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2022 ANNUAL REPORT



**GREAT THINGS IN
BUSINESS ARE NEVER
DONE BY ONE PERSON.
THEY'RE DONE BY A TEAM
OF PEOPLE.**

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FOREWORD



Message from the Chairman

I am delighted to present OfReg's Annual Report for 2022 which highlights our accomplishments, challenges, and prospects for the future. As we reflect on the past year, I would like to start by acknowledging our esteemed former Chairman, Mr Rudy Ebanks (deceased). Despite facing significant health issues, his unwavering spirit and positive attitude inspired us every day as we diligently carried out the important work of OfReg. During my time as acting Chairman, I remained committed to upholding Rudy's unwavering focus on protecting critical national infrastructure assets and ensuring the well-being of all consumers. His memory and spirit will remain with us as we continue to take the organisation's work forward in his honour, and under new leadership.

Throughout the year, we have strengthened our organisational structure by filling two key posts, and efforts continue to recruit strong employees in all areas of the organisation. Necessary legislative changes have also been put in place to expand Board membership, which will strengthen the Board in performing its governance and oversight role. However, I take immense pride in the outstanding dedication shown

by my fellow Directors in the interim. They have stepped up admirably, both in the absence of additional directors and during Rudy's absence. Their valuable contributions in terms of work, thoughtful insights, and leadership have been instrumental in our progress. It is truly an honour for me to work alongside them.

In the water sector, we have successfully shielded consumers from increased rates. Within the ICT sector, we have focused heavily on enforcement, including ensuring that licensees are compliant with all their license requirements; and on infrastructure sharing, which will allow greater build-out of licensee infrastructure, leading to greater choice in services for consumers. In the energy sector, we are currently implementing several initiatives aimed at stabilising consumer costs and promoting sustainability and environmental responsibility.

I am pleased to report that we now operate under the umbrella of the Ministry of Planning, Agriculture, Housing and Infrastructure ('PAHI') which provides a better alignment for meeting the Government's shared objectives. I commend the Hon Johany 'Jay' Ebanks, MP and Minister for PAHI and his team for their proactive approach in seeking to understand OfReg and the industries we regulate. Our communication thus far has been open, honest and fruitful, and I am confident that this positive collaboration will continue.

I am constantly impressed by the intelligence and dedication of the OfReg staff. Under the Interim CEO, Mr Peter Gough, they have been an invaluable support to the Board whilst diligently fulfilling their day-to-day responsibilities for the people of the Cayman Islands. They are truly an inspiring group of individuals, and I am committed to advocating for their needs and professional development, as long as I serve on the board.

In closing, I express my sincere gratitude to all stakeholders, including our licensees and employees, for their unwavering support and trust in OfReg. Together, we have achieved significant milestones and overcome challenges. As we look to the future, I have full confidence in our ability to maintain the highest standards of regulatory excellence, ensuring the welfare of our citizens and the sustainable growth of the Cayman Islands.

Mr Frank Balderamos
Acting Chairman of the Board of Directors

Message from the Interim Chief Executive Officer

2022 has been a year of global uncertainty; the social and economic impacts of climate change, global inflation, supply chain issues, the lingering effects of COVID-19 and Russia's invasion of Ukraine have all affected the Cayman Islands significantly.

All of the sectors that OfReg regulates are dynamic and constantly changing. This is especially pertinent in ICT, and it is critical that staff keep up to date, to maintain effective regulation and ensure that consumers are protected. Oil prices have risen substantially which is reflected in the cost of energy and water, and subsequently the cost of living.

I am happy to report on the progress made in public relations. We have started to change the public perception of the organisation by being more engaged to help the people we serve understand more about the work we do on their behalf. In 2022 we have improved our communication with the public, through greater engagement with media outlets, including holding media days and talk show appearances, partnerships with private sector organisations, and fully utilising social media.

Whilst COVID-19-related absences, and the ability to recruit staff in a timely fashion has affected our ability to fully achieve our outcomes, the focus continues to be on the strengthening of the institution. Work has been completed on ensuring that we have a clear vision, values and strategic priorities to which managers will be held accountable. The focus will continue to be on building capability within the organisation, through imbedding a culture of continuous learning and development. The focus also remains on building a culture of working together and collaborating as a team, encouraging openness, transparency and trust, creating one organisation: "One OfReg", as we deliver the outcomes required by the Board and Government.

Peter Gough, JP
Interim Chief Executive Officer



INTRODUCTION

This is the 2022 Annual Report for the Utility Regulation and Competition Office (the 'Office' or 'OfReg') for the period 1 January 2022 to 31 December 2022. 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').

OfReg was established as a multi-sector regulator by section 4(1) of the URC Act, with the principal functions to promote objectives set out in policies; promote effective and fair competition; protect the short term and long-term interests of consumers in relation to utility services, and to promote innovation and facilitate the economic and national development of the Cayman Islands.

Mission

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

To achieve this the Office will:

- Ensure that service providers operate in an environment that is fair and provides an opportunity to realise 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 the Office;
- Encourage the conservation of natural resources and environmental preservation;
- Ensure effective methods of communicating the Office'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.

Vision

Fair Regulation for Consumers & Industry





ABOUT US

The Office 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. The Office also regulates the use of electromagnetic spectrum, and manages the .ky internet domain.

The Office is guided by the necessity to balance the needs of consumers, investors, and sectoral utilities. In doing its work it must recognise the importance of a fair return to investors, whilst also ensuring that the operating environment is fair for all sectoral providers, and protecting the interests of consumers.

The Office is statutorily obligated to promote and be guided by the National Energy Policy ('NEP').

The below table presents the number of licensees and authorised permit holders regulated by the Office as of 31 December 2022:

Setor	Total
Energy	3
Fuels	
Importers	9
Retail (Gas Stations & Marinas)	28
Residential	72
Commercial	225
Government	62
Vehicles	70
Pipelines	5
ICT	
Mobile Voice	4
Fixed Voice	4
Subscription TV	4
Public Service TV	4
Internet Service Providers (ISPs)	5
Infrastructure Services (including Towers, Poles, Domestic and International Fibre)	16
Spectrum	18
Internet Peering Service	1
Transmitters	80
Water**	2

***These entities are not yet licenced by OfReg but are required to seek the Office's approval for rate increases.*

Governance

URC ACT

The URC Act defines the responsibilities of the Office and all stakeholders, and governs regulation for the energy, fuels, ICT, and water sectors in the Cayman Islands. The Public Authorities Act (as revised) ('PAA') is the 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 the Office, as well as carrying out regulatory powers and functions.

There are four Executive Directors on the Board, which includes the Interim Chief Executive Officer, Executive Director of Information, Executive Director of Energy, and the Chief Fuels Inspector & Director Fuels Market.

In 2022, the Board of Directors met 19 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 March 2022, the Cabinet of the Cayman Islands Government ('the Cabinet') appointed Ms Natasha Bodden and Ms Alvis "Bonnie" Anglin as Non-Executive Directors ('NEDs'). In October 2022, the Cabinet also appointed Mr Osbert Francis as a NED. In April 2022, Mr Leroy Whorms resigned from the Board of Directors. In October 2022, Mr Alric Lindsay also resigned from the Board of Directors. Both members served on the Board of Directors as NEDs.

COMMITTEES

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



The Office has also established a Risk & Audit Committee pursuant to section 26 of the URC Act. 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 the Office's website within two months following Board review.

CODES OF CONDUCT AND INTERNAL POLICIES

In 2022, the Board approved a revised Procurement Policy and Procedures Manual, and a revised Payment Approval Policy. The Office continues to develop and establish robust mechanisms to improve governance and systems of control.



DUTY TO CONSULT

In accordance with section 7 of the URC Act, the Office is obligated to conduct public consultations prior to issuing administrative determinations which, in the reasonable opinion of the Office, are of public significance and subject to specific procedures under sectoral legislation. The following consultations and determinations were published in 2022:

1. FS 2022 - 1 – Consultation on Draft Determination on Fosters Group Holdings Acquisition of Home Gas Ltd.
2. FS 2022 - 1 – Determination on Fosters Group Holdings Acquisition of Home Gas Ltd.
3. ICT 2022 – 2 – Consultation on Proposed Outage Reporting Rules.
4. ICT 2022 – 3 – Determination on C3 Flow Dispute Re: Infrastructure Sharing.

DUTY TO PUBLISH

Pursuant to section 8 of the URC Act, the Office maintains a website 'www.ofreg.ky', as a primary public source for sectoral news and information as well as current regulatory documents, including administrative decisions and Minutes of the meetings of the Board of Directors.

PERFORMANCE AND FINANCIAL AUDITS

To promote transparency and accountability, Part 6 of the URC Act sets out the Office's statutory obligations for reporting performance.

Pursuant to sections 41(1)(b) and 41(3) of the URC Act, the Office shall publish an annual report (containing the audited financial statements for the financial year) and a five-year strategic plan, respectively.

In accordance with Part 6 of the URC Act, all financial statements contained in this report have been prepared in accordance with the International Public Sector Accounting Standards, audited by the Auditor General of the Cayman Islands ('Auditor General'). In accordance with Section 52 of the Public Management and Finance Act (2020 Revision), the annual report will be submitted to Cabinet for review by 31 May 2023.

Section 42 of the URC Act requires the Auditor General to report to the Board of Directors every three years, on the Office's performance against its annual plan. The Auditor General's Office concluded the three-year review of the Office's performance in June 2020. (See Management's Discussion and Analysis for more information).

OUR PEOPLE

The Office is comprised of a Board of Directors and 27 employees.

Executive Directors are the principal sectoral advisors to the Board, while Non-Executive Directors of the Board are chosen by Cabinet and initially appointed for fixed terms of up to three years.



STAFF

On 1 March 2022, the Office welcomed Interim Chief Executive Officer, Peter Gough who was initially seconded from the Cayman Islands Government, after bidding farewell to the former Chief Executive Officer, Malike Cummings in February 2022.

PROFESSIONAL DEVELOPMENT

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

The Office 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 the office environment to undertake a course or complete projects that support an employee's development needs; and tuition/course fees and expenses.

All staff were interviewed during the year to discuss their training and development needs and their personal development plans. As a result of these discussions sixteen staff have expressed interest in pursuing Leadership and Management courses with City and Guilds, Institute of Leadership and Management, and six staff members have started the Level 3 Leadership and Management course.

