



# 2018 Annual Report

May 2020



# Introduction

This is the 2018 Annual Report for the Utility Regulation and Competition Office of the Cayman Islands (the 'Office' or 'OfReg').

The Office's financial and operational year commenced on 1st January and ended 31st December 2018. Financial statements in this report have been independently audited pursuant to the Utility Regulation and Competition Law (2018 Revision) ('URC'), and the Public Management and Finance Law (2018 Revision) ('PMFL') and unless otherwise stated are reported in Cayman Islands dollars.

This report is compliant with core government reporting requirements outlined in Section 52 of the PMFL and Section 43 of the URC Law. This report is intended for review by the Office's stakeholders, to which the Office is accountable.

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# Foreword: Message from the Chair

It is my pleasure to present the second Annual Report of the Utility Regulation and Competition Office ('OfReg' or the 'Office'). This report presents the performance and accomplishments achieved over the period 1 January 2018 to 31 December 2018 and fulfils the statutory requirement of OfReg to be accountable to consumers, Government and industry for its budget and processes.

OfReg is the independent multi-sector regulatory body, with responsibility for the Electricity, Energy, Fuels, Information and Communication Technology ('ICT'), Water and Wastewater Sectors. OfReg was established by section 4(1) of the Utility Regulation and Competition Law, 2016 and commenced operations on 16 January 2017.

I am pleased to report that OfReg has had a very successful year with numerous achievements across the sectors that it regulates. Consumers continue to benefit from the ongoing work of OfReg in ensuring that utility services are of high quality, reliable and safe. OfReg has focused its efforts on applying the regulatory framework in a robust, consistent and accountable manner. In collaborating closely with stakeholders, we remain committed to fostering competition where it is possible and regulate where it is not. In doing so, we continue to create an environment that is conducive to investment in infrastructure and innovation.

There is of course more to be done, and the strategic goals for the coming year are outlined in the 2019 Annual Plan. During this financial year, the Board concentrated on the implementation of our Vision and Mission Statements, Code of Ethics, which established guidelines for ethical conduct for the Board and concentration on the improvement of the legacy issues resulting from the amalgamation of the former Information and Communications Technology Authority, the Electricity Regulatory Authority, and the Petroleum Inspectorate. With OfReg's added

responsibility for regulating the Fuel Sector and Water Sector, it is the only multi-tiered statutory authority in the Cayman Islands. OfReg's biggest challenge in the inaugural year of its operation, was the management of integrating the legacy sectors administratively, technologically and financially. However, 2018 has revealed positive results in improved financial management as reflected in the unqualified audit report from the Office of the Auditor General.

The Energy Sector continues to evolve with technological advances providing new ways to generate, store and manage energy. These advances present new challenges and, of course, opportunities for the distribution and transmission networks, consumers, policy makers and, naturally, the regulator. Accordingly, OfReg will continue its very important work in supporting Government to achieve its objectives as set out in the National Energy Policy 2017-2037, building on the work carried out last year to achieve a more sustainable energy supply mix for these islands. Indeed, OfReg has already made advancement of the negotiations with Cayman Brac Power and Light for the issuance of a new Transmission and Distribution Licence, and a new Generation Licence which will allow residents of the Sister Islands to participate in renewable energy schemes. Energy regulation is a primary area of focus and our work helps ensure Cayman's households and businesses pay no more than they should for safe and reliable energy supplies.

Fostering innovation is a strategic priority for OfReg and the development this year of a new ICT licensing framework is designed to encourage entrepreneurs and innovators to test new technologies in the Cayman Islands. OfReg continues to actively monitor fuel prices to proportionately reflect movements in



the global market place. Also, work in the area of enforcement and compliance under the Dangerous Substances Law remain a priority to ensure the safety of the public.

2018 saw an increase in funding from the Cayman Islands Government for the Fuels Sector, due to insufficient funding from Government when the regulatory responsibility for this sector was transferred to OfReg. A similar situation of an imbalance of funding occurred with the transfer of the regulatory responsibility for the Water Sector from the Water Authority to OfReg. The funding from government will be used to expand the capabilities of these sectors so that we can deliver the best possible regulation and outcomes for consumers. Notwithstanding the need for Government funding, it is informative that OfReg was diligent in its payment of royalties to government in the amount of \$8,035,722 as reflected in the audited Financial Statements of OfReg for the year ended 31 December 2018.

