishment and principal activities

The Utility Regulation and Competition Office (*the ‘Office’*) is the independent multisector authority established by the enactment of the Utility Regulation and Competition Act, 2016 (URC Act) and commenced operations on 16 January 2017. The Office was established pursuant to section 4(1) of the URC Act.

The Office is an amalgamation of the Information and Communications Technology Authority (‘ICTA’), the Electricity Regulatory Authority (‘ERA’) and the Petroleum Inspectorate, which hitherto had been a Department of the Government of the Cayman Islands.

On 16 January 2017, ICTA and ERA were amalgamated to start the Office and in March 2017 in accordance with section 100A (1) of the Information and Communications Act, 2017 (ICTA Act) and section 92A of the Electricity Regulatory Authority Act, 2016 respectively. In February 2017, the Petroleum Inspectorate, was effectively transferred to the Office and in May 2017 the regulatory functions for the Water Sector were transferred to the Office in May 2017, with the passing of the Water Sector Regulatory Act, 2017 (WSR Act).

In each of these sectors for which it has responsibility, the Office derives its authority and functions through a variety of Sectoral Acts, the principal ones being the Electricity Sector Regulation Act, 2019 (ESR Act), the Information and Communication Technology Act (2019 Revision) (ICT Act), the Dangerous Substances Act (2017 Revision) (DS Act), the Fuel Market Regulation Act, 2017 (FMR Act) and the Water Sector Regulation Act, (2019 Revision) (WSR Act).

While many of the functions previously carried out by the ICTA and ERA have continued as usual, in addition, OfReg is endowed with strengthened competition and consumer protection powers, as well as a duty to promote innovation in the sectors for which it has responsibility.

The Office’s financial year end is **31st December** each year. As at 31 December 2021, the Office had 24 employees (December 2020: 23 employees).

The Cayman Islands Government (“the Government”) appoints the Chair and Non-Executive Members to the Office’s Board of Directors.

The Office is located at 11 Dr. Roy’s Drive, 3rd floor, Monaco Towers II, George Town, Grand Cayman. Mailing address is P.O. Box 10189, Grand Cayman KY1-1002, Cayman Islands.

2. Significant accounting policies

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (“IPSAS”) issued by the International Federation of Accountants and its International Public Sector Accounting Standards Board (“IPSASB”). The Office adopted IPSAS in 2018 pursuant to section 40(1) of the URC Act. There were no material differences to the financial statements upon the adoption of IPSAS. The main differences relate to the presentation of Other Comprehensive Income/(Loss) on the Statement of Changes in Net Assets rather than being presented on the Statement of Financial Performance. In addition, the budget for the Office is presented in note 24 in accordance with IPSAS 24. The significant accounting policies adopted by the Office in these financial statements are as follows:

(a) Basis of preparation

The financial statements of the Office are presented in Cayman Island dollars and are prepared on the accruals basis under the historical cost convention. The figures presented have been rounded to the nearest dollar.

Certain new accounting standards have been published that are not mandatory for the 31 December 2021 reporting year and have not been adopted by the Office. The Office’s assessments of the impact of these new standards are set out below:

Utility Regulation and Competition Office
Notes to the Financial Statements
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2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

IPSAS 41, Financial Instruments was issued in August 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2023. IPSAS 41 establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement. It is anticipated that IPSAS 41 will not have a significant impact on the Office's financial statements. This will be assessed more fully closer to the effective date of adoption.

IPSAS 42, Social Benefits was issued in December 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2023. IPSAS 42 defines social benefits and determines when expenses and liabilities for social benefits are recognized and how they are measured. It is anticipated that IPSAS 42 will not have an impact on the Office's financial statements, but this will be assessed more fully closer to the effective date of adoption.

(b) Use of estimates

The preparation of financial statements in accordance with International Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of income and expenses during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period and in any future periods that are affected by those revisions.

(c) Budget amounts

The original budget amounts for the year ended 31 December 2021 were prepared using the accrual basis of accounting and the accounting policies have been consistently applied with the actual financial statement presentation. The amounts shown in these financial statements were included in the Budget Statement of the Government of the Cayman Islands for the year ended 31 December 2021 which was approved by the Parliament on 5 December 2019.

(d) Foreign currency translation

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

(e) Cash and cash equivalents

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

(f) Short Term Investments

Short-term Investments represent term deposits with banks or other financial institutions with original maturities of greater than three months but less than twelve months.

Utility Regulation and Competition Office
Notes to the Financial Statements
For the Year Ended 31 December 2021
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2. Significant accounting policies (continued)

(g) Accounts receivable

Accounts receivable are recognised initially at fair value and are subsequently reviewed for impairment. Where there is objective evidence that a debt will not be collectible by the Office according to the agreed terms a provision for bad debt is established. The Office maintains a provision for doubtful accounts that is based on an assessment of account balances that are over 90 days old.

(h) Property, plant and equipment and depreciation

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

Depreciation is charged to the statement of financial performance on a straight-line basis over the estimated useful lives of the property, plant and equipment except for leasehold improvements which are amortised over the life of the lease.

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

IT equipment	3 - 5 Years
Leasehold Improvements	5 Years
Other Equipment	5 Years
Office equipment and furniture	3 – 5 Years
Motor Vehicles	7 Years

Management reviews the depreciation and amortisation method and useful life annually to ensure that they are consistent with the expected economic benefits from property, plant and equipment.

(h) Intangible Assets and amortisation

Intangible assets are identifiable non-monetary assets without physical substance. The Office's intangible assets comprise of externally acquired computer software. Maintenance costs associated with computer software are expensed to the statement of financial performance in the financial period in which they are incurred.

Amortisation is calculated using the straight-line method to allocate the cost of each asset over their estimated useful lives which is estimated to be three to five years. Management reviews the amortisation method and useful life annually to ensure that they are consistent with the expected economic benefits from intangible assets.

(i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Office recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Office's activities described below.

Regulatory Fees - Regulatory Fees are the main source of revenue for the Office. Each year, the Office is required to balance its expenditure with its revenue. Regulatory fees are collected from each sector that the Office regulates, with revenue recognised in accordance with Section 6 (2) (l) the URC Act and the administration of licensing arrangements with major licensees. The performance obligations relate to the work to be undertaken by the Office as regulator of the sectors, and is set out in the published Strategic and Annual Plans, the URC Act and the licensing agreements. Revenue is recognised in the year that the costs are incurred.

Utility Regulation and Competition Office
Notes to the Financial Statements
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2. Significant accounting policies (continued)

(i) Revenue recognition (continued)

Services provided to the Government – The Office provides services to the Government which are established and defined through a Purchase Agreement. The purchase agreement details the outputs that the Government and the Office has agreed that the Office will deliver, and the Cabinet will purchase in a particular fiscal year. Revenue is recognized when the performance obligations agreed in the purchase agreement are performed. Payments will be made on the basis of a quarterly invoice provided to the Government by the Office.