During the year, the Office conducted regulatory training for all employees and the Office's Board of Directors. The three-day training course was led by lecturers from the University of Florida's Public Utility Research Centre (the 'Public Utility Research Centre'). The Public Utility Research Centre is an internationally recognised academic institution, focused on providing training in utility regulation and strategy. The course focused on governance in regulatory environments,

rate design, integrating renewable energy, and facilitating new technologies in the regulated environment. Two members of the Office also attended the University of Florida's Public Utility Research Centre/World Bank International Training Program on Utility Regulation and Strategy. This intensive course was held at the University of Florida's campus over the course of two weeks and is tailored to the professional requirements of utility regulators and regulatory staff.

Several members of the Office also received specialised ICT training during the year. Two members attended training in Montego Bay, Jamaica delivered by Rohde & Schwarz, which focused on technical and regulatory Fundamentals of International Telecommunications Union ('ITU') compliant spectrum monitoring.

Another member participated in virtual training delivered by the ITU Academy to develop skills in 'Quality of Service Technologies and Regulation,' and two members received online training in Competition Law in the Telecoms Sector, delivered by Cullen International.

During 2022 all staff have attended training on Customer Service, the Bill of Rights, the Data Protection Act, the Procurement Act, and the amendments to the Utility Regulation and Competition Act.

INTERNSHIPS

During 2022, OfReg continued its internship program as part of its continuing commitment to knowledge transfer, exposure and up-skilling candidates with potential for development in the sectors OfReg regulates. The Office welcomed three Caymanian students for a six-week summer internship program. The interns supported the Fuels Sector team in providing input for planning applications, assisting with inspections and assisting with desktop and field reviews.

MANAGEMENT'S DISCUSSION AND ANALYSIS



THE SECTORS

The Office is responsible for regulating licensees and authorisation holders in the energy, fuels, ICT, and water sectors in the Cayman Islands. This section gives an update from each of the sectors during 2022.

ENERGY

Value of Solar Study

During the year, the Office engaged renowned renewable energy consultants, Rocky Mountain Institute, to conduct a Value of Solar Study. The study will address the unique aspects of the local distributed solar marketplace. The scope of the work is intended to assess the value of Photovoltaic generation from a utility and societal perspective in the Cayman Islands. The study will include impacts on the transmission and distribution grid, energy costs, address rate design options and the economic potential of local distributed solar energy systems. The value of solar study will also assist the Office with determining a fair rate for energy that customer-owned solar systems provide to the electric grid, and is a critical step towards helping the Cayman Islands attain the clean energy future envisioned in its National Energy Policy goals. The draft report was issued in November 2022, and has been reviewed by the Office and the National Energy Policy Committee. The final report will be issued in Q2 2023.

Monitoring and Oversight

The Office continued monitoring and oversight of the monopoly transmission and distribution electricity provider in the Grand Cayman service territory, Caribbean Utilities Company, Ltd. ('CUC'); the monopoly electricity provider in Cayman Brac and Little Cayman, Cayman Brac Power & Light Company Ltd. ('CBP&L'); and Bodden Town Solar I Limited ('BTSIL') (formerly Entropy Cayman Solar Limited) an Independent Power Producer ('IPP').

Facilitation of the NEP

The Office advised the Energy Policy Coordinator ('EPC') on several initiatives that were being undertaken during the period including the Energy Policy Council request for proposals ('RFP') for the 5-year review of the NEP, an RFP for an energy audit of Cayman Islands Government ('CIG') buildings, as well as other NEP related matters.

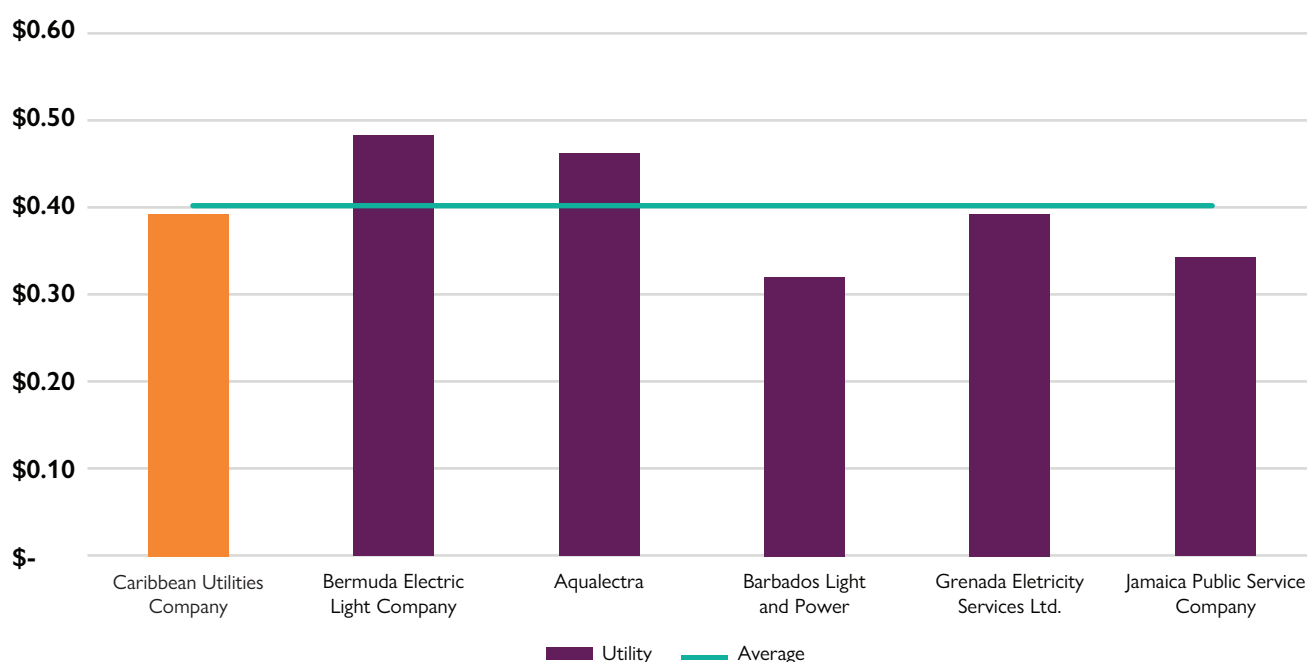
REGIONAL ELECTRICITY COST COMPARISONS

The Office compared the average total cost of electricity of six different electric utilities in the region, and the overall cost of electricity in Grand Cayman was found to be slightly below the sample average of US\$0.405 per kWh. Based on a 2022 average Cayman Islands Residential usage of 1,084 kWh per month, CUC was providing electricity at an average cost of US\$0.39 USD per kWh in 2022.

To compare CUC to the other regional electricity providers, the Office assumed a similar average residential electricity

consumption pattern of 1,084 kWh per month, and used the average 2022 electricity rates for each respective utility. From the data collected, Bermuda Electric Light Company Limited ('BELCO') had the highest average 2022 cost at US\$ 0.48 per kWh, whilst Barbados Light and Power Company had the lowest cost of US\$0.32 per kWh. Note, all currencies were converted to USD for comparative purposes, using exchange rates as of 31 December 2022. Any tax or similar surcharges were not represented in the data below.

Comparative Average 2022 Cost of Electricity (USD per kWh) Based on an Average Cayman Islands Residential Electricity Usage of 1,084 kWh per month



Comparative 2022 Cost of Electricity	
Utility	Cost USD per kWh
Caribbean Utilities Company	\$0.39
Bermuda Electric Light Company	\$0.48
Aqualectra "Curacao"	\$0.46
Barbados Light and Power	\$0.32
Grenada Electricity Services Ltd.	\$0.39
Jamaica Public Service Company	\$0.34



REFERENCES:

<https://www.cuc-cayman.com/customer-service/fuel-cost/>

<https://onlineservices.cuc-cayman.com/hc/en-us/categories/360003107759>

<https://belco.bm/rates-service-rules/>

<https://www.aqualectra.com/rates/>

<https://www.blpc.com.bb/index.php/customer-care/fuel-clause-adjustment>

<https://www.blpc.com.bb/index.php/residential/tariffs-and-riders-residential>

<https://grenlec.com/customers/ratesandfees/>

<https://www.jpsco.com/jps-home/fuel-rates-2/>

<https://www.jpsco.com/2020-2021-rate-schedules/>

https://www.exchangerates.org.uk/historical/USD/31_12_2022

<https://grenlec.com/customer-service/grenlec-takes-tough-decision-to-discontinue-temporary-reduction-in-non-fuel-electricity-rate/>



FUEL

One of the Office's key objectives is to enhance the regulatory framework, to promote effective competition in the Fuels Markets. The Office has submitted to Cabinet, legislative amendments to the Dangerous Substances Act, which will amend the Confidentiality Provision regarding data collection. By amending this provision from the Dangerous Substances Act, greater transparency will be given to the public regarding the landed cost of fuel sold at retail gas stations. The Office is awaiting Cabinet's approval of this amendment.

The Office also submitted draft Consumer Protection Regulations for Cabinet's approval in April 2022. The Regulations will allow for enforcement of broader matters relating to consumer experience in the sector. The Office is awaiting Cabinet's approval of these Regulations.

The fuels team maintained a strong presence in the field in the areas of inspections, calibrations, attending to spills, and other emergencies involving fuels. The improvement in the manpower capacity and capability of the team in this area, following the recruitment of the Deputy Chief Fuels Inspector and an additional Fuels Inspector during the 2021 financial year, and the onboarding of OfReg's first Assistant Fuels Inspector in 2022, contributed to a successful year which saw actual results exceeding targets set for the year. (See pages 17-18 for further information.)

The Fuel Standards Committee ('FSC') has finalised the draft Fuel Quality Standards for further review by the Subcommittee. There were five meetings of the FSC during the year, under the chairmanship of the Chief Fuels Inspector.

Whilst national fuel quality standards are pending for the Cayman Islands, the quality of fuel imported and distributed continues to be at internationally accepted standards, and the enactment of local standards will ensure adequate recourse by the public and strengthen enforcement by the Office when deviations arise.

The Office takes seriously its enforcement and compliance obligations. In keeping with its obligations under the DS Act, the Office successfully completed a major investigation into a tank leak at Rubis Cayman Islands Ltd ('Rubis') terminal, which led to charges being brought against Rubis in March of this year. Following those initial court proceedings, Rubis agreed to settle the matter and accept an administrative fine, which included investigative and related costs.

During the year, the Office also investigated a site following a fire incident that occurred due to the storage of gasoline and diesel without an operating permit. The investigation report is expected to be finalised by the first quarter 2023, after which the Office will take the necessary enforcement action. The site continues to be monitored by members of the fuels team.