The achievements of 2018 and the priorities for the future demonstrate that OfReg continues to play an essential role in promoting the economic and social development of the Cayman Islands. For these successful accomplishment, my fellow Board Members and I are grateful for the continued commitment and professionalism of the Executive Officers, their executive teams, and the dedicated and knowledgeable staff of OfReg, as we continue in the development and implementation of our strategic policy, and to obtain excellence in compliance with the goals articulated in our Vision and Mission Statements.

**Dr. The Hon. Linford A. Pierson, OBE, JP, FCCA, PhD.**  
**Chair of the Board of Directors**



# Key Milestones in 2018

The Office successfully executed several projects outlined in the 2018 Annual Plan across the three sectoral teams that make up the organisation. However, we continue to face challenges and risks as a result of a number of legacy issues including a lack of funding for the Water and Fuels sectors. The remedy of these legacy issues is a key objective going forward.

During the year we onboarded a Chief Operating Officer (COO) to join our senior leadership team. The COO brings advanced management skills and significant experience in government policy. Working with the CEO, the COO will assist in implementing a range of measures to enhance our organizational effectiveness.

The following key milestones were achieved during the Office's 2018 financial year across the three sectors:

## ICT Sector

During 2018, the ICT team at OfReg paid special attention to the consumer of ICT services; work began in a number of areas including quality, value for money, consumer protection, and public safety.

### Broadband: Seeking a Definition

The term 'broadband' was not originally defined by regulators around the world. Recently, the US, Canada, and the UK have published definitions; but they're all different. Here in Cayman, as we prepare to renew Internet Service Providers (ISP) licenses in 2019, we needed to explore the definition of the term 'broadband' and so, in March 2018, we published a consultation on the definition of broadband to help define the term. See: <https://www.ofreg.ky/ict-2018-1-consultation-on-broadband-policy-for-the-cayman-islands>.

The results of this consultation will help us structure the new ISP licenses in 2019.

### Broadband - Value for Money

While we explored the definition of what we mean by 'broadband', the Office received a number of complaints that consumers were not getting the advertised broadband speeds they were paying for from the ISPs. It became clear that we needed not only to define terms, but to develop a method of measuring consumer experience. One of the global leaders in broadband measurement technology is a UK company called SamKnows. During 2018, we entered discussions with SamKnows to explore how we could bring their technology to Cayman. In parallel, we discussed similar solutions with another global leader; Ookla. We hope to finalise these discussions and to deploy a solution in the 2019-2020 timeframe to enable consumers to independently test the quality and speed of their broadband service and to automatically report the results to OfReg ICT.

### Consumer Protection Regulations

Because the Cayman Islands does not, at present, have any consumer protection legislation, it's up to regulatory bodies like OfReg to address consumer protection through their regulations, license obligations, guidelines, and other methods. Although we had already put the Truth In Advertising Guidelines in place for ICT licensees, consumer complaints indicated other problems existed. We felt a broader approach was needed to address additional areas of concern. This work began in 2017 with the Consultation of Proposed Consumer Protection Regulations. It was finalised and approved by the OfReg Board in 2018 and we expect to publish the regulations in 2019 as part of a consultation process ahead of the planned revision to the entire ICT Licensing Framework.

### Public Safety

The OfReg ICT team published several papers during 2018 to address public safety. Part of our mandate at OfReg is to work closely with Hazard Management Cayman Islands to ensure the utilities we regulate plan, prepare and are able to respond and recover from any disaster. But, in discussions with HMCI, it became clear the country needed effective ways to communicate information about disasters to the general public. We explored this in a paper entitled:

#### **"Proposed Emergency Notification System"**

<https://www.ofreg.ky/ict-2018-1-consultation-on-broadband-policy-for-the-cayman-islands>

The paper proposed a new system comprised a number of methods and technologies to deliver emergency messages to the general public. The design principle was simplicity and affordability. In our post – Hurricane Ivan experience, it was the simple systems that survived or were easily repaired after an event. Deploying multiple systems would ensure that even if one or more systems were damaged or impaired, we would still be able to provide the public with emergency messages that could mean the difference between life and death.