Licensing fees – The Office issues ICT licenses for type approval and radio. A type approval is granted to a product that meets a minimum set of regulatory, technical and safety requirements. The Office is responsible for the licensing and regulation of all radio transmitters including radio licenses for Ships, Aircrafts, Amateur (HAM) and Land Mobile. Fees are levied pursuant to section 30 of the ICTA Act (2019). Revenue is recognized once the license has been issued. The Office also issues ICT licenses for the usage of electromagnetic spectrum in accordance with the section 9 of the ICTA Act (2019 Revision).

The Office is responsible for allocating electromagnetic spectrum in the Cayman Islands, determining methods for assigning electromagnetic spectrum and instituting procedures for ensuring compliance by licensees with any obligations regarding the use of the electromagnetic spectrum imposed by the licence. Licensees are required to pay spectrum fees and submit spectrum returns annually. The validity period of the return represents the period that the economic benefits will flow to the Office and revenue is recognized in conformity with the validity period.

Permit Fees – The Office processes applications for operating permits for premises and vehicles used to store or transport dangerous substances, under the Dangerous Substances Handling & Storage Act, 2017. The Office also processes applications for permits in relation to the importation of fuel and compressed gas and revenue is recognized once the permit has been issued.

KY Domain Fees – The Office has been delegated authority from the Government, in accordance with section 9(i) of the ICTA Act (2019) for the management and administration of the .ky internet domain. A domain name registration fee is charged upon initial registration of the domain and also at the time of renewal. Fees are charged to domain owners on an annual basis. Revenue is recognized once a domain name has been granted. The management of the .ky domain is contracted to a third party, who remits payment of the registration fees on a quarterly basis.

Administrative Fines – Administrative fines are levied in accordance with section 91 of the URC Act and are recognised as revenue in the year in which the fines are issued.

All application and licence fees are non-refundable.

(j) Leases

The Office leases certain property, where a significant portion of the risks and rewards of ownership are retained by the lessor. These leases are classified as operating leases. Lease payments are recognised as an expense on the statement of financial performance on a straight-line basis over the lease term.

(k) Financial instruments

(i) Classification

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

Utility Regulation and Competition Office
Notes to the Financial Statements
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2. Significant accounting policies (continued)

(k) Financial instruments (continued)

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 are comprised of accounts payables and accrued expenses.

(ii) Recognition

The Office 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 financial performance.

(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 Office 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 expired.

(l) Provisions and contingencies

Provisions are recognised when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognised but are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised but are disclosed in the financial statements when an inflow of economic benefits is probable.

(m) General Reserve

The Office maintains a General Reserve in accordance with Section 34(2) of the URC Act to promote stakeholders' confidence in the long-term sustainability of the Office by preventing chronic cash flow situations that can diminish the Office's capacity to operate. The Office has accounted for the General Reserve as Restricted Cash on the Statement of Financial Position and in accordance with the General Reserve Policy approved by the Board of Directors, the amount shall represent a minimum of four months of operating expenses.

(n) Employee benefits

Employee entitlements such as, annual leave, long service leave, retiring leave and other similar benefits are recognised in the statement of financial performance when they are earned by employees. Employee entitlements to be settled within one year following the year end outstanding at that date are reported as current liabilities at the amount expected to be paid.

Retirement benefits are provided to employees through a defined contribution plan, as well as a defined benefit plan (note 10).

Utility Regulation and Competition Office
Notes to the Financial Statements
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(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(n) Employee benefits (continued)

Defined Contribution Plan

The Office participates in the Public Service Pensions Plan, a defined contribution pension fund, in accordance with the Public Service Pension Act. Contributions are charged to expenses as they are incurred based on set contribution rates. The Office makes monthly contributions at a rate of 12%, whereby the employer pays both the employer contribution of 6% and employee contributions of 6%. In addition, the Office is also required to contribute to the Public Service Pension Plan, an extra 0.4% (2020: 0.4%) of each employee's monthly salary. This 0.4% (2020: 0.4%) is a Past Service Liability (PSL) cost to cover a deficiency in the Fund. During the year, the Public Service Pensions (Contribution Rates) Regulations (2019) were issued, which amended the additional normal cost contribution rate effective January 1, 2017 to 0.4%.

The Office also participates in a pension plan administered by Silver Thatch. The contributions made to this plan is for employees who have reached the previous retirement age of 60 prior to the amendment of the National Pensions Act or employees who are over the current retirement age of 65. These employees are unable to contribute to the Public Service Pension Plan. The Office makes monthly contributions at a total rate of 12%, whereby the employer pays both the employer contribution of 6% and employee contribution of 6%. The Office is not required to make any additional contributions for PSL to this fund.

Defined Benefit Plan

The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each financial position date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Office's defined obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit asset or liability comprises the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(o) Subsequent Events

Post-year-end events that provide additional information about the Office's position at the financial position date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements when material.

Utility Regulation and Competition Office
Notes to the Financial Statements
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3.

(a) Cash and cash equivalents

	31 December 2021	31 December 2020
Cash on Hand	1,500	2,692
Fixed Deposits	91,351	1,296,321
Current and Savings accounts	773,030	3,871,689
Total cash and cash equivalents	865,881	5,170,702

Included in Cash on Hand are undeposited checks totaling \$1,000 and petty cash totaling \$500.

(b) Short-Term Investments

Short-Term Investments of \$1,425,095 (2020: Nil) are comprised of term deposits held with the Bank of Butterfield (Cayman) with a maturity date of greater than three months.

(c) Restricted Cash

Restricted Cash of \$1,627,000 (2020: Nil) is comprised of short-term deposits held with the Bank of Butterfield (Cayman) with a maturity date of less than three months. Restricted Cash is held for the General Reserve Fund.

4. Accounts receivable

	31 December 2021	31 December 2020
Accounts receivables - Trade	590,903	608,425
Receivable from Government	890,607	349,945
Receivable from Water Authority Cayman	135,683	495,813
Other Receivables	49,054	54,519
Allowance for doubtful accounts	(35,340)	(34,428)
Trade and other receivables	1,630,907	1,474,274

The total Trade and other receivables below represent the net of receivables and allowance for doubtful accounts. During the period, there were no bad debts written off.

Period Outstanding (Days)	31 December 2021	31 December 2020
0-30	1,080,597	1,395,350
30-90	543,324	33,677
Over 90	6,986	45,247
Total	1,630,907	1,474,274

The bad debts expense recorded in the statement of financial performance is nil (2020: \$3,644) represents an estimate of the losses expected to be incurred. The amount recorded is based primarily on management's assessment of accounts in the over 90-day category.