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

Fuels Sector Outputs for Fiscal 2022

Monitoring and Controlling the Storage, Handling, Quality and Mensuration of Fuel Products		
MEASURES	TARGET	ACTUAL
QUANTITY		
General Inspections (all permitted premises - including OPS - and vehicles)	280-310	405
Statutory Consultation (Planning and Permitting)	200	265
Fuel and Energy Initiatives Engagement	5-10	3
FOI, Media and Complaints handled/addressed	40	28
Quality control and fuel testing (number os samples)	55-70	23
Issuance of Operating and Import Permits	230-280	148
Pump Calibrations witnessed/supervised (Meters on Premises/ Vehicles)	395-440	401
General Policy Advice and Consultation	35-50	2
Emergency spill response management	8-10	9
Technician certification (certificates issued)	30-40	0
QUALITY		
Comply with Dangerous Substances Act (2017 Revision)('DSA'), its Regulations, and relevant industry codes determined by CFI in consultation with relevant stakeholders	100%	100%
Inspections to be carried out by qualified, competent and experienced inspectors	100%	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	100%	100%
TIMELINESS		
Inspections completed within five working days	95%	95%
Calibrations to be completed within 48 hours	95%	95%
Turnaround time of thress days for fully compliant planning applications	95%	95%
All other tasks to be completed within set/established timeline	100%	100%
LOCATION		
Grand Cayman	100%	100%

Fuels Sector Outputs for Fiscal 2022

Economic Regulations; Monitoring and Directing the Fuel Sector and Relevant Market		
MEASURES	TARGET	ACTUAL
QUANTITY		
Collate and Analyse DSA "Section 10" Data from Importers (Data sets)	200-264	300
Execute License Agreement with Major Fuel authorisation holders	10-30	0
Monitor and post Fuel Prices and analysis on a fortnightly basis	80-110	108
Bi-annual market review and report submission on adequacy of regulation and state of competition in the relevant markets	2-6	2
Establish guidelines and criteria for new entrants to relevant Fuels Market	1-2	0
Evaluate and report on adequacy of fuel mix bi-annually	1-2	2
Function as Focal Point for Caribbean Energy Information System (CEIS)/Science Research Council (SRC) providing monthly/quarterly data as required under membership agreement	10-13	25
Annual engagement with authorisation holders	12-20	12
Enforce Regulatory Breaches	20-40	7
Regulatory Investigations	2-5	8
Consumer and Public Awareness and Engagement on Fuel Sector	4-6	7
QUALITY		
Comply with Fuels Market Regulation and Utility Regulation and Competition Acts, and relevant regulation and competition laws, guidelines and determinations required by the Office and Cabinet. Economic Regulations to be administered by qualified, competent and experienced Analysts, Economists and Management team members	100%	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 the Office	100%	100%
TIMELINESS		
Relevant analysis, research, assessment to be carried out within adequate timeframe to allow the Office to minimise and mitigate against negative competition effects in a timely manner	95%	95%
Local price monitoring data to be posted within 48 hours of the most recent surveyed prices	95%	95%
All other tasks to be completed within set/established timelines	100%	100%
LOCATION		
Grand Cayman	100%	100%

ICT

The telecommunications sector is an ever-evolving industry. In 2022, in addition to regular daily activities, the Office focused on consumer protection, protection of and access to infrastructure, promotion and facilitation of investment and sector evolution, and human capacity development, in order to keep instep with the natural demands of both consumers and operators.

CONSUMER PROTECTION

The Office has submitted its draft Consumer Protection Regulations for the ICT sector to Cabinet, and continues to champion the need for its approval. Once approved, it will improve protection of consumer interests by establishing an additional and clear set of rules that govern how ICT service providers must act towards their customers.

Focusing on quality of service, the Office issued an update to its existing Outage Reporting Rules which aims to overhaul the procedures that licensees must adhere to, in the mandatory reporting of outages to services and networks affecting consumers, special entities, and other licensees. The new requirements will increase the reporting requirements and ultimately provide consumers with timely information on planned and unplanned outages.

The Office also continued its work on the Significant Market Power ('SMP') assessment of various telecommunications markets. The work will lead to the publication of a consultation document seeking public feedback on the matter, and then ultimately a public and final determination. The assessment of significant market power consists of defining the relevant markets within which a particular product or service competes. In defining relevant markets, the Office identifies and defines the boundaries of competition, in order to identify the competitive constraints faced by Licensees. The relevant markets then form the basis for the competition assessment (or Significant Market Power ('SMP') assessment), which is the second stage of the market review process. The third stage of the market review process considers whether it is appropriate to maintain, amend, or withdraw existing regulatory obligations, or impose regulatory obligations where a Licensee is deemed to have SMP. The ultimate benefit of conducting the SMP review, is to ensure that the manner in which service providers are allowed to operate and thus compete, results in the protection of consumers and fair competition among entities in the market. The final determination will be issued in 2023.



COMPLIANCE AND ENFORCEMENT

The Office ramped up its formal and informal compliance and enforcement activities in 2022. A total of three fine notices were issued for matters ranging from non-compliance with licence fee payment, licence fee reporting, and audit reporting obligations, to non-compliance with other licence obligations. Those matters will be finalised in 2023, some of which may result in determinations imposing fines on licensees.

INFRASTRUCTURE AND NETWORK DEVELOPMENT

To support the Government's Broad Outcome 8, to build a "Modern Infrastructure to Ensure a Successful Future for Our Islands" in 2022, the Office focused heavily on fulfilling its legal mandate to promote and maintain an efficient, economic and harmonised utilisation of ICT infrastructure, to ensure the continuity and reliability of operations of critical national infrastructure and to resolve disputes concerning the interconnection or sharing of infrastructure, between or among ICT service providers or ICT network providers.

To this end, the Office issued a ten-part determination on infrastructure sharing related matters in a dispute between ICT Licensees C3 and Flow. The issues ranged from slow and uncompleted work, to appropriate pricing for access to share infrastructure, to technical issues on underground duct sizes, and permission to install equipment at the MAYA-1 cable landing station. The determination goes a long way to making clear that sharing infrastructure fairly is an obligation that must be complied with. Such compliance ensures faster buildout of networks and thus an increase in choice of service to consumers, as well as a robust telecommunications infrastructure nationally.

Additionally, the Office re-started work on a longstanding infrastructure sharing dispute determination that involves issues related to attachment of communications cables to light-poles, and the related processes and payments.

Although the initial dispute was raised by C3 against Datalink (a subsidiary of CUC), the Office is mindful of all third-party licensees and stakeholders' interests as it conducts its investigations, to ensure that the ultimate determination provides the greatest utility for the parties in dispute, but also for the entire industry.

To further facilitate investment and development in ICT infrastructure, the Office allocated space, and issued approval for Digicel to buildout a new fibre network utilising CUC's transmission and distribution infrastructure.



The Office also began work on developing a Cable Landing Station licensing and regulatory framework to facilitate licensing and focused regulation of submarine cables, and to improve resiliency and redundancy of the jurisdiction's most critical communication infrastructure. This work will also assist to promote innovation and facilitate economic and national development. The framework is slated to be implemented in 2023.

The Office ramped up its cybersecurity activity by engaging with its various stakeholders to encourage and establish a community focused on cyber-threat information sharing. This is a big step towards protecting national infrastructure and digital interests.

All mobile service providers were awarded additional radio spectrum to facilitate the buildout of new highspeed 5G networks. With these assignments, service providers will be able to provide new dynamic and fast wireless connectivity experiences. This is one of the many steps the Office is taking to ensure that the country can continue to develop its own digital economy, and leverage the benefits and opportunities from the global digital economy.



WATER

The Office continues to make progress in this sector with emphasis placed on the completion of the license negotiations with Cayman Water Company ('CWC'). During 2022, the Office received a Cost-of-Service Study ('COSS') of CWC, to assist with the determination of new water rates, and to establish a reasonable return on investment for the grant of a new Water Producers and Supply Licence. The existing formal licence extension expired on 31 January 2018, and the Office remains committed to concluding negotiations with CWC.

CONSUMER AFFAIRS

OfReg has a statutory obligation to represent and protect the rights of consumers in the utility sectors. During the year, the Office created a Consumer Council made up of seven council members who will advise the Office on issues of significance to consumers. The recruitment process for the council took place in 2022, with the selected members to be announced in the first quarter of 2023.

The functions of the Consumer Council will include advocating on behalf of consumers, by identifying trends in issues affecting consumers, gathering and reviewing statistical information, and reporting on these trends. The Council will make proposals and provide advice to OfReg, assisting the regulator to effectively fulfil its statutory duty to protect consumers in the utilities sectors. The Council will also be empowered to assist consumers with progressing complaints filed with OfReg. The Council will create open and direct engagement with OfReg for consumers, providing them the opportunity to identify issues, gather information on, and propose solutions to issues that are affecting them.

LEGISLATIVE AMENDMENTS

A working group was commissioned in 2021 to propose essential changes to OfReg's overarching legislation, the URC Act and related sector legislation. The group included members of the Executive Team and representatives from the Ministry of Border Control. The working group completed their assessment, and five amendments were prioritised for actioning in 2022.

Those amendments were approved by Parliament in December 2022 and came into force on 29 December, 2022. The amendments relate to the following:

- Amendment to Section 14 of the URC Act - The membership of the Board of Directors will be increased to eleven members which will include the Chairperson, nine Non-Executive Director,s and the Chief Executive Office as an ex officio member. This change will provide extra Directors to be placed on the various sector committees that will be set up to deal with increasing business demands. At present, the voting membership of the board only consists of the Chairperson and five Non-Executive Directors.
- Amendment to Section 18 & 19 of the URC Act – The Chairperson of the Nominating Committee will no longer be the Cabinet Secretary. The new Chairperson will be the Chief Officer of the Ministry with responsibility for OfReg (currently the Ministry of Board Control and Labour).
- Amendment to Section 23 of the URC Act - The present Executive Directors will no longer be members of the Board of Directors but will act as technical advisors to the Board and sector committees.
- Amendment to Section 26 of the URC Act – The Chairperson of the Risk and Audit Committee will be a member of the Board of Directors instead of an individual who is not a Board Member.
- Amendment to section 110 – The Cayman Islands Government will indemnify the Board and the staff of OfReg for acts of negligence, as is the case with other statutory bodies.





Key Events in 2022

The following key milestones were achieved by the Office during the 2022 financial year:

ENERGY

a. The Office approved the CUC 2023 – 2027 five-year capital investment plan ('CIP') for investments in its operations to provide dependable and reliable electricity service to its over 28,000 customers on Grand Cayman.

b. The 2023-2027 CIP includes a project that explores the feasibility and development of a Natural Gas strategy to move to a cleaner and more environmentally friendly transitional fuel for the generation of electricity, as well as an electric vehicle ('EV') charging network programme on Grand Cayman.