On the topic of cybersecurity, we published a paper that warned users about the dangers of using mobile text messaging for confidential communications. The paper, entitled:

#### **"The Risks of Text Messages for User Authentication"**

<https://www.ofreg.ky/ict/the-risks-of-text-messages-for-user-authentication-discussion-paper-1> was published in May 2018.





## Fuels Sector

The public was at the heart of the work of the Fuels Team in 2018, with achievements in public safety, the promotion of competition and consumer protection.

### Public Safety

The Fuels team carried out a successful investigation of the fuel tank incident that occurred in July 2017 at the Jackson Point Terminal and enforcement action was taken against Sol Petroleum Cayman Limited in response to the statutory breaches which resulted in the incident's occurrence.

The successful enforcement of this matter reflects the commitment of OfReg to ensure key (threshold) requirements are consistently adhered to, for entities operating in the Fuel Sector. Investigations of this nature require specialized training and skill set, to efficiently arrive at the appropriate root cause(s) and general contributing factors. The findings were not aimed at informing punitive measures, but to reinforce a culture of safety and compliance in this high-risk industry. The investigation was carried out by OfReg in-house personnel and highlighted that while the Office inspection and permitting regime is fairly robust, operators in the Industry need to do more to ensure processes and standards are adhered to.

Recommendations and lessons learned arising from the investigation were instrumental in implementing changes to continue to provide assurances to the public of safety at facilities regulated by the Office. Commencement of phased implementation of recommendation arising from Investigation across sector for increased compliance and enhance public safety;

The team achieved a considerable amount in the area of Dangerous Substances. The Dangerous Substances Regulations were amended in order to enhance the operation and enforcement of the legislation and key Dangerous Substances sites were reviewed, updated and mapped on Land Information Systems (including Liquefied Propane Gas (LPG) sites). The Dangerous Substances Site Register for Grand Cayman has also been reviewed and completed.

This accomplishment is critical to hazard mapping for incident response and to inform protection of Critical National Infrastructure as a direct obligation under the Law.

OfReg now has an additional layer on Cayman Land Information System (LIS) which provides up to date information on location, type, capacity and other relevant information relating to Fuels imported, stored and consumed in the Islands. Broadly important factors such as fuel pricing, reliability, and efficiency in the markets are premised on having resilient infrastructure in place and this achievement by the Office will assist in guiding decisions relating to the fuel sector going forward.

### Promoting Competition

Following a review and inspection, the Office, having jurisdiction over both operational and regulatory compliance in the fuel sector, issued approval to Clean Gas Limited to commence operations in the Liquefied Petroleum Gas (commonly referred to as Propane) market in 2018. This broke the monopoly which existed for over 60 years and led to significant shifts in the market, resulting in lower prices to consumers, despite the delay in implementation of market rules to guide participant's behaviors and conduct in the market.

Some propane users saw reductions in excess of \$1.50 per US gallon, and overall, prices were reduced across the board in this market. The reduction in propane price provides a direct benefit to consumers which may stimulate increased usage adding to the steady growth observed during the recent years. This addition to the market now affords choice to consumers. In order to sustain competition, the Office continues to push for the fuels market definition and economic assessment study, and thereafter implement rules for competition and innovation to continue to thrive in the propane market.

A registration regime for fuel imports was also developed.