Utility Regulation and Competition Office
Notes to the Financial Statements
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5. Property, plant and equipment

2021	Office equipment and furniture	IT equipment	Motor vehicles	Leasehold Improvements	Other Equipment	Total
Cost						
Balance at beginning of year	31,918	221,162	207,686	238,672	50,170	749,608
Additions	12,385	46,993	28,962	13,887	30,432	132,659
Disposals	-	-	-	(238,672)	-	(238,672)
Balance at end of year	44,303	268,155	236,648	13,887	80,602	643,595
Accumulated depreciation						
Balance at beginning of year	29,116	191,773	144,042	238,672	13,556	617,159
Charge for the year	2,025	22,747	16,378	289	9,236	50,675
Disposals	-	-	-	(238,672)	-	(238,672)
Balance at end of year	31,141	214,520	160,420	289	22,792	429,162
Net Book Value at December 31, 2021	13,162	53,635	76,228	13,598	57,810	214,433
2020	Office equipment and furniture	IT equipment	Motor vehicles	Leasehold Improvements	Other Equipment	Total
Cost						
Balance at beginning of year	29,352	204,216	207,686	238,672	17,051	696,977
Additions	2,566	16,946	-	-	33,119	52,631
Balance at end of year	31,918	221,162	207,686	238,672	50,170	749,608
Accumulated depreciation						
Balance at beginning of year	25,476	166,127	126,215	238,672	8,334	564,824
Charge for the year	3,640	25,646	17,827	-	5,222	52,335
Balance at end of year	29,116	191,773	144,042	238,672	13,556	617,159
Net Book Value at December 31, 2020	2,802	29,389	63,644	-	36,614	132,449

Utility Regulation and Competition Office
Notes to the Financial Statements
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6. Intangible Assets

	31 December 2021	31 December 2020
Cost		
Balance at beginning of year	7,788	7,788
Additions	6,638	-
Balance at end of year	14,426	7,788
Accumulated amortisation		
Balance at beginning of year	7,788	7,672
Charge for year	-	116
Balance at end of year	7,788	7,788
Net Book Value	6,638	-

7. Accounts payable and accrued liabilities

	31 December 2021	31 December 2020
Accounts Payable	60,150	455,392
Accrued Expenses	166,309	57,600
Other	69,680	109,602
Total	296,139	622,594

8. Related party balances and transactions

During the year, the Government engaged the Office to provide certain services. The provision of these services (or “Outputs”) is formalised in a purchase agreement which includes the collection and verification of royalties paid by Office’s Licensees, policy advice on utility regulation matters and drafting instructions for legislation and regulations.

As part of the services provided to the Government, the Office collected, verified and remitted the 6% Royalty Fee from ICT Licensees as follows:

Period	Amount Collected - CIs\$
Q1	2,014,805
Q2	1,992,362
Q3	2,255,026
Q4	2,122,949
Total	8,385,142

At the end of the year, the amount that remains outstanding as a payable to Government is \$1,961 (2020: \$2,088,878).

The Government paid the Office \$1,714,329 (2020: \$1,628,183) during the year to provide the services outlined in the Purchase Agreement. At the end of the year, \$890,607 (2020: \$349,945) remained outstanding as a receivable.

Utility Regulation and Competition Office
Notes to the Financial Statements
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8. Related party balances and transactions (continued)

Water Sector Revenues

On November 18, 2020, a Memorandum of Understanding (MOU) was signed between the Office and Water Authority-Cayman ("the entities"). This MOU determines the allocation of the royalty fees paid by the Cayman Water Company (CWC) between the entities in recognition of the cost incurred for the statutory responsibilities of Water Authority Cayman (WAC) and the regulatory responsibilities of the Office.

The revenue for the 2019 and 2020 financial years were allocated between the entities based on the proportionate allocation of costs incurred by the Office for regulating the Water Sector and the costs incurred by WAC for its statutory responsibilities for those years. This clause of the MOU was in effect until 31 December 2020.

On 1 January 2021, the amended Water Authority Regulations (WA Regulations) were implemented which introduced a Statutory Fee mechanism allowing WAC to levy a statutory fee to CWC consumers based on consumption. The Water Sector Regulations (WSR), which will introduce a Regulatory Fee mechanism for the Office, has not been approved by the Cabinet of the Cayman Islands Government yet. The MOU stipulates that upon the implementation of the amended WA Regulations, WAC will deduct from the royalties the statutory fees owed to WAC by customers in the CWC service area and the remaining balance will be paid to the Office, or as directed by Government. The total revenue earned by the Office based on the MOU in 2021 was \$560,475 (2020: \$280,261).

Public Service Pension Plan

As detailed in Note 10, the Office on behalf of its eligible employees paid contributions of \$256,088 (2020: \$239,539) to the Public Service Pensions Plan during the year.

Key Employee Benefits

The key employees of the Office includes the four (2020: four) Executive Members of the Board. Salaries and other short-term employee benefits for key management are shown below:

	31 December 2021*	31 December 2020*
Salaries and employee benefits	648,751	748,611

*The former Executive Director Information's contract ended in August 2020. The position remained vacant as of December 31, 2021

In September 2018, the Government seconded a Chief Operations Officer to be part of the Office's management team. The employee is paid by the Government and therefore does not impact the payroll cost.

The following fixed stipend for Non-Executive Board Members was approved by Cabinet on December 29, 2016:

Chair	\$4,500 per month
Deputy Chair	\$2,500 per month
Member	\$2,000 per month
Risk & Audit Subcommittee Chair	\$2,000 per quarter

During the year, the Office appointed a new Chair, Deputy Chair and two Non-Executive Board Members following the resignation of the former Chair in 2021, resignation of the Deputy Chair in 2020 and the expiration of the former Non-Executive Board Members' terms in 2021. The Office also appointed a new Risk & Audit ("R&A") Subcommittee Chair following the resignation of the former R&A Subcommittee Chair in 2020. The fees paid to the Non-Executive Board Members and the Risk & Audit Subcommittee Chair for the year ended December 31, 2021 was \$101,702 (2020: 180,367).

Utility Regulation and Competition Office
Notes to the Financial Statements
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9. General reserve

Section 38 of the URC Act requires the Office to maintain a reserve fund; the management of such fund being at the discretion of the Office. The General Reserve Fund aims to promote stakeholders' confidence in the long-term sustainability of the Office by preventing chronic cash flow situations that can diminish its capability and reputation requiring the Office to make short-term crisis-based decisions. The General Reserve Fund will be funded and available in cash or cash equivalents with the minimum fund balance based on the estimated cash requirements to operate the Office for 120 days.

10. Post-Retirement Benefits

Contributions to Public Service Pensions Plan

During the current year, the Office recognised pension expenses under salaries and employee benefits of \$297,795 (2020: \$300,085) paid to the Public Service Pensions Fund and the Silver Thatch Pensions Fund.

Public Service Defined Benefit Plan

The Office has three employees (2020: three employees) who are active participants in the Public Service defined benefit plan. During the year, the Office recognised pension expense under salaries and employee benefits of \$62,000 (2020: \$23,000).

Pension contributions for eligible employees of the Office are paid 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 plan. Prior to 1 January 2000 the scheme underlying the Fund was a defined benefit scheme. With effect from 1 January 2000 the Fund had both a defined benefit and a defined contribution element, with participants joining after 1 January 2000 becoming members of the defined contribution element only.