FUELS

a. The Office completed an investigation into fuel quality at a local gas station, following notification through a local media company of allegations of poor-quality fuel. The results of the investigation found no evidence of contamination and both gasoline and diesel test results were within globally acceptable Octane Rating levels.

b. To prepare the Cayman Islands for a successful III Code (IMO Instrument Implementation Code) audit outcome, the Office enhanced its capacity and capability, to ensure continued and sustained compliance in the area of fuels, and enforcement in key areas of its remit, to be able to achieve the objectives of the National Maritime Oil Spill Contingency Plan approved by Cabinet in October 2021. The Office, with the aid of the United Kingdom's Maritime and Coast Guard Agency ('MCA'), completed a marine-code review of oil companies and marina operations.

c. The capacity of the Office to conduct calibrations more efficiently, was improved through the acquisition of a combination trailer unit. The Office completed 401 fuel pump calibrations during 2022.

d. The Office responded to nine fuel spills (land and inland waterways) during the year.

WATER

a. During 2022, the Office considered the Water Authority-Cayman's rate adjustment submission, which by law must be reviewed and agreed by OfReg. Based on the Office's review, a decision was made to defer the requested rate increase, pending review of further information.



ICT

a. The Office issued administrative fine notices to two licensees for failure to comply with licence fee payment and regulatory reporting requirements. These notices are the initial tranche of enforcement activities the Office is undertaking, to ensure that all licensees are brought into compliance. The Office also issued a fine notice to a licensee for failure to comply with licence conditions related to rate changes.

b. The Office issued a public consultation for proposed updates to the Outage Reporting Rules which ICT licensees must adhere to, in the mandatory reporting of outages in service. The information on service outages is essential to maintain and improve the infrastructure reliability, as it provides the basis for the Office to determine whether any outages or repeated outages justify regulatory interventions or industry cooperation/initiatives to prevent the recurrence of similar outages. The proposed rules also aim to make outage reporting more robust and timely, thereby keeping the Office and consumers informed on events resulting in loss or degradation of service.

c. The Office sponsored its first local cybersecurity conference – “Security BSides”. Security BSides focuses on expanding the spectrum of conversation around Information Security, granting a voice to anyone who is, or aims to be, involved in all domains of cyber security, and facilitates growing careers of current and future security professionals by participating in training and workshops.

d. The Office approved licence amendments for Flow, Digicel and Logic, which allows them to use certain specified

electromagnetic spectrum to deploy 5G high speed networks and services.

e. Having received reports of spectrum interference between two radio stations concerning FM Radio broadcasts, the Office completed an investigation into the matter. It was determined that the interference appeared to be a result of an operator not efficiently utilising their own equipment. The matter was closed with no further complaints.

f. In continuing to adhere to the Government’s directive to ensure that all local internet service providers keep all local IP traffic onshore, the Office conducted a one-year review of licensees’ compliance with the obligation, and found that all licensees remained compliant with their peering obligations.

g. 2022 World Cup Games - The Office negotiated an agreement between the exclusive broadcast rights owners Logic, to share 22 of the most popular World Cup 2022 games with CIGTV, for onward broadcast to all other TV broadcasters, so that all persons in the country could have free access to those games.

h. Cybersecurity - The Office took a first step towards establishing participation from all sectoral participants, in a national cybersecurity information sharing community, by facilitating meetings and encouraging collective participation in a national cybersecurity information sharing platform. The Office continues to work with its sectoral participants, government, and other stakeholders to develop a safe and trusted community focused on ensuring national cyber security.



FINANCIAL PERFORMANCE AND ANALYSIS

	1,822	12,349,000
	3,680	238,681,000
	1,062	85,678,000
	485	8,369,000
	8,569	189,301,000
	6,602	102,698,000
	890	24,697,000
	6,280	76,002,000
	2,436	57,610,000

SUMMARY OF PMFA OWNERSHIP AGREEMENT TARGETS

Pursuant to the PMFA, the Office is required to report on the status of the Ownership Agreement Targets for the Office that were agreed between Cabinet and the Board of Directors for the 2022 financial year.

Target	Deadline	Status
Modernise the licensing and regulatory policy framework to facilitate investment in innovation and development in the ICT sector to provide certainty to the market and protection to the consumers.	Dec 31, 2022	Ongoing - Licensing and regulatory framework has been drafted and will be presented for consultation in Q2 2023.
Establish a mechanism and framework for the protection of Critical National Infrastructure ('CNI') to improve system resiliency and reliability.	Dec 31, 2022	The framework has been drafted and will be presented for consultation in Q2 2023.
Implement strategies and policies to facilitate efficient use of the Islands communications infrastructure to enhance security, reliability, resiliency, and connectivity.	Dec 31, 2023	Scheduled for 2023
Promote and facilitate rollout of next-generation networks ('NGN') and testbeds in the Cayman Islands to improve efficiency and delivery of ICT services to consumers.	Dec 31, 2023	Scheduled for 2023
Undertake activities to ensure efficient use of infrastructure to promote and facilitate the ubiquitous rollout and innovative use of fibre networks to support and deliver high-speed broadband service.	Dec 31, 2023	Scheduled for 2023
Implement additional regulatory frameworks to support and give effect to the National Energy Policy objectives and targets for the electricity sector.	Dec 31, 2023	Scheduled for 2023
Develop a comprehensive regulatory framework to facilitate the introduction of LNG, CNG and commercial scale biodiesel.	Dec 31, 2023	Scheduled for 2023
Develop a Monitoring Framework for the fuels market to gauge the efficiency and effectiveness of regulatory interventions.	Dec 31, 2022	Ongoing
Create and introduce an energy rating system administered to assess the efficiency of onsite wastewater treatment systems.	Dec 31, 2022	Deferred to 2023
Advise on policy and establish a comprehensive regulatory framework for wastewater, the beneficial reuse of wastewater treatment products (effluent and bio solids) as a source of irrigation water, soil amendment and biogas generation.	Dec 31, 2022	Deferred to 2023

FINANCIAL TARGETS

Pursuant to subsection 52(2)(c) in the PMFA, the tables below show the execution against agreed financial targets for the 2022 financial year.

Financial Performance Measure	2022 Budget 12 Months \$ 000's	2022 Actual 12 Months \$000's
Revenue from Cabinet	1,758	1,608
Revenue from ministries, portfolios, statutory authorities and government companies	580	10
Revenue from other persons or organisations	4,600	4,444
Other expenses	6,740	5,525
Net Surplus	198	527
Total Assets	5,819	6,815
Total Liabilities	2,003	1,281
Net Worth	3,816	5,534
Cash flows from financing activities	(138)	1,424
Cash flows from financing activities	(613)	632
Cash flows from financing activities	-	-
Change in cash balances	(751)	2,056

Financial Performance Ratio	2022 Budget 12 Months \$ 000's	2022 Actual 12 Months \$ 000's
Current Assets: Current Liabilities	15.49:1	20.47:1
Total Assets: Total Liabilities	2.91:1	3.65:1

Human Capital Maintenance	2022 Budget 12 Months	2022 Actual* 12 Months
Total full time equivalent	35	27
Staff turnover (%)	Nil	4%
Average length of service (Number of Years)		
Senior management	6.05	6.13
Professional staff	4.84	6.48
Administrative Staff	14.13	14.13
Significant changes to personnel management	None	None

*Chief Operating Officer seconded from Cayman Islands Government

Physical Capital Measures	2022 Budget 12 Months	2022 Actual 12 Months
Value of total assets	5,819	27
Asset replacements: total assets	0.004:1	4%
Book value of depreciated assets: initial cost of those assets	0.41:1	
Depreciation: Cash flow on asset purchases	0.36:1	6.13
Changes to asset management policies	None	6.48

Major Capital Expenditure Projects	2022 Target \$	2022 Actual \$
Leasehold Improvements (Relocation of the Office)	200,000	-
Expansion of Local Laboratory Capacity	120,000	-
Total	320,000	-

Operating Statement	2022 Budget 12 Months \$ 000's	2022 Actual 12 Months \$000's
Revenue	6,938	6,052
Operating Expenses	6,740	5,525
Net Surplus	198	527

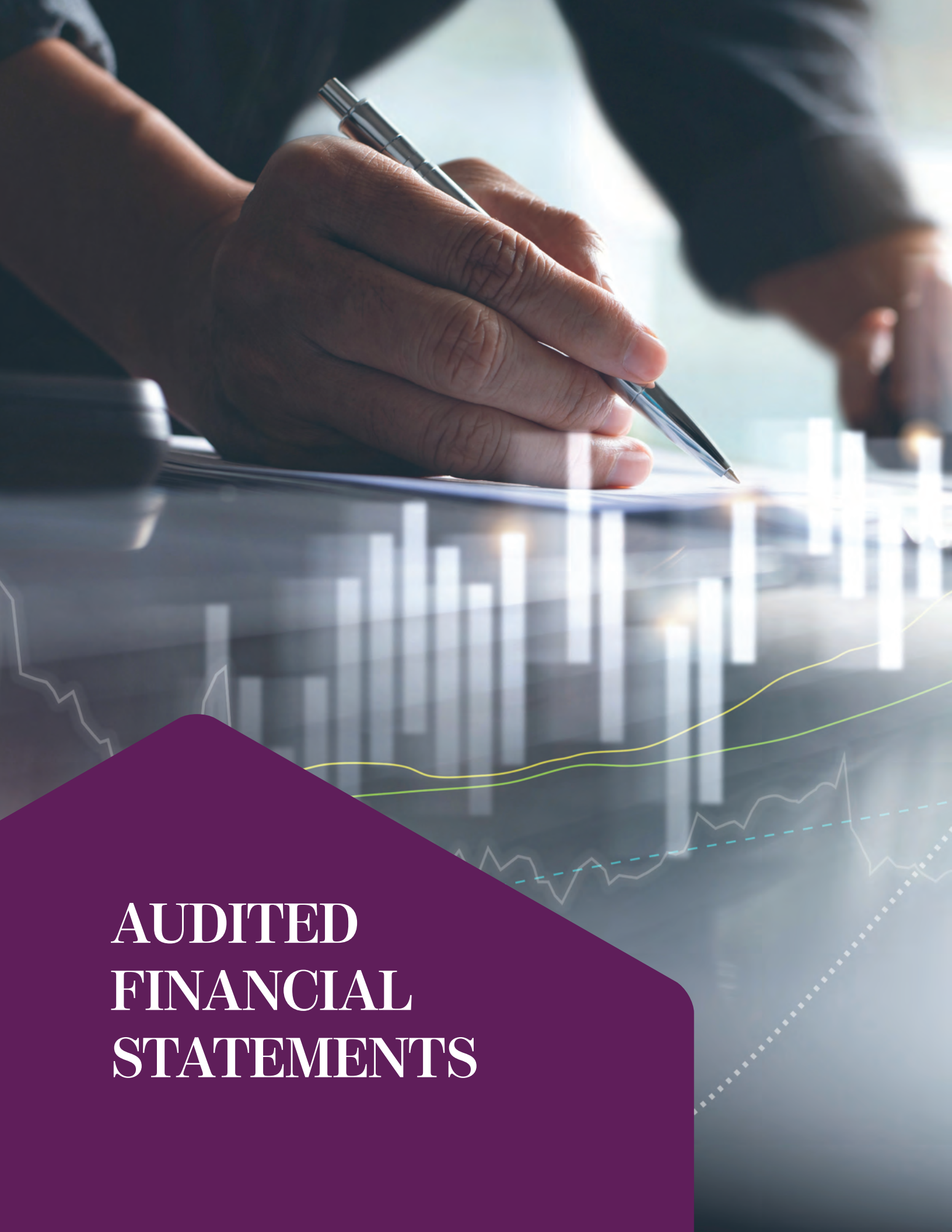
Balance Sheet	2022 Budget 12 Months \$ 000's	2022 Actual 12 Months \$000's
Assets	5,819	6,815
Liabilities	2,003	1,281
Net Worth	3,816	5,534