### Consumer Protection

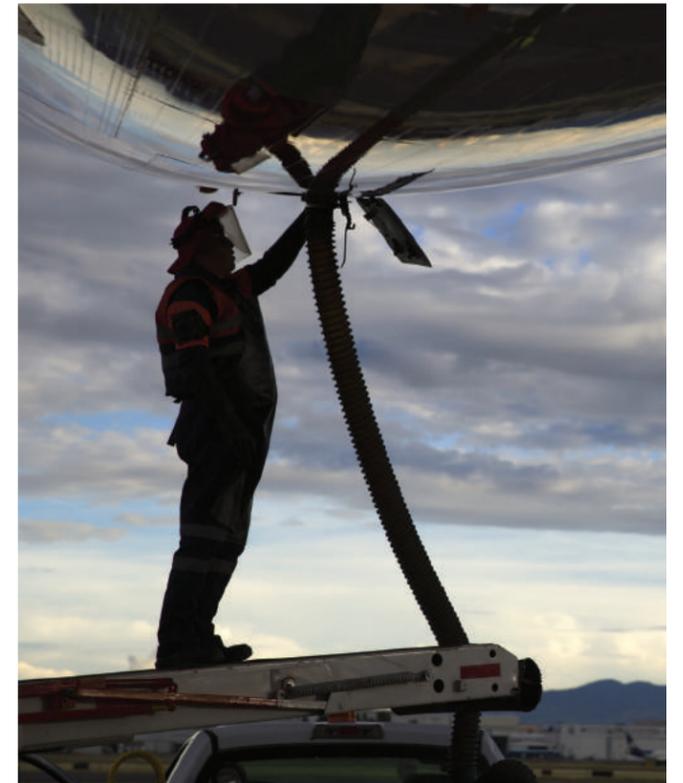
As with ICT sector, there is a requirement for greater consumer protection in the fuels market and therefore the team commenced with the creation of Consumer Protection Regulations and Interim Fuel Standards for the Sector.

Calibration for all Fuel Dispenser and Pump meters was achieved across all equipment in 2018 ensuring that the public received the product that they are paying for. While 'Weights and Measures' legislations is not in place across the jurisdiction, the team continues to explore ways to ensure utility providers have a system of stewardship and accountability for the products and services supplied.

Following the successful passage and commencement of legislation, the Office ensures that all premises and vehicles involved in the trade of fuel have accurately calibrated meters, to ensure consumers get what they paid for. The regime covers both liquid fuels (gasoline and diesel) and gaseous fuels, mainly LPG. The public is assured that a dispensing equipment is properly calibrated by verifying the presence of an OfReg branded "Meter calibration" decal.

Finally, the Fuels team collaborated with the Cayman Islands Airport Authority (CIAA) and major fuel importers on the process for the establishment of the Aviation Fuel Farm at the Airport as a part of the Owen Roberts Airport Expansion Project. The purpose of the collaboration was to ensure that the economic and competitive provisions of the arrangement in respect of the supply of aviation fuel to airlines, does not fall foul of the Law, and secondly, to meet minimum standards for public safety and preservation of the environment.

Of note also, significant strides were made toward effective regulation of the fuel sector, by way of the successful tendering of the RFP for the comprehensive economic assessment of the fuel market. Once concluded, the public can expect to see more efficient and optimised pricing at the pump.



## Energy and Utilities Sectors

Much of the work of the Energy and Utilities team in 2018 focused on the framework that will underpin the Cayman Islands' shift over the coming years towards renewable sources of energy.

### Renewable Energy

The team reviewed and accepted the Integrated Resource Plan (IRP) which was developed and submitted to the Office by the Caribbean Utilities Company (CUC). The Plan provides a roadmap for Grand Cayman's future energy supply mix which will potentially provide for more cost-efficient electricity for consumers over the next 29 years.

The 'Demand Rates' for large commercial customers and domestic customers with Distributed Energy Resources (DER) were approved in 2018. These new rates allow customers who shift their peak demand to the new off peak period to reduce their CUC bills.

The launch of a 3-Megawatt (MW) Distributed Energy Resources (DER) programme for customer owned renewable energy (CORE) systems was approved. The programme allows additional capacity to be added back to the grid and also provide more electricity rate options for energy consumers.

The team completed their review and revision of the parameters for the CUC customer owned renewable energy (CORE) programme.

**The new rates for the remaining 1MW of capacity were set and are as follows:**

- The approved CORE rate for private systems less than 5 kW AC is CI\$0.28 per kilowatt-hour (kWh) sold to CUC;
- The approved CORE rate for private systems from 5 to 10 kW AC is CI\$0.24 per kWh sold to CUC;
- The rates that apply to all other parameters in the private system remain unchanged;
- The approved CORE rate for Government systems from 20 to 100 kW AC is CI\$0.21 per kWh AC sold to CUC which remains unchanged.