Benefit obligations are estimated using the Projected Unit Credit method. Under this method, each participant's benefits under the plan are attributed to years of service, taking into consideration future salary increases and the plan's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The Fund has been valued by the Actuary (Mercer) to the Pensions Board. The defined contribution part of the Fund is not subject to the special actuarial valuations due to the nature of the benefits provided therein. The Office paid both the employee and employer's contributions. The actual amount of pension expense relating to the defined benefits for staff also includes the effect of the changes in the actuarial determined liability.

The amounts recognized in the statement of financial position is as follows:

	2021	2020
	\$'000	\$'000
Defined benefit obligation	837	817
Fair Value of plan assets	570	465
Funded status	267	352
Net liability	267	352

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10. Post-Retirement Benefits (continued)

Public Service Defined Benefit Plan (continued)

The change in defined benefit obligation is as follows:

	2021	2020
	\$'000	\$'000
Defined benefit obligation at end of prior year	817	504
Service Cost	79	39
Interest expense	18	16
Cash flows	18	25
Other significant events	-	-
Remeasurements	(95)	233
Effect of changes in foreign exchange rates	-	-
Defined benefit obligation at end of year	837	817

The change in fair value of plan assets is as follows:

	2021	2020
	\$'000	\$'000
Fair value of plan assets at end of prior year	465	360
Interest Income	11	12
Cash flows - employer and participant contributions	42	41
Other significant events	-	4
Remeasurements	52	48
Effect of changes in foreign exchange rates	-	-
Fair value of plan assets at end of year	570	465

The net defined benefit liability (asset) reconciliation:

	2021	2020
	\$'000	\$'000
Net defined benefit liability as of beginning of year	352	144
Defined benefit cost included in P&L	86	43
Total remeasurements included in OCI	(147)	185
Other significant events	-	(4)
Cash flows	(24)	(16)
Credit to reimbursements	-	-
Effect of changes in foreign exchange rates	-	-
Net defined benefit liability as of end of year	267	352

Utility Regulation and Competition Office
Notes to the Financial Statements
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10. Post-Retirement Benefits (continued)

Public Service Defined Benefit Plan (continued)

The components of defined benefit cost is as follows:

	2021	2020
	\$'000	\$'000
Service Cost	79	39
Net Interest cost	-	-
Interest expense on DBO	18	16
Interest (income) on plan assets	(11)	(12)
Total net interest cost	7	4
Remeasurements of Other Long Term Benefits	-	-
Administrative expenses and taxes	-	-
Defined benefit cost included in P&L	86	43
Remeasurements (recognized in other comprehensive income)		
Effects of changes in demographic assumptions	1	(21)
Effects of changes in financial assumptions	(77)	195
Effect of experience adjustments	(19)	59
(Return) on plan assets (excluding interest income)	(52)	(48)
(Return) on reimbursement rights (excluding interest income)	-	-
Changes in asset ceiling/onerous liability (excluding interest income)	-	-
Total remeasurements included in OCI	(147)	185
Total defined benefit cost recognized in P&L and OCI	(61)	228

The sensitivity analysis on defined benefit obligation is shown below:

	2021	2020
1. Discount rate		
a. Discount rate - 25 basis points	901	884
b. Discount rate +25 basis points	778	757
2. Inflation rate		
a. Inflation rate - 25 basis points	780	755
b. Inflation rate + 25 basis points	898	885
3. Mortality		
a. Mortality - 10% of current rates	858	841
b. Mortality + 10% of current rates	817	796

Utility Regulation and Competition Office
Notes to the Financial Statements
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10. Post-Retirement Benefits (continued)

Public Service Defined Benefit Plan (continued)

The expected cash flow for the following year is as follows:

	2021	2020
Expected employer contributions	19	18

The significant actuarial assumptions are presented below:

	2021	2020
1. Discount rate	2.90%	2.60%
2. Rate of salary increase	2.50%	2.50%
3. Rate of price inflation	2.00%	2.00%
4. Rate of pension increases	2.00%	2.00%
5. Post-retirement mortality table	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2021	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2020
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset Valuation method	Market Value	Market Value

	2021	2020
1. Discount rate	2.70%	3.60%
2. Rate of salary increase	2.50%	2.50%
3. Rate of price inflation	2.00%	2.00%
4. Rate of pension increases	2.00%	2.00%
5. Post-retirement mortality table	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2020	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2019

Plan Assets

The Defined Benefit assets as well as Defined Contribution assets of the Plan are held as part of the Public Service Pensions Fund (“the Fund”) and managed by the PSPB. The assets of two other pension plans are pooled together to constitute the Fund. The assets are notionally allocated to each of the three participating pension plans through an internal accounting mechanism that tracks, for each accounting period, actual cash flows and allocates investment income and expenses in proportion to the opening value of assets allocated. Based on the data provided, the gross rate of return earned by the Fund for the period, January 1 2021 to December 31, 2021 was 13.02% per annum. Similar internal accounting is used for developing each participating entity’s share of the asset portfolio of the Fund.

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10. Post-Retirement Benefits (continued)

Public Service Defined Benefit Plan (continued)

The valuations are based on the asset values as at 31 December 2021 provided by PSPB, along with cash flow and other supplemental asset information. The assets are held in trust by CIBC Mellon.

The Fund currently has investment policy with a target asset mix of 80% (2020: 80%) equities and 20% (2020:20%) bonds. As at 31 December 2020, the Fund was invested as follows:

Plan Assets by Asset Category	2021		2020	
	\$000	Percentage	\$000	Percentage
Global equities securities	945,780	82%	816,513	82%
Debt securities	190,942	17%	177,719	18%
Cash and Cash Receivables	7,275	1%	3,398	0%
Total	1,143,997	100%	997,630	100%

The Defined Contribution portion of the Fund totaled to \$529,783,300 as at December 31, 2021 (2020: \$423,060,600) as provided by PSPB. The share of the Fund that been notionally allocated to Office with regards to its participation in the Defined Benefit Part of the Plan at 31 December 2021 is \$570,100 (2020:\$464,800).

The Actuarial Assumptions

The actuarial assumptions have been approved by the Financial Secretary, the main sponsor of the Plan. The principal financial and demographic assumptions used at 31 December 2021 are shown in the table below. The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the pension expense for the following year.