Statement of Cash Flows	2022 Budget 12 Months \$ 000's	2022 Actual 12 Months \$000's
Net cash flows from operating activities	(138)	1,424
Net cash flows from investing activities	(613)	632
Net cash flows from financing activities	-	-

Transaction	Amount for 2022 Target \$	Amount for 2022 Actual \$
Equity Investments into OfReg	Nil	Nil
Capital Withdrawals from OfReg	Nil	Nil
Dividend Distributions to be made by OfReg	Nil	Nil
Government Loans to be made to OfReg	Nil	Nil
Government Guarantees to be issued in relation to OfReg	Nil	Nil
Related Party Payments (Non-Remuneration) made to Key Management Personnel	Nil	Nil
Remuneration Payments made to Key Management Personnel	198,400	159,035
Remuneration Payments made to Senior Management	1,276,914	1,327,387

	Number for 2022 Target	Number for 2022 Actual*
No of Key Management Personnel	6	5
No of Senior Management	9	8

*Chief Operating Officer seconded from Cayman Islands Government

A close-up photograph of a hand holding a silver pen, writing on a document. The background is blurred, showing a person's arm and a computer screen displaying various financial charts, including a bar chart and line graphs. A large, solid purple triangle is positioned in the bottom-left corner, containing the text 'AUDITED FINANCIAL STATEMENTS' in white, bold, serif capital letters.

AUDITED FINANCIAL STATEMENTS

Utility Regulation and Competition Office

Financial Statements

31 December 2022

Utility Regulation and Competition Office

FINANCIAL STATEMENTS 31 December 2022

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Utility Regulation and Competition Office
Statement of Responsibility for the Financial Statements
31 December 2022

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 Acting Chairman of the Board and Interim Chief Executive Officer, 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 act, and properly record the financial transactions of the Utility Regulation and Competition Office.

As Acting Chairman of the Board and Interim Chief Executive Officer, 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 2022.

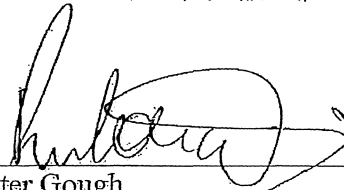
To the best of my knowledge, I represent that these financial statements:

- (a) completely and reliably reflect the financial transactions of the Utility Regulation and Competition Office for the year ended 31 December 2022;
- (b) fairly reflect the financial position as at 31 December 2022 and financial performance for the year ended 31 December 2022; 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.



Frank Balderamos
Acting Chairman



Peter Gough
Interim Chief Executive Officer

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 2022 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the year ended 31 December 2022, 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 2022 and its financial performance and its cash flows for the year ended 31 December 2022 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.



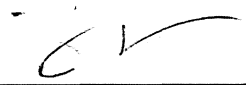
Angela Cullen, CPFA
Acting Auditor General

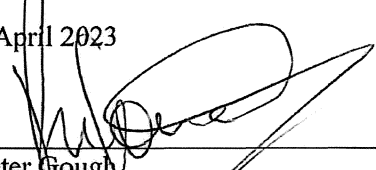
20 April 2023
Cayman Islands

Utility Regulation and Competition Office
Statement of Financial Position
As at 31 December 2022
(stated in Cayman Islands dollars)

		31 December 2022	31 December 2021
CURRENT ASSETS	Notes		
Cash and cash equivalents	3(a)	2,921,197	865,881
Short term investment	3(b)	19,575	1,425,095
Restricted cash	3(c)	2,200,000	1,627,000
Accounts receivable	4	1,192,019	1,630,907
Prepaid expenses		137,144	179,875
		6,469,935	5,728,758
NON-CURRENT ASSETS			
Property, plant and equipment	5	339,175	214,433
Intangible assets	6	6,269	6,638
TOTAL ASSETS		6,815,379	5,949,829
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	7	363,834	296,139
Collections payable to Government	8	825	1,961
LONG TERM LIABILITIES			
Defined benefit healthcare liability	10	755,000	984,000
Defined benefit pension liability	10	161,000	267,000
TOTAL LIABILITIES		1,280,659	1,549,100
NET ASSETS	9	5,534,720	4,400,729

Approved on behalf of the Board of Directors on the 20 of April 2023


Frank Balderamos
Acting 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 2022
(stated in Cayman Islands dollars)

	Notes	31 December 2022	31 December 2021
INCOME			
Regulatory fees	12	3,374,734	3,267,123
Services provided to Government	8,11	1,607,822	1,714,329
Licensing fees	14	383,555	381,143
.ky domain fees		223,637	197,991
Permit fees		112,592	97,269
Other income	13	349,704	125,231
TOTAL INCOME		6,052,044	5,783,086
EXPENSES			
Personnel costs	10,16	3,882,774	3,613,618
Professional and consultancy fees	17	433,166	303,002
General and administration costs	18	580,614	401,236
Lease of office space	15	233,765	137,906
Litigation costs	19	21,398	7,560
Directors' fees	8	175,538	103,273
Official travel and conferences		39,369	5,789
Depreciation and amortisation	5,6	76,379	50,676
Training		82,050	22,970
TOTAL EXPENSES		5,525,053	4,646,030
NET SURPLUS		526,991	1,137,056

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 2022
(stated in Cayman Islands dollars)

	Notes	Contributed Capital	General Reserve	Accumulated (Deficit)/Surplus	Other Comprehensive Income	Total Equity
Balance at 1 January 2021		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 pension plan		-	-	-	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
Balance at 1 January 2022		2,420,891	1,627,000	295,838	57,000	4,400,729
Net Surplus for the year		-	-	526,991	-	526,991
Remeasurement of defined benefit pension plan		-	-	-	607,000	607,000
Transfer to/from General Reserve	9	-	573,000	(573,000)	-	-
Balance at 31 December 2022		2,420,891	2,200,000	249,829	664,000	5,534,720

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 2022
(stated in Cayman Islands dollars)

	Note	31 December 2022	31 December 2021
CASH FLOW GENERATED FROM/(USED IN) OPERATING ACTIVITIES			
Net surplus for year		526,991	1,137,056
Adjustment for non-cash transactions:			
Non-cash defined benefit cost	10	272,000	321,000
Depreciation and amortisation	5,6	76,379	50,676
Prior period adjustment		-	23,982
		875,370	1,532,714
Net changes in non-cash operating balances:			
Accounts receivable		438,887	(156,633)
Prepaid expenses		42,731	(76,138)
Accounts payable and accrued expenses		67,695	(326,455)
Collections payable to Government		(1,136)	(2,086,917)
Net cash generated from/(used in) operating activities		1,423,547	(1,113,429)
CASH FLOW GENERATED FROM/(USED IN) INVESTING ACTIVITIES			
Transfer from/(to) fixed deposit		1,405,520	(1,425,095)
Transfer to restricted cash		(573,000)	(1,627,000)
Purchase of property, plant and equipment		(200,751)	(132,659)
Purchase of intangibles		-	(6,638)
Net cash generated from/(used in) investing activities		631,769	(3,191,392)
CASH FLOW GENERATED FROM FINANCING ACTIVITIES			
Net cash generated from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents during the year		2,055,316	(4,304,821)
Cash and cash equivalents at beginning of the year		865,881	5,170,702
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,921,197	865,881

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 2022
(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 2022, the Office had 26 employees (December 2021: 24 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. The 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 2022 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
For the Year Ended 31 December 2022
(stated in Cayman Islands dollars)

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 in the next financial year.

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 in the next financial year.

IPSAS 43, Leases was issued in January 2022 and shall be applied for financial statements covering periods beginning on or after 1 January 2025. IPSAS 43 sets out recognition, measurement, presentation and disclosure requirements for leases. IPSAS 43 introduces a right of use model that replaces the risk and reward incidental to ownership model in IPSAS 13. It is anticipated that IPSAS 43 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 44, Non-current assets held for sale issued in January 2022 and shall be applied for financial statements covering periods beginning on or after 1 January 2025. IPSAS 44 defines non-current assets held for sale and determines the accounting, presentation and disclosure of discontinued operations. It is anticipated that IPSAS 44 will not have an impact on the Office's financial statements, but will be assessed more fully closer to the effective date of adoption.

(b) Use of estimates

The preparation of financial statements in accordance with IPSAS 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 2022 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 2022 which was approved by the Parliament on 8 December 2021.

(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.

Utility Regulation and Competition Office
Notes to the Financial Statements
For the Year Ended 31 December 2022
(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(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.

(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 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 depreciated 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 method and useful life annually to ensure that they are consistent with the expected economic benefits from property, plant and equipment.

(i) 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.

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

(j) 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) (a) 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.

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. The recovery of investigation costs may be included with the Administrative fine, and the recovery is recognised as revenue in the year that the fine is issued.

All application and licence fees are non-refundable.

Utility Regulation and Competition Office
Notes to the Financial Statements
For the Year Ended 31 December 2022
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2. Significant accounting policies (continued)

(k) 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.

(l) Financial instruments

(i) Classification

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

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 liabilities.

(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.

(m) 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.

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

(n) 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.

(o) 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).