A review of the lessons learned from the Entropy 5 Megawatt (MW) utility-scale solar farm project in Bodden Town was published. The project attracted significant media attention as a result of its demonstration of both financial viability and the sustainability of solar technology in the region. The lessons outlined in the review will assist the Office with future solicitation of utility-scale renewable projects as we work towards meeting the Cayman Islands National Energy Policy goal to have 70% of electricity generated from renewable sources by 2037.

The implementation of CUC's Electric Vehicle (EV) time of use charging rates were approved enabling owners of electric vehicles to save on electricity costs when recharging their vehicles by installing a separate meter for this purpose.

### Consumer Protection

A number of initiatives were completed in 2018 which have strengthened the capacity of the Office to review the performance of CUC in Grand Cayman. The team completed a review of CUC's Customer Service Performance Standards (CSPS). The CSPS are an add on to existing CUC Performance Standards and provide for rewards and penalties for achieving/not achieving certain key internationally recognised customer service performance standards such as average level of customer satisfaction measured through customer service surveys.

The Standards will also measure CUC's performance with respect to customer response times through metrics such as average time to connect a new service or average time to reconnect an existing service.

In addition, Outage Reporting Guidelines were issued to CUC enabling the Office to monitor CUC's network reliability and to prescribe actions to ensure the availability and reliability of electricity supply to consumers.

### Licensing and Legislation

In the Water sector, a public consultation was issued on proposed Water Sector (Licence, Fee and Penalty) Regulations. These Regulations when enacted will complete the Water Sector's regulatory framework and enable the Office to enforce the laws governing the Water Sector.

The negotiations with Consolidated Water over a new licence for Cayman Water Co., Ltd (CWC) to replace their old licence continued to advance.

Finally, there were a number of anomalies in the sectoral legislation that were affecting the execution of the Office's regulatory duties in the Utilities sectors and therefore amendments were proposed and Cabinet made the required changes to the relevant legislation to remedy this situation.



# Summary of PMFL Ownership Targets

Pursuant to the PMFL, the following ownership targets for the Office were agreed between Cabinet and the Board for the 2018 financial year.

## Output in the Fuels Sector

| Fiscal Year 2018  | Objectives | Totals |
|---|------------|--------|
| General Inspections (all permitted premises & vehicle)          | 270 – 300  | 423    |
| Statutory Consultation (Planning & Permitting)                  | 45 – 55    | 170    |
| Economic Monitoring and Data Analysis of Fuel Sector            | 52 – 60    | 52     |
| Fuel and Energy Initiatives Engagement                          | 3 – 4      | 7      |
| FOI, Media and Complaints handled/addressed                     | 40 -60     | 7      |
| Quality control and fuel testing                                | 12 - 15    | 0      |
| Issuance of Operating and Import Permits, and Calibration certs | 160 – 195  | 156    |
| Pump Calibrations witnessed/supervised (sites)                  | 20 – 30    | 29     |
| General Policy Advice and Consultation                          | 35 – 50    | 2      |
| Emergency and Spill Response Management                         | 8 - 10     | 7      |