Measurement Date	2021	2020
Discount rate		
-BOY disclosure and current year expense	2.60%	3.50%
-EOY disclosure and current year expense	2.90%	2.60%
Following year service cost	2.95%	2.70%
Rate used to determine interest on defined benefit obligation and plan assets for following year	2.65%	2.20%
Rate used to determine interest on current service cost for following year	2.85%	2.50%
Increases in pensionable earnings	2.50%	2.50%
Rate of Pension Increases	2.00%	2.00%

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10. Post-Retirement Benefits (continued)

Public Service Defined Benefit Plan (continued)

Actuarial Assumptions (continued)

	2021	2020
Mortality		
BOY disclosure and current year expense	RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected from 2006 using scale MP-2020	RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected from 2006 using scale MP-2019
EOY disclosure and following year expense	RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected from 2006 using scale MP-2021	RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected from 2006 using scale MP-2020
Disability	None	None
Turnover Rates	Age related table	Age related table
Retirement	Age related table	Age related table
Assumed life expectations on retirement	Retiring today (member age 57): 28.61	Retiring today (member age 57): 28.45
	Retiring in 25 years (member age 57): 30.75	Retiring in 25 years (member age 57): 30.61
Liability Cost Method	Projected unit credit method	Projected unit credit method
Asset Value Method	Market Value of Assets	Market Value of Assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

Turnover rates at sample ages:

Age	Males	Females
20	7.50%	12.50%
25	5.00%	12.50%
30	3.50%	7.50%
35	2.50%	4.50%
40	1.50%	2.50%
45	0.50%	5.00%
50	0.00%	0.00%

There have been no changes in actuarial assumptions since the prior valuation other than the changes to the principal assumptions shown in the table above.

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10. Post-Retirement Benefits (continued)

Defined Benefit Healthcare Plan

The Office has established a post-retirement healthcare program for employees who were transferred to the Office from the Government upon creation of the Office. The objective of the plan was that staff members transferred to the Office will not be disadvantaged after the transfer in terms of employee benefits, they enjoyed as employees of the Government. This is in accordance with the Dangerous Substances Act (2017 Revision) Section 30.

The Office has accepted the responsibility to provide the same healthcare benefits enjoyed by former employees of the Government. Under this plan, the premiums for healthcare coverage would be paid by the Office for all eligible employees, together with their spouses (from the employee's retirement until death) and dependent children (from the employee's retirement until no longer considered a dependent child). To be eligible for this plan, the employee must be transferred from the Government with a total of 10 consecutive years spent with the Government and the Office. In addition, the employee must be entitled to a pension under the Public Service Pensions Act (2017 Revision) at the time of retirement from OfReg's employment. This post retirement coverage falls within the definition of a defined benefit as defined by International Public Sector Accounting Standards ("IPSAS") 25 – Employee Benefits and as such represents a future liability of the Office.

The Office has obtained the services of Mercer Actuaries of Canada to provide an actuarial valuation of the obligation. The details of the valuation method and assumptions used are presented below in accordance with IPSAS 25.

The Office has a present value net defined healthcare benefit obligation of \$984,000 at the year ended December 31, 2021 (2020: \$1,008,000).

The amounts recognized in the statement of financial position are as follows:

	2021	2020
	\$'000	\$'000
Defined benefit obligation	984	1,008
Fair Value of plan assets	-	-
Funded status	984	1,008
Net liability	984	1,008

The change in defined benefit obligation is as follows:

	2021	2020
	\$'000	\$'000
Defined benefit obligation at end of prior year	1,008	688
Service Cost	235	208
Interest expense	24	23
Remeasurements		
Effect of changes in demographic assumptions	(2)	(173)
Effect of experience adjustments	(288)	259
Effect of changes in financial assumptions	7	3
Defined benefit obligation at end of year	984	1,008

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10. Post Retirement Benefits (continued)

Defined Benefit Healthcare Plan (continued)

The components of defined benefit cost is as follows:

	2021	2020
	\$'000	\$'000
Service Cost	235	208
Net Interest cost	-	-
Interest expense on DBO	24	23
Defined benefit cost included in P&L	259	231
Remeasurements (recognized in other comprehensive income)		
Effects of changes in demographic assumptions	(2)	(173)
Effects of changes in financial assumptions	(288)	259
Effect of experience adjustments	7	3
Total remeasurements included in OCI	(283)	89
Total defined benefit cost recognized in P&L and OCI	(24)	320

The net defined benefit liability (asset) reconciliation:

Net defined benefit liability reconciliation	2021	2020
	\$'000	\$'000
Net defined benefit liability as of beginning of year	1,008	688
Defined benefit cost included in P&L	259	231
Total remeasurements included in OCI	(283)	89
Other significant events	-	-
Cash flows	-	-
Effect of changes in foreign exchange rates	-	-
Net defined benefit liability as of end of year	984	1,008

Defined benefit obligation	2,021	2,020
Defined benefit obligation by participant status		
a. Actives	984	1,008
b. Vested deferreds	-	-
c. Retirees	-	-
Total	984	1,008

Utility Regulation and Competition Office
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10. Post Retirement Benefits (continued)

Defined Benefit Healthcare Plan (continued)

The significant actuarial assumptions are presented below:

Significant actuarial assumptions	2021	2020
<i>Weighted-average assumptions to determine defined benefit obligation</i>		
Effective Discount rate for defined benefit obligation	2.95%	2.70%
Health care cost trends		
Immediate trend rate	5.33%	5.00%
Ultimate trend rate	4.00%	5.00%
Year rate reaches ultimate trend rate	2045	N/A
Mortality assumption	RP-2014 projected with MP-2021	RP-2014 projected with MP-2020
Duration (in years)	N/A	N/A
<i>Weighted-average assumptions to determine defined benefit cost</i>		
Effective Discount rate	2.70%	3.60%
Effective rate for net interest cost	2.40%	3.35%
Effective discount rate for service cost	2.75%	3.70%
Effective rate for interest on service cost	2.75%	3.65%
Health care cost trends		
Immediate trend rate	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year rate reaches ultimate trend rate	N/A	N/A
Mortality assumption	RP-2014 projected with MP-2020	RP-2014 projected with MP-2019

The sensitivity analysis on defined benefit obligation is shown below:

Sensitivity Analysis	2021	2020
<i>Change in defined benefit obligation</i>		
a. Effective Discount rate - 25 basis points	82	90
b. Effective Discount rate +25 basis points	(75)	(82)
Health care cost trend rates - 100 basis points	(267)	(282)
Health care cost trend rates + 100 basis points	377	401
b. Mortality + 10% of current rates	(44)	(51)

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11. Services provided to government

The Office provides services to the Cabinet of the Government under an agreement established in the Annual Plan and Estimates (the “Plan”). The Plan for the year ended 31 December 2021 established legal provisions for the Office to provide a maximum of \$1,757,707 in services. Each fiscal year’s Ownership Agreement between the Office and Government sets out the objectives that the Office seeks to achieve.