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% (2021: 0.4%) of each employee's monthly salary. This 0.4% (2021:0.4%) 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.

Utility Regulation and Competition Office
Notes to the Financial Statements
For the Year Ended 31 December 2022
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2. Significant accounting policies (continued)

(p) 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.

3. Cash, cash equivalents and Short-term investments

(a) Cash on hand and deposits

	31 December 2022	31 December 2021
Cash on Hand	3,500	1,500
Fixed Deposits	300,000	91,351
Current and Savings accounts	2,617,697	773,030
Total cash and cash equivalents	2,921,197	865,881

(b) Short-term investments

Short-term investments of \$19,575 (2021: \$1,425,095) 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 \$2,200,000 (2021: 1,627,000) is comprised of short-term deposits held with the Bank of Butterfield (Cayman). Restricted Cash is held for the General Reserve Fund.

4. Accounts receivable

	31 December 2022	31 December 2021
Accounts receivables - Trade	618,601	590,903
Receivable from Government	420,832	890,607
Receivable from Water Authority Cayman	113,423	135,683
Other receivables	93,811	49,054
Allowance for doubtful accounts	(54,648)	(35,340)
Trade and other receivables	1,192,019	1,630,907

The total trade and other receivables below represent the net of receivables and allowance for doubtful accounts.

Period Outstanding (Days)	31 December 2022	31 December 2021
0-30	1,160,973	1,080,597
30-90	31,016	543,324
Over 90	30	6,986
Total	1,192,019	1,630,907

Utility Regulation and Competition Office
Notes to the Financial Statements
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4. Accounts receivable (continued)

The bad debts expense recorded in the statement of financial performance is \$24,770 (2021: nil) and 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. The changes in the allowance for doubtful accounts is detailed as follows:

	2022	2021
Opening allowance for doubtful accounts	(35,340)	(34,428)
Net increase in allowance	(24,770)	(912)
Write off of customer balances	5,462	-
Closing allowance for doubtful accounts	(54,648)	(35,340)

5. Property, plant and equipment

2022	Office equipment and furniture	IT equipment	Motor vehicles	Leasehold improvements	Other equipment	Total
Cost						
Balance at beginning of year	44,303	268,155	236,648	13,887	80,602	643,595
Additions	63,746	48,414	35,801	-	52,790	200,751
Balance at end of year	108,049	316,569	272,449	13,887	133,392	844,346
Accumulated depreciation						
Balance at beginning of year	31,141	214,520	160,420	289	22,792	429,162
Charge for the year	6,140	32,078	24,108	2777	10,906	76,009
Balance at end of year	37,281	246,598	184,528	3,066	33,698	505,171
Net Book Value at December 31, 2022	70,768	69,971	87,921	10,821	99,694	339,175
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

Utility Regulation and Competition Office
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6. Intangible assets

	31 December 2022	31 December 2021
Cost		
Balance at beginning of year	14,426	7,788
Additions	-	6,638
Balance at end of year	14,426	14,426
Accumulated amortisation		
Balance at beginning of year	7,788	7,788
Charge for year	369	-
Balance at end of year	8,157	7,788
Net Book Value	6,269	6,638

7. Accounts payable and accrued liabilities

	31 December 2022	31 December 2021
Accounts payable	194,222	60,150
Accrued expenses	163,226	166,309
Other	6,386	69,680
Total	363,834	296,139

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:

Year	Amount Collected - C\$
Q1	1,988,891
Q2	2,164,172
Q3	2,259,903
Q4	2,300,742
Total	8,713,708

At the end of the year, the amount that remains outstanding as a payable to Government is \$825 (2021: \$1,961).

The Government paid the Office \$1,607,822 (2021: \$1,714,329) during the year to provide the services outlined in the Purchase Agreement. At the end of the year, \$420,832 (2021: \$890,607) remained outstanding as a receivable.

Utility Regulation and Competition Office
Notes to the Financial Statements
For the Year Ended 31 December 2022
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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 2022 was \$639,934 (2021:\$560,475).

Public Service Pension Plan

As detailed in Note 10, the Office on behalf of its eligible employees paid contributions of \$246,889 (2021: \$256,088) to the Public Service Pensions Plan during the year.

Key Employee Benefits

The key employees of the Office includes the four (2021: four) Executive Members of the Board. In accordance with IPSAS 20, the aggregate remuneration of key management personnel are shown below:

	31 December 2022*	31 December 2021
Salaries and short-term employee benefits	735,235	648,751
Other employee benefits**	374,585	131,000

*The former Chief Executive Officer left the organization in February 2022. The position was filled with an Interim Chief Executive Officer in March 2022, with terms that differ from the former Chief Executive Officer. The former Executive Director Information's contract ended in August 2020. The position remained vacant until January 2022.

**Included in Other Employee Benefits are post-retirement healthcare costs for one Executive Director, post-retirement pension costs for one Executive Director and final costs paid to the former Chief Executive Officer.

In September 2018, the Government seconded a Chief Operating 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 three new Non-Executive Board Members following the expiration of two former Non-Executive Board Members' terms in 2022 and the resignation of one Non-Executive Board Member to assume a public service position in another statutory authority. The fees paid to the Non-Executive Board Members and the Risk & Audit Subcommittee Chair for the year ended December 31, 2022 was \$167,035 (2021: 101,702). There were no loans granted to key management personnel or their close relatives during the year (2020: \$nil).

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8. Related party balances and transactions (continued)

During the year, the Office continued to receive services from Tower Marketing as per the contract signed in 2021. The agreement had a commencement date of September 2021, and the contract relates to the provision of public relations services. The total amount paid to Tower Marketing during 2022 was \$79,444. In October 2021, the Cabinet of the Cayman Islands Government appointed a Non-Executive Director and the Office's Register of Interest indicates that there is a close family relationship between this Director and the owner of Tower Marketing that must be disclosed in accordance with IPSAS 20. The related party transactions were made on terms equivalent to those that prevail in arm's length transactions. The Director resigned as a member of the Board of Directors effective November 2022.

During the year, the Office continued to receive services from CITS as per the contract signed in 2017. The contract relates to the provision of information technology services. The total amount paid to CITS during 2022 was \$45,000. In October 2021, the Cabinet of the Cayman Islands Government appointed a Non-Executive Director and the Office's Register of Interest indicates that there is a close family relationship between this Director and the owner of CITS that must be disclosed in accordance with IPSAS 20. The related party transactions were made on terms equivalent to those that prevail in arm's length transactions. The Director resigned as a member of the Board of Directors effective May 2022.

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 Pensions Plan

During the current year, the Office recognised pension expenses under salaries and employee benefits of \$286,009 (2021: \$297,795) paid to the Public Service Pensions Fund and the Silver Thatch Pensions Fund.

Public Service Defined Benefit Plan

The Office has three employees (2021: 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 \$57,000 (2021: \$62,000).

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.

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 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:

	2022	2021
	\$'000	\$'000
Defined benefit obligation	665	837
Fair value of plan assets	504	570
Funded status	161	267
Net liability	161	267

The change in defined benefit obligation is as follows:

	2022	2021
	\$'000	\$'000
Defined benefit obligation at end of prior year	837	817
Service cost	72	79
Interest expense	22	18
Cash flows	17	18
Other significant events	-	-
Remeasurements	(283)	(95)
Effect of changes in foreign exchange rates	-	-
Defined benefit obligation at end of year	665	837

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

	2022	2021
	\$'000	\$'000
Fair value of plan assets at end of prior year	570	465
Interest income	16	11
Cash flows - employer and participant contributions	38	42
Other significant events	-	-
Remeasurements	(120)	52
Effect of changes in foreign exchange rates	-	-
Fair value of plan assets at end of year	504	570

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 net defined benefit liability (asset) reconciliation:

	2022	2021
	\$'000	\$'000
Net defined benefit liability as of beginning of year	267	352
Defined benefit cost included in P&L	78	86
Total remeasurements included in OCI	(163)	(147)
Other significant events	-	-
Cash flows	(21)	(24)
Credit to reimbursements	-	-
Effect of changes in foreign exchange rates	-	-
Net defined benefit liability as of end of year	161	267

The components of defined benefit cost is as follows:

	2022	2021
	\$'000	\$'000
Service cost	72	79
Net interest cost	-	-
Interest expense on DBO	22	18
Interest (income) on plan assets	(16)	(11)
Total net interest cost	6	7
Remeasurements of other long term benefits	-	-
Administrative expenses and taxes	-	-
Defined benefit cost included in P&L	78	86
Remeasurements (recognized in other comprehensive income)		
Effects of changes in demographic assumptions	-	1
Effects of changes in financial assumptions	(349)	(77)
Effect of experience adjustments	66	(19)
(Return) on plan assets (excluding interest income)	120	(52)
(Return) on reimbursement rights (excluding interest income)	-	-
Changes in asset ceiling/onerous liability (excluding interest income)	-	-
Total remeasurements included in OCI	(163)	(147)
Total defined benefit cost recognized in P&L and OCI	(85)	(61)

Utility Regulation and Competition Office
Notes to the Financial Statements
For the Year Ended 31 December 2022
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10. Post-retirement benefits (continued)

Public Service Defined Benefit Plan (continued)

The sensitivity analysis on defined benefit obligation is shown below:

	2022	2021
1. Discount rate		
a. Discount rate – 25 basis points	708	901
b. Discount rate +25 basis points	625	778
2. Inflation rate		
a. Inflation rate – 25 basis points	624	780
b. Inflation rate + 25 basis points	709	898
3. Mortality		
a. Mortality – 10% of current rates	677	858
b. Mortality + 10% of current rates	654	817

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

	2022	2021
Expected employer contributions	28	19

The significant actuarial assumptions are presented below:

	2022	2021
1. Discount rate	5.40%	2.90%
2. Rate of salary increase	5.0% in 2023, 4.00% in 2024 and 3.7% thereafter	2.50%
3. Rate of price inflation	4.0% in 2023, 2.40% in 2024 and 2.0% thereafter	2.00%
4. Rate of pension increases	4.0% in 2023, 2.40% in 2024 and 2.0% thereafter	2.00%
5. Post-retirement mortality table	100% RP-2014 generationally projected using scale MP-2021	100% RP-2014 generationally projected using scale MP-2021
6. Cost method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value

	2022	2021
1. Discount rate	2.95%	2.70%
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	100% RP-2014 generationally projected using scale MP-2021	100% RP-2014 generationally projected using scale MP-2020

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Notes to the Financial Statements
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10. Post-retirement benefits (continued)

Public Service Defined Benefit Plan (continued)

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 year, 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 year, January 1 2022 to December 31, 2022 was 17.60% per annum. Similar internal accounting is used for developing each participating entity’s share of the asset portfolio of the Fund.