12. Regulatory Fees

The breakdown of regulatory fees is shown in the below table:

Regulatory Fees by Sector	31 December 2021	31 December 2020
ICT	1,491,648	1,445,158
Electricity	1,215,000	1,215,000
Water	560,475	280,261
Total Regulatory Fees	3,267,123	2,940,419

13. Other Income

The breakdown of Other Income is shown in the below table:

	31 December 2021	31 December 2020
License Application & Renewal Fees - ICT	87,250	12,478
Administrative Fines	21,000	22,300
Interest on Fixed Deposits	1,000	9,657
Other Income	15,981	14,943
Total Other Income	125,231	59,378

14. Licensing Fees

The breakdown of licensing fees is shown in the table below:

	31 December 2021	31 December 2020
Spectrum Allocation Fees	148,361	151,718
Ship Radio Licensing	149,643	134,551
Type Approvals	51,469	77,339
Aircraft Radio Licensing	26,410	24,265
Other Radio Licensing	5,260	5,507
Total Licensing Fees	381,143	393,380

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15. Commitments

Liability to the Cayman Islands Government – Dividends

Under Section 39(2) of the Public Authorities Act (2020 Revision), any surplus cash exceeding three months' reserve should be paid to the Cayman Islands Government, unless directed otherwise by Cabinet. This requirement has been waived by Cabinet.

Under Section 39(3) of the Public Authorities Act (2020 Revision), the Office is required to pay dividends in accordance with the formula established by the Minister of Finance.

Based on the formula, no dividend is due to the Government for the financial year ended 31 December 2021, as the change in cash and cash equivalents less restricted cash is (\$5,931,821).

Lease Commitments

The Office signed a five-year operating lease with Monaco Towers with a rent commencement date of October 1, 2021. Total lease payments made to Monaco Towers during the year totaled \$57,506 (2020: nil)

The Office was previously located at Alissta Towers under a month-to-month operating lease. The lease payments with Alissta Towers was \$6,700 per month. Total lease payments made to Alissta Towers during the year totaled \$80,400 (2020:\$80,400).

Contractual Obligations

During 2019, the Office entered into an agreement with Economics Partners Limited to provide consultancy services for the fuel sector. Economics Partners Limited was selected following an open competitive bid process by the Central Procurement Office to perform the assessment of the fuels market across the Cayman Islands.

The assessment was completed in 2021 in accordance with the agreement. No further payments are owed to Economics Partners Limited.

During 2020, the Office entered into an agreement with Rockwater International Communications Advisors Inc. ("RICA") to provide consultancy services for the ICT sector. RICA was selected utilizing the direct award provision in the Procurement Regulations (2018) to provide legal regulatory assistance to the Office. The remaining amount due as per the agreement is shown in the table below.

During 2021, the Office entered into an agreement Tower Marketing ("Tower") to provide public relations services for a period of two years commencing September 2021. Tower was selected after conducting an open competitive bid process.

The Office's future payments based on lease commitments and contractual obligations are:

	Less than 1 year	Between 1 year and 5 years	Over 5 years	Total
Monaco Towers	232,830	971,995	-	1,204,825
Alissta Towers	-	-	-	-
Agreements with Consultants	64,726	49,090	-	113,816
Total Commitments	297,556	1,021,085	-	1,318,641

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16. Personnel Costs

The breakdown of personnel costs is shown in the below table:

	31 December 2021	31 December 2020
Salaries	2,403,389	2,431,699
Health Insurance	485,094	450,490
Pension	297,795	300,085
Post-retirement benefit costs	321,000	254,000
Work permit fees	82,154	71,955
Other	24,186	54,972
Total personnel costs	3,613,618	3,563,201

17. Professional and Consultancy Fees

The breakdown of professional and consultancy fees is shown in the below table:

	31 December 2021	31 December 2020
Consultancy Fees	225,959	246,238
Audit Fees	70,427	40,000
Professional Fees	6,616	18,495
Total Professional & Consultancy Fees	303,002	304,733

18. General and Administration Costs

The breakdown of general and administration costs is shown in the below table:

	31 December 2021	31 December 2020
Utilities	71,923	68,280
IT Services	113,147	82,670
Subscriptions and contributions	53,439	64,154
Office Administration Expenses	85,512	77,698
Bad Debt Expense	(394)	3644
Bank Charges	12,912	15,055
Insurance	20,947	44,277
Other Expenses	43,751	40,273
Total General and Administrative Costs	401,236	396,051

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19. Litigation Costs

The breakdown of litigation costs is shown in the below table:

	31 December 2021	31 December 2020
Legal Fees	7,560	23,801
Settlement Fees	-	-
Total Litigation Costs	7,560	23,801

20. Financial risk management objectives and policies

The Office's principal financial assets are comprised of cash and cash equivalents and accounts receivables. Financial liabilities are solely Accounts payable and other liabilities. The Office's Board of Directors has overall responsibility for the establishment and oversight of its risk management policies which are designed to identify and analyze the risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are periodically reviewed to reflect changes in market conditions and Office's activities. The most important types of financial risk to which the Office is exposed are:

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Office did not hold any financial instrument that was subject to market risk at 31 December 2021.

b) Credit Risk

Credit risk for the Office is the risk that counterparty will not meet its obligation under a financial instrument, leading to a financial loss. The Office is exposed to credit risk primarily from its receivables from licensees, and from its various deposits in its bank. The Office does not have the flexibility in refusing to transact with a licensee in accordance with the acts.

At year-end, the Office evaluates the financial capability of its licensees to determine any issues with collectability that can result in a financial loss. The Office also continues to monitor the financial soundness of its banking institution, and currently believes that there are no issues impacting the bank's ability to repay amounts in accordance with the respective terms of various deposits.

The Office's accounts receivable balance does not have any significant credit risk exposure to any single licensee but is inherently exposed in its entirety to each sector for which it has responsibility for regulating in the Cayman Islands. The Office's licensees include well-established local telecommunication and media, electricity, fuel and water companies and, at 31 December 2021, there have been no material indications of any insolvency in those entities that impacts their ability to pay the Office. On the other hand, the Office's deposits are concentrated in a single accredited banking institution based locally.

The maximum exposure to credit risk at 31 December 2021, is as follows:

	31 December 2021	31 December 2020
Cash and Cash equivalents	865,881	5,170,702
Short Term Deposits	1,425,095	-
Restricted Cash	1,627,000	-
Accounts receivable	1,630,907	1,474,274
Maximum exposure	5,548,883	6,644,976

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20. Financial risk management objectives and policies (continued)

c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The liquidity risk management process ensures that the Office is able to honour all of its financial commitments when due. The Office manages liquidity risk by ensuring that it has sufficient cash on demand to meet expected operational expenses and servicing of financial obligations. To this end, the Office maintains a reserve, as is required by the Utility Regulation and Competition Act. The size and nature of the reserve are determined by Management. At the moment, the Office maintains a cash reserve equivalent to four months of operating expenses.

d) Interest Rate Risk

The Office is subject to interest rate risk on the cash placed with a local bank which attracts interest. The Office is not exposed to significant interest rate risk as the cash and cash equivalents are placed on call and available on demand. Interest payments are charged to customers on late payments on accounts receivable.

21. Financial instruments

Fair values. The carrying amount of cash deposits, prepayments, accounts receivable 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.