The valuations are based on the asset values as at 31 December 2022 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% (2021: 80%) equities and 20% (2021:20%) bonds. As at 31 December 2022, the Fund was invested as follows:

Plan Assets by Asset Category	2022		2021	
	\$000	Percentage	\$000	Percentage
Global equities securities	767,353	81%	945,780	82%
Debt securities	175,678	18%	190,942	17%
Cash and Receivables	7,991	1%	7,275	1%
Total	951,022	100%	1,143,997	100%

The Defined Contribution portion of the Fund totaled to \$572,783,600 as at December 31, 2022 (2021: \$529,783,300) 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 2022 is \$504,100 (2021:\$570,100).

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 2022 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	2022	2021
Discount rate		
-BOY disclosure and current year expense	2.90%	2.60%
-EOY disclosure and current year expense	5.40%	2.90%
Following year service cost	5.35%	2.95%
Rate used to determine interest on defined benefit obligation and plan assets for following year	5.35%	2.65%
Rate used to determine interest on current service cost for following year	5.40%	2.85%
Increases in pensionable earnings	5.00% in 2023, 4.00% in 2024 and 3.70% per year thereafter	2.50%
Rate of pension increases	4.00% in 2023, 2.40% in 2024 and 2.00% per year thereafter	2.00%

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10. Post-retirement benefits (continued)

Public Service Defined Benefit Plan (continued)

Actuarial Assumptions (continued)

	2022	2021
Mortality		
BOY disclosure and current year expense	100% of the rates of the RP-2014 Mortality Table, generational projections using Scale MP-2021	100% of the rates of the RP-2014 Mortality Table, generational projections using Scale MP-2020
EOY disclosure and following year expense	100% of the rates of the RP-2014 Mortality Table, generational projections using Scale MP-2021	100% of the rates of the RP-2014 Mortality Table, generational projections using Scale MP-2021
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): 28.69	Retiring today (member age 57): 28.61
	Retiring in 25 years (member age 57): 30.84	Retiring in 25 years (member age 57): 30.75
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 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 \$755,000 at the year ended December 31, 2022 (2021: \$984,000).

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

	2022	2021
	\$'000	\$'000
Defined benefit obligation	755	984
Fair Value of plan assets	-	-
Funded status	755	984
Net liability	755	984

The change in defined benefit obligation is as follows:

	2022	2021
	\$'000	\$'000
Defined benefit obligation at end of prior year	984	1,008
Service cost	187	235
Interest expense	28	24
Remeasurements		
Effect of changes in demographic assumptions	190	(2)
Effect of experience adjustments	(590)	(288)
Effect of changes in financial assumptions	(44)	7
Defined benefit obligation at end of year	755	984

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10. Post-retirement benefits (continued)

Defined Benefit Healthcare Plan (continued)

The components of defined benefit cost is as follows:

	2022	2021
	\$'000	\$'000
Service cost	187	235
Net interest cost		
Interest expense on DBO	28	24
Defined benefit cost included in P&L	215	259
Remeasurements (recognized in other comprehensive income)		
Effects of changes in demographic assumptions	190	(2)
Effects of changes in financial assumptions	(590)	(288)
Effect of experience adjustments	(44)	7
Total remeasurements included in OCI	(444)	(283)
Total defined benefit cost recognized in P&L and OCI	(229)	(24)

The net defined benefit liability (asset) reconciliation:

Net defined benefit liability reconciliation	2022	2021
	\$'000	\$'000
Net defined benefit liability as of beginning of year	984	1,008
Defined benefit cost included in P&L	215	259
Total remeasurements included in OCI	(444)	(283)
Other significant events	-	-
Cash flows	-	-
Effect of changes in foreign exchange rates	-	-
Net defined benefit liability as of end of year	755	984

Defined benefit obligation	2022	2021
Defined benefit obligation by participant status		
a. Actives	755	984
b. Vested deferreds	-	-
c. Retirees	-	-
Total	755	984

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10. Post-retirement benefits (continued)

Defined Benefit Healthcare Plan (continued)

The significant actuarial assumptions are presented below:

Significant actuarial assumptions	2022	2021
<i>Weighted-average assumptions to determine defined benefit obligation</i>		
Effective discount rate for defined benefit obligation	5.35%	2.95%
Health care cost trends		
Immediate trend rate	5.28%	5.33%
Ultimate trend rate	4.00%	4.00%
Year rate reaches ultimate trend rate	2045	2045
Mortality assumption	RP-2014 projected with MP-2021	RP-2014 projected with MP-2021
Duration (in years)	N/A	N/A
<i>Weighted-average assumptions to determine defined benefit cost</i>		
Effective discount rate	2.95%	2.70%
Effective rate for net interest cost	2.83%	2.40%
Effective discount rate for service cost	2.95%	2.75%
Effective rate for interest on service cost	2.98%	2.75%
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	N/A

The sensitivity analysis on defined benefit obligation is shown below:

Sensitivity Analysis	2022	2021
<i>Change in defined benefit obligation</i>		
a. Effective Discount rate – 25 basis points	59	82
b. Effective Discount rate +25 basis points	(54)	(75)
Health care cost trend rates – 100 basis points	(192)	(267)
Health care cost trend rates + 100 basis points	266	377
b. Mortality + 10% of current rates	(32)	(44)

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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 2022 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 2022	31 December 2021
ICT	1,519,800	1,491,648
Electricity	1,215,000	1,215,000
Water	639,934	560,475
Total Regulatory Fees	3,374,734	3,267,123

13. Other income

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

	31 December 2022	31 December 2021
Administrative fines	225,000	21,000
Contributions from external agencies	67,204	-
License application and renewal Fees	5,250	87,250
Interest on fixed deposits	4,021	1,000
Other income	48,229	15,981
Total Other Income	349,704	125,231

During the year ended 31 December 2022, the Office imposed an administrative fine of \$225,000 on Rubis Cayman Islands Limited in relation to non-compliance and breaches of the Dangerous Substances Act which resulted in a tank leak in 2019. Included in the amount, are fees related to investigative costs that were recovered from Rubis Cayman Islands Limited.

The Office received a contribution from the United Kingdom Maritime and Coastguard Agency (“UK MCA”) totaling to \$67,204 (2021: nil) which is recognized as Other Income. A portion of the total contribution covers expenses related to technical consultancy for a full marine-code review of oil companies and marina operations which occurred during the year. The expense for this consultancy work totals to \$31,404 and is recognized in Professional and Consultancy Fees. The UK MCA also contributed \$35,800 to purchase a vehicle dedicated for marine oil spill response. The vehicle was purchased during the year and is recognized in Property, plant and equipment. The UK MCA made commitments to the Cayman Islands Government to assist with the strengthening of the jurisdiction’s capacity to maintain and ensure compliance in our marine environment, particularly at oil handling facilities which are regulated by the Office.

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14. Licensing fees

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

	31 December 2022	31 December 2021
Spectrum Allocation Fees	139,113	148,361
Ship Radio Licensing	131,678	149,643
Type Approvals	74,784	51,469
Aircraft Radio Licensing	24,379	26,410
Other Radio Licensing	13,601	5,260
Total Licensing Fees	383,555	381,143

15. Contingencies and Commitments

(a) Contingencies

Liability to the Cayman Islands Government – Compliance with the Public Authorities Act, (2020 Revision)

The Office is required to comply with The Public Authorities Act, (2020 Revision), (the “PAA”). Section 36(1) of the PAA requires public authorities to pay an annual capital charge for the use of equity invested by the Government in the Office. The capital charge is set by the Minister of Finance and Economic Development (“the Ministry”) after consultation with the public authority’s board. There is no capital charge payable for 2022 (2021: \$0) because the rate for the 2022 financial year was set at 0%. Going forward, the Office may be required to pay a capital charge in accordance with the PAA for future equity investments by the Government.

Under Section 39(2) of the PAA, any surplus cash exceeding three months’ reserve should be paid to the Cayman Islands Government, unless directed otherwise by Cabinet, after consultation with the Board. The Cabinet has granted the exemption to public authorities from paying over surplus cash reserves as at 31 December 2022.

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 Ministry after written consultation with the Board, unless otherwise directed by Cabinet. The Ministry has advised the Office that it will not be required to pay a dividend out of its surplus because its operations are not self-sustaining. Going forward, the Office may be required to pay a dividend in accordance with Government’s policy for the payment of annual dividends unless the Office continues to satisfy the exemption criteria noted under the policy.

(b) Commitments

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 \$233,765 (2021: \$57,506).

Contractual Obligations

During 2022, the Office entered into several agreements with vendors to provide consultancy services for all of the sectors. The type of services includes legal regulatory assistance, economic regulatory assistance, rate reviews and a Value of Solar Study. The Office also entered into an agreement to purchase testing equipment for the Fuels Sector.

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15. Contingencies and Commitments (continued)

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	244,986	729,814	-	974,800
Agreements with Consultants	199,823	28,613	-	228,436
Purchase of Equipment	61,133	-	-	61,133
Total Commitments	505,942	758,427	-	1,264,369

16. Personnel Costs

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

	31 December 2022	31 December 2021
Salaries	2,747,619	2,403,389
Health insurance	452,230	485,094
Pension	288,451	297,795
Post-retirement benefit costs	272,000	321,000
Work permit fees	82,774	82,154
Other	39,700	24,186
Total personnel costs	3,882,774	3,613,618

17. Professional and consultancy fees

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

	31 December 2022	31 December 2021
Consultancy Fees	351,462	225,959
Audit Fees	61,765	70,427
Professional Fees	19,939	6,616
Total Professional & Consultancy Fees	433,166	303,002

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18. General and administration costs

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

	31 December 2022	31 December 2021
Utilities	88,445	71,923
IT Services	132,453	113,147
Subscriptions and Contributions	44,838	53,439
Office Administration Expenses	198,545	85,512
Bad Debt Expense	24,770	(394)
Bank Charges	12,179	12,912
Insurance	24,797	20,947
Other Expenses	54,587	43,750
Total General and Administrative Costs	580,614	401,236

19. Litigation costs

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

	31 December 2022	31 December 2021
Legal Fees	21,398	7,560
Total Litigation Costs	21,398	7,560

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 accrued 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 2022.

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.

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20. Financial risk management objectives and policies (continued)

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 2022, 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 2022, is as follows:

	31 December 2022	31 December 2021
Cash and Cash equivalents	2,921,197	865,881
Short Term Deposits	19,575	1,425,095
Restricted Cash	2,200,000	1,627,000
Accounts Receivable	1,192,019	1,630,907
Maximum exposure	6,332,791	5,548,883

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. Judicial review

The application for Leave to Apply for Judicial Review was made to the Grand Court by ICT Licensee FLOW against the Office. The application has been heard and allowed by the Grand Court. The application concerned a determination made by the Office on an infrastructure sharing dispute. The Court has not set a date for hearing, however, the Office has retained legal counsel for representation. There is a possibility that the Office may be required to pay certain legal costs, if the defence of the application is not successful. The precise level of costs that the Licensee will seek if successful cannot be determined at this time.

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23. Segment reporting

	ICT Sector	Electricity Sector	Fuel Sector	Water Sector	Consolidated
	2022	2022	2022	2022	2022
	\$	\$	\$	\$	\$
Revenue					
Outputs from Cabinet	169,572	12,909	1,419,125	6,216	1,607,822
Revenue from external sources	2,176,592	1,217,621	408,813	641,196	4,444,222
Total revenue	2,346,164	1,230,530	1,827,938	647,412	6,052,044
Expenses					
Personnel	1,285,577	812,415	1,325,901	458,881	3,882,774
Supplies and consumables	567,959	258,437	366,615	122,609	1,315,620
Depreciation	30,783	11,708	28,251	5,637	76,379
Other expenses	148,395	31,503	57,901	12,481	250,280
Total expenses	2,032,714	1,114,063	1,778,668	599,608	5,525,053
Surplus from operating activities	313,450	116,467	49,270	47,804	526,991
Assets					
Accounts receivable	371,431	328,226	486,526	5,836	1,192,019
Prepayments	47,796	34,451	43,336	11,561	137,144
Property, plant and equipment	110,267	23,521	203,760	1,627	339,175
Total assets (excluding Cash & Cash Equivalents and Short-Term Investments)	529,494	386,198	733,622	19,024	1,668,338
Liabilities					
Current liabilities	185,976	80,661	80,374	17,648	364,659
Long term liabilities	109,158	17,497	780,921	8,424	916,000
Total liabilities	295,134	98,158	861,295	26,072	1,280,659

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23. Segment reporting (continued)

	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	528,912	335,196	45,764	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

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 2022 Actual	31 December 2022 Budget	31 December 2022 Variance	Note
CURRENT ASSETS				
Cash and cash equivalents	2,921,197	1,841,683	1,079,514	1
Short term investments	2,219,575	1,200,000	1,019,575	2
Accounts receivable	1,192,019	1,710,086	(518,067)	3
Prepaid expenses	137,144	150,000	(12,856)	
	6,469,935	4,901,769	1,568,166	
NON-CURRENT ASSETS				
Property, plant and equipment	339,175	874,464	(535,289)	4
Intangible assets	6,269	43,000	(36,731)	
TOTAL ASSETS	6,815,379	5,819,233	996,146	
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	363,834	316,543	(47,291)	
Collections payable to Government	825	-	(825)	
LONG TERM LIABILITIES				
Defined benefit healthcare liability	755,000	1,264,000	509,000	5
Defined benefit pension liability	161,000	422,000	261,000	5
	1,280,659	2,002,543	721,884	
NET ASSETS	5,534,720	3,816,690	(1,718,030)	6
	-			
TOTAL LIABILITIES AND NET ASSETS	6,815,379	5,819,233	(996,146)	

Note 1 – Higher cash on hand due to delays in capital expenditure and delays in filling vacant and new positions.

Note 2 – Short term investments relate to General Reserve; budget amount anticipated that a portion of the General Reserve would have been invested, and the remainder would have been included in Cash and Cash Equivalents. The actual balance was also increased due to the pending Judicial Review. The costs related to the Judicial Review were not planned and therefore not included in the original budget.

Note 3 – Lower Accounts receivable is due mainly to lower regulatory fees than budgeted.

Note 4 – The capital expenditure forecasted for 2021 and budgeted for 2022 was \$438,685 and \$553,000 respectively. As at December 31, 2022, the actual spend for both years was \$306,847. The major projects that have been delayed are the leasehold improvements and the purchase of equipment for the fuels sector.

Note 5 – Unbudgeted changes to the liability related to financial assumptions.

Note 6 – The net assets are higher than budgeted due mainly to higher assets than budgeted.

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24. Budget variances (continued)

Statement of Financial Performance	31 December 2022	31 December 2022	31 December 2022	Note
	Actual	Budget	Variance	
REVENUE				
Sales of goods and services	5,702,340	6,820,084	(1,117,744)	7
Other revenue	349,704	118,099	231,605	8
TOTAL REVENUE	6,052,044	6,938,183	(886,139)	
EXPENSES				
Personnel costs	3,882,774	4,288,965	406,191	9
Purchase of services	1,042,421	1,640,319	597,898	10
Lease of property and equipment	233,765	229,089	(4,676)	
Litigation costs	21,398	-	(21,398)	
Travel and Subsistence	39,369	62,000	22,631	
Depreciation & amortisation	76,379	220,420	144,041	11
Recruitment and training	82,050	131,450	49,400	12
Utilities	88,445	86,325	(2,120)	
General insurance	24,797	74,500	49,703	13
Supplies and materials	8,885	7,300	(1,585)	
Bad Debt expense	24,770	-	(24,770)	
TOTAL EXPENSES	5,525,053	6,740,368	1,215,315	
NET SURPLUS	526,991	197,815	329,176	14

Note 7 – The unfavourable variance of \$1,117,744 is due mainly to the delay in the implementation of the long-term regulatory fee mechanism for the Water Sector and also lower fees in the ICT sector than budgeted. (Refer to Note 8 of the notes to the financial statements for further information on the regulatory fee mechanism for the Water Sector).

Note 8 – The favorable variance is due to an unbudgeted Administrative Fine to Rubis Cayman Islands Limited. (Refer to Note 13 of the notes to the financial statements for further information).

Note 9 – Personnel Costs are lower than budget due to a delay in filling vacant and new positions. This is partially offset by unbudgeted defined benefit healthcare and pension costs.

Note 10 - Purchase of Services is favourable to budget due mainly to the following:

Lower Professional and consultancy fees – Included in the budget was an amount of \$719,500, however, the Office only spent \$308,099. The unspent portion relates to license negotiation costs for the Water sector and costs planned for a Network & Service Mapping Audit and a Spectrum audit for the ICT sectors.

Lower Software Licensing Fees – Included in the budget was an amount of \$200,000 related to software licensing for a Quality-of-Service system for Broadband which has not been spent.

Note 11 - Depreciation is favorable to budget due to the deferral of significant capital expenditure. (See Note 4 on page 34)

Note 12 – Recruitment and Training Costs were lower than budget due to delays in hiring and also training costs for the ICT sector not spent.

Note 13 – The favorable variance is due to the budget for professional indemnity not being spent. The URC Act was amended to provide the required indemnity coverage.

Note 14 - The Net Surplus is favourable to budget by 166% due mainly to lower expenses of by \$1,215,315 partially offset by lower revenues of \$886,139.

Utility Regulation and Competition Office
Notes to the Financial Statements
For the Year Ended 31 December 2022
(stated in Cayman Islands dollars)

24. Budget variances (continued)

Statement of Cash Flows	31 December 2022	31 December 2022	31 December 2022	Note
	Actual	Budget	Variance	
CASH FLOW (USED IN)/ GENERATED FROM OPERATING ACTIVITIES				
Net comprehensive surplus for year	526,991	197,815	329,176	15
Adjustment for non-cash transactions:				
Depreciation and amortisation	76,379	220,420	(144,041)	16
Defined benefit plans	272,000	-	272,000	17
	875,370	418,235	457,135	
Net changes in non-cash operating balances:				
(Increase)/decrease in:				
Accounts receivable	438,887	(371,407)	810,294	18
Prepaid expenses	42,731	(46,263)	88,994	
Collections payable to Government	67,695	(39,427)	107,122	
Accounts payable and accrued Expenses	(1,136)	(138,437)	137,301	19
Net cash generated from/(used in) operating activities	1,423,547	(177,299)	1,600,846	
CASH FLOW (USED IN)/ GENERATED FROM INVESTING ACTIVITIES				
Transfer to fixed deposit	1,405,520	-	1,405,520	20
Transfer to restricted cash	(573,000)	-	(573,000)	21
Purchase of property, plant and equipment	(200,751)	(613,000)	412,249	22
Purchase of intangible assets	-	-	-	
Net cash generated from/(used in) investing activities	631,769	(613,000)	1,244,769	
CASH FLOW GENERATED FROM FINANCING ACTIVITIES				
Net cash generated from financing activities	-	-	-	
	-	-	-	
Net increase in cash and cash equivalents during the year	2,055,316	(790,299)	2,845,615	
Cash and cash equivalents at beginning of the year	865,881	2,592,555	(1,726,674)	
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,921,197	1,802,256	1,118,941	

Note 15 - The Net Surplus is favourable to budget by 166% due mainly to lower expenses of by \$1,238,659 partially offset by lower revenues of \$886,139.

Note 16 - Depreciation is favorable to budget due to the deferral of significant capital expenditure. (See Note 4 on page 34)

Utility Regulation and Competition Office
Notes to the Financial Statements
For the Year Ended 31 December 2022
(stated in Cayman Islands dollars)

24. Budget variances (continued)

Note 17 - Non-Cash Defined Benefit Costs are higher than budgeted due to unbudgeted defined benefit health care and pension costs for eligible employees.

Note 18 – The change in Accounts Receivable is higher than budget due to lower outstanding receivables than budgeted. The budget anticipated an increase in the Accounts Receivable balance year over year, however, the actual amount reflects a decline in the Accounts Receivable balance.

Note 19 – The budget anticipated a significant reduction in Accounts Payable & Accrued Expenses at the end of the year, however, there actual change in the Accounts Payable & Accrued Expenses balance was minimal, due to a number of ongoing consultancy contracts.

Note 20 – Higher fixed deposit amounts due to favorable exchange rates offered by the bank.

Note 21 – Increase in General Reserve due to unplanned Judicial Review.

Note 22 – Lower capital expenditures than planned due to delays in leasehold improvements and purchase of equipment for the fuels sector.

25. Subsequent events

Key Management Personnel Changes

In January 2023, the Office bid farewell to the former Executive Director Energy & Utilities and the former Executive Director Fuels/Chief Fuel Inspector. This event has no impact on the 2022 financial statements, however, the impact on the 2023 financial statements is \$56,736 due to a settlement made to one Executive Director. The Office has begun the process of recruitment for an Executive Director Energy, Fuels and Utilities.



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