22. Contingent Liability

The Office recognizes post-retirement healthcare costs for employees who were transferred to the Office from the civil service. The objective is that staff members transferred to the Office will not be disadvantaged after the transfer in terms of employee benefits they enjoyed as employees of the civil service. (See note 10 for further information).

The Office conducted a review of all employee contracts and determined that there is a possible obligation that may exist for an employee of the Office with regards to the coverage of post-retirement healthcare costs. The review indicated that there is one employee with a contract that may be considered a contingent liability as at 31 December 2021. The Office is assessing the matter as it relates to the employee and is currently of the view, that the present obligation may, but probably will not require an outflow of resources in respect to the conclusion of this assessment, therefore an obligation has not been recorded for this employee in accordance with IPSAS 19.

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23. Segment Reporting

	ICT Sector	Electricity Sector	Fuel Sector	Water Sector	Consolidated
	2021	2021	2021	2021	2021
	\$	\$	\$	\$	\$
Revenue					
Outputs from Cabinet	206,359	43,188	1,453,985	10,797	1,714,329
Revenue from external sources	2,167,860	1,217,668	122,087	561,142	4,068,757
Total revenue	2,374,219	1,260,856	1,576,072	571,939	5,783,086
Expenses					
Personnel	1,389,076	723,031	1,208,163	293,348	3,613,618
Supplies and Consumables	389,773	171,852	265,616	44,795	872,036
Depreciation	17,760	9,472	21,076	2,368	50,676
Other expenses	48,698	21,305	35,453	4,244	109,700
Total expenses	1,845,307	925,660	1,530,308	344,755	4,646,030
Surplus from operating activities	528,913	335,195	45,763	227,184	1,137,056
Assets					
Accounts Receivable	395,214	323,252	770,944	141,497	1,630,907
Prepayments	39,503	30,659	94,854	14,859	179,875
Property, plant and equipment	51,722	19,068	141,422	2,221	214,433
Total assets (excluding Cash & Cash Equivalents and Short-Term Investments)	486,439	372,979	1,007,220	158,577	2,025,215
Liabilities					
Current liabilities	174,380	44,324	65,632	13,764	298,100
Long Term Liabilities	175,040	36,784	1,029,980	9,196	1,251,000
Total liabilities	349,420	81,108	1,095,612	22,960	1,549,100

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23. Segment Reporting (continued)

	ICT Sector	Electricity Sector	Fuel Sector	Water Sector	Consolidated
	2020	2020	2020	2020	2020
	\$	\$	\$	\$	\$
Revenue					
Outputs from Cabinet	205,908	41,637	1,368,557	12,080	1,628,182
Revenue from external sources	2,049,533	1,218,744	163,616	281,427	3,713,320
Total revenue	2,255,441	1,260,381	1,532,173	293,507	5,341,502
Expenses					
Personnel	1,564,159	651,332	947,147	400,563	3,563,201
Supplies and Consumables	371,166	162,136	295,426	80,774	909,502
Depreciation	25,967	11,540	11,350	3,594	52,451
Other expenses	57,637	16,832	20,871	4,343	99,683
Total expenses	2,018,929	841,840	1,274,794	489,274	4,624,837
Surplus/(deficit) from operating activities	236,512	418,541	257,379	(195,767)	716,665
Assets					
Accounts Receivable	648,908	316,121	11,916	497,329	1,474,274
Prepayments	19,109	37,373	44,230	3,025	103,737
Property, Plant and Equipment	32,729	13,507	83,803	2,410	132,449
Total assets (excluding Cash & Cash Equivalents and Short-Term Investments)	700,746	367,001	139,949	502,764	1,710,460
Liabilities					
Current liabilities	2,384,013	86,229	200,385	40,845	2,711,472
Long-Term Liabilities	303,854	-	1,056,146	-	1,360,000
Total liabilities	2,687,867	86,229	1,256,531	40,845	4,071,472

In accordance with Section 40(2) of the URC Act (2021 Revision), the Office's revenue and expenses have been allocated to each of the regulated sectors. In allocating the costs, the Office has used its best endeavours to allocate directly incurred costs to the regulated sector to which they relate. Indirect costs have been allocated utilizing the number of personnel within each sector to determine the proportion of the costs to be allocated to each regulated sector.

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24. Budget Variances

Statement of Financial Position	31 December 2021	31 December 2021	31 December 2021	Note
	Actual	Budget	Variance	
CURRENT ASSETS				
Cash and cash equivalents	865,881	1,374,486	(508,605)	1
Short Term Investments	3,052,095	2,444,000	608,095	
Accounts receivable	1,630,907	1,606,040	24,867	
Prepaid expenses	179,875	86,681	93,194	
	5,728,758	5,511,207	217,551	
NON-CURRENT ASSETS				
Property, plant and equipment	214,433	683,046	(468,613)	2
Intangible assets	6,638	-	6,638	
TOTAL ASSETS	5,949,829	6,194,253	(244,424)	
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	296,139	300,254	4,115	
Collections Payable to Government	1,961	-	(1,961)	
LONG TERM LIABILITIES				
Defined Benefit Healthcare liability	984,000	-	(984,000)	3
Defined Benefit Pension liability	267,000	-	(267,000)	3
	1,549,100	300,254	(1,248,846)	
NET ASSETS	4,400,729	5,893,999	1,493,270	4
	-			
TOTAL LIABILITIES AND NET ASSETS	5,949,829	6,194,253	244,424	

Note 1 – Higher amount placed on fixed deposit due to deferral of capital expenditure into the upcoming year.

Note 2 – The budgeted capital expenditure for leasehold improvements and equipment for the fuel sector for 2020 & 2021 was \$300,000 and \$250,000 respectively. As at December 31, 2021, the actual spend for these categories of assets is \$44,300. Additionally, the 2019 budget for Property, Plant and Equipment ("PP&E") included capital expenditure of \$50,000 for leasehold improvements and \$290,000 for testing equipment for the ICT Sector that has not been spent, which would result in a lower PP&E balance at the end of 2021.

Note 3 – Unbudgeted defined benefit healthcare and pension costs for eligible employees.

Note 4 – The net assets are lower than budgeted due mainly to unbudgeted defined benefit health care costs.

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24. Budget Variances (continued)

Statement of Financial Performance	December 31, 2021	December 31, 2021	December 31, 2021	Note
	Actual	Budget	Variance	
REVENUE				
Sales of goods and services	5,657,855	6,569,195	(911,340)	5
Other revenue	125,231	63,158	62,073	
TOTAL REVENUE	5,783,086	6,632,353	(849,267)	
EXPENSES				
Personnel Costs	3,589,433	3,623,904	34,471	
Purchase of Services	711,528	1,073,542	362,014	6
Lease of Property and Equipment	137,906	228,000	90,094	7
Litigation Costs	7,560	-	(7,560)	
Travel and Subsistence	5,789	76,700	70,911	8
Depreciation	50,676	228,291	177,615	9
Recruitment and Training	47,155	148,025	100,870	10
Utilities	71,923	81,764	9,841	
General Insurance	20,947	46,440	25,493	
Supplies and Materials	3,507	8,900	5,393	
Bad Debt Expense	(394)	-	394	
TOTAL EXPENSES	4,646,030	5,515,566	869,536	
NET SURPLUS	1,137,056	1,116,787	20,269	

The Net Surplus is favourable to budget by 2% due mainly to lower expenses of by \$869,536 partially offset by lower revenues of \$849,267.

Note 5 – The unfavourable variance of \$911,340 is due mainly to the delay in the implementation of the long-term regulatory fee mechanism for the Water Sector. Refer to Note 8 of the notes to the financial statements for further information.

Note 6 – Purchase of Services is favourable to budget due mainly to the following:

Lower Legal fees – Included in the budget was an amount of \$100,000 as a contingency. The Office spent only \$7,560 in legal fees during 2021 as no significant legal matters arose during the year that required the Office to retain external counsel.

Lower Director Fees – During the months of May to October 2021, the Office did not have a Board of Directors in place, resulting in a positive variance of \$103,127.

Lower Software Licensing Fees – Included in the budget was an amount of \$100,000 related to software licensing for the ICT sector that was unspent.

Note 7– Lease of Property and Equipment is favourable to budget due to the delay in relocating the office to a new location. The Office relocated in October 2021. The budget for the office move anticipated a relocation date of January 2021.

Note 8 – The favorable variance is due to the travel restrictions in place due to the COVID-19 pandemic.

Note 9 - Depreciation is favorable to budget due to the deferral of significant capital expenditure. (See Note 2 on page 34)

Note 10 – The favorable variance is due to the travel restrictions in place due to the COVID-19 pandemic.

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24. Budget Variances (continued)

Statement of Cash Flows	31 December 2021 Actual	31 December 2021 Budget	31 December 2021 Variance	Note
CASH FLOW (USED IN)/ GENERATED FROM OPERATING ACTIVITIES				
Net comprehensive surplus for year	1,137,056	1,116,787	20,269	
Adjustment for non-cash transactions:				
Depreciation and amortisation	50,676	228,291	(177,615)	11
Defined Benefit Plans	321,000	-	321,000	12
Prior Period Adjustment	23,982	-	23,982	
	1,532,714	1,345,078	187,636	
Net changes in non-cash operating balances:				
(Increase)/decrease in:				
Accounts receivable	(156,633)	(40,944)	(115,689)	
Prepaid Expenses	(76,138)	-	(76,138)	
Collections payable to Government	(326,455)	-	(326,455)	
Accounts Payable and Accrued Expenses	(2,086,917)	(49,999)	(2,036,918)	
Net cash (used in)/generated from operating activities	(1,113,429)	1,254,135	(2,367,564)	
CASH FLOW (USED IN)/ GENERATED FROM INVESTING ACTIVITIES				
Transfer to Fixed Deposit	(1,425,095)	(500,000)	(925,095)	13
Transfer to Restricted Cash	(1,627,000)	-	(1,627,000)	13
Purchase of property, plant and equipment	(132,659)	(149,000)	16,341	
Purchase of Intangible Assets	(6,638)	-	(6,638)	
Net cash used in investing activities	(3,191,392)	(649,000)	(2,542,392)	
CASH FLOW GENERATED FROM FINANCING ACTIVITIES				
Net cash generated from financing activities	-	-	-	
Net increase in cash and cash equivalents during the year	(4,304,821)	605,135	(4,909,956)	
Cash and cash equivalents at beginning of the year	5,170,702	769,351	4,401,351	
CASH AND CASH EQUIVALENTS AT END OF YEAR	865,881	1,374,486	(508,605)	

Note 11 - Depreciation is favorable to budget due to the deferral of significant capital expenditure. (See Note 2 on page 34)

Note 12 – Non-Cash Defined Benefit Costs are higher than budgeted due to unbudgeted defined benefit health care and pension costs for eligible employees.

Note 13 – The 2020 budget included amounts set aside for the General Reserve, however, the General Reserve was not fully established until December 2021.

Utility Regulation and Competition Office
Notes to the Financial Statements
For the Year Ended 31 December 2021
(stated in Cayman Islands dollars)

25. Prior Period Adjustments

Adjustments made in 2021

The Office recorded revenue in 2021 for handheld radio licenses and application fees for fuel permits that related to prior years. The revenue related to handheld radio licenses totaled to \$13,440 and related to the 2017-2020 period. The revenue related to application fees for fuel permits totaled to \$10,542 and related to the 2020 period. The total of the prior period adjustment is \$23,982.

Adjustments made in 2020

The Office made a payment in 2020 for website administration costs that related to the 2018-2019 period. The total of the invoices paid is \$7,176. These payments have been recognized as a prior period adjustment.

26. Implications of COVID-19 on the Office

On 30 January 2020, the World Health Organization (“WHO”) declared a global health emergency in response to COVID-19, which surfaced in China in December 2019 and subsequently spread to various countries. The Cayman Islands Government announced the activation of the National Emergency Operations Centre on 3 March 2020 in response to the threat. On 11 March 2020 WHO declared a global pandemic due to the number of countries and individuals affected by the spread of COVID-19. The global efforts to contain the spread of COVID-19 has caused significant disruptions in the global and local economies, with the length of the disruption being uncertain at this time. The related implications to the Office’s revenues have been immaterial with no increase in credit risk noted. Management is not aware of any material adverse effects of the pandemic or any other events on the financial statements as at the date that these financial statements were authorised for use.

27. Subsequent Events

Key Management Personnel Changes

On March 1, 2022, the Office welcomed Interim Chief Executive Officer, Peter Gough after bidding farewell to the former Chief Executive Officer, Malike Cummings on February 25, 2022. This event has no impact on the 2021 financial statements, however, the estimated effect of this subsequent event on the financial statements in 2022 is to increase Personnel Costs by \$159,546. The Office expects to begin the process to select a new Chief Executive Officer in the near future.

On March 10, 2022, the Cabinet of the Cayman Islands Government appointed Ms. Natasha Bodden and Ms. Alvis “Bonnie” Anglin as Non-Executive Directors with an effective date of March 8, 2022.

2021 Annual Report

The Utility Regulation and Competition Office

This is the 2021 Annual Report for the Utility Regulation and Competition Office (the 'Office' or 'OfReg') for the period 1 January 2021 to 31 December 2021.

This report is submitted in accordance with the reporting requirements of section 52 of the Public Management and Finance Act (as revised) (the 'PMFA') and section 43 of the Utility Regulation and Competition Act (as revised) (the 'URC Act'). The report is prepared for Cabinet, to whom OfReg is accountable, as well as the general public and licensees.

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At OfReg, we seek to promote the objectives of government policies; promote effective and fair competition where appropriate and feasible; protect the short- and long-term interests of consumers about utility services; balance the interests of all stakeholders and champion sustainability and innovation across markets, and to contribute to the economic and social goals of the Cayman Islands

For further details, visit www.ofreg.ky