## Output in the Energy & Utilities Sector

| Fiscal Year 2018  | Objectives   | Status  |
|---|--|---|
| Maintain and enhance a regulatory environment that is fair, equitable, and transparent by:  | Undertaking public consultation on relevant regulatory issues on a timely basis.<br><br>Continuing the process of updating and validating the licensing information taken over by the Utility Regulation and Competition Office. | Issued the Water Sector (Licence, Fee and Penalty) Regulations Consultation Paper.<br><br>Approved the transfer of share of Entropy Cayman Solar Limited to BMR Energy Ltd. |
| The expansion of electrical energy generated from renewable resources within the Cayman Islands.  | Undertaking activities to meet the National Energy Policy Goals.   | See comments about CORE Systems   |
| Negotiate a new licence with Cayman Brac Power and Light to replace the existing Licence which expires 16th December 2018.  | Issue new Generation, Transmission and Distribution Licence to Cayman Brac Power & Light Co. Ltd.  | Commenced negotiations for award of new licences.   |
| Implement, monitor and enforce performance standards on Licensees in each of the islands. Continue to ensure that performance standards are designed to incentivise improved operating efficiency by licensees and that such standards are at a minimum generally met in order to ensure that consumers receive dependable power at the most reasonable cost. | Ensure performance standards are complied with and that consumers pay the most reasonable cost for electricity.  | Continued monitoring of CUC's performance against agreed standards, and took appropriate action if/when required.   |
| Agree with licensees on any relevant modifications to licences/the regulatory framework as appropriate to better protect the interests of electricity consumers of the Cayman Islands and ensure the continued economic sustainability of the licensees.  | Implement update(s) to licences/regulatory framework to meet evolving marketplace.   | Electricity Sector Regulation Law (2018 Revision) enacted.  |
| Continue to offer strategic advice to the Government on the continued development of a National Energy Policy.  | Promoting activities to meet the National Energy Policy Goals.   | Attended meetings of the Energy Policy Committee (EPC).   |
| Complete the negotiations and issue a new Licence to Cayman Water Company   | Licence Cayman Water Co. Ltd., as a service provider of potable water for the Seven Mile Beach and West Bay areas.   | Negotiations are continuing.  |
| Issue the Administrative Determination, as required by the WSR Law, setting out the regulatory framework for the Water Authority.   | Licence Water Authority Cayman, as a service provider of potable water for the remaining areas of Grand Cayman, plus Cayman Brac and Little Cayman.  | Issued the Water Sector (Licence, Fee and Penalty) Regulations Consultation Paper in order to complete the regulatory framework for the Water Sector.                       |

## ICT Achievements

| Fiscal Year 2018   | Objectives   | Status   |
|--|--|--|
| Consumer Protection  | Initiate and complete a common set of consumer protection regulations for licensees  | Public consultation completed. Draft Consumer Protection Regulations prepared for publication in 2019        |
| Prepare for telecom license renewals   | Modernise and upgrade ICT licencing framework  | License extensions granted to C&W and Digicel.   |
| Monitor and align the Office with ICT international obligations under the International Telecommunications Union | Identified best practices with regards to ship and aircraft radio licensing.   | Adjusted internal business processes accordingly.  |
| Publish relevant changes and updates to licenses in the Gazette  | Regulatory Notice per s23.2 of the ICT Law published in the Gazette.   | Completed.   |
| Finalise cybersecurity plan  | Finalise cybersecurity plan including CIRT operations.   | In progress.   |
| Advise Cabinet & Minister on new or updated legislation, regulations, etc.                                       | Identify and make recommendations where necessary for new and/or improvement to existing legislation, regulation and/or regulatory policy.                                 | Ongoing.   |
| Protect CNI  | Finalise ICT Critical National Infrastructure ("CNI") Strategy, including recommendations for critically necessary development   | In progress.   |
| Submarine Cables   | Facilitate Subsea cable connectivity Develop list of landing sites with Dept of Environment. Develop one-stop-shop process with Dept of Planning.                          | Completed. Project to shift in 2019 to promotion of the jurisdiction to investors.                           |
| Emergency Notification System (ENS)  | Commence implementation of an Emergency Notification System ('ENS') physical and logical security, rollout, local operator resiliency and capacity and control             | ENS Paper published Q1 2018.   |
| Continue public outreach development   | Develop multiple communications channels for public information and outreach   | Completed. Developed social media channels and characters to promote infrastructure protection and security. |
| Spectrum Management  | Undertake spectrum audit to reallocate and redesign use of resource to allow for innovation/development to address amongst other things requirements for 5G mobile service | In progress  |

## Financial Targets

Pursuant to subsection 52(2)(c) in the PMFL, the tables below show the execution against its agreed financial targets for its 2018 financial year.

| Operating Statement   | 2018 Budget<br>12 Months \$000's | 2018 Actual<br>12 Months \$000's |
|-----------------------|----------------------------------|----------------------------------|
| Revenue               | 6,076,907                        | 4,937,109                        |
| Operating Expenses    | 5,683,146                        | 4,801,450                        |
| Net Surplus/(Deficit) | 393,761                          | 135,659                          |

| Balance Sheet | 2018 Budget<br>12 Months \$000's | 2018 Actual<br>12 Months \$000's |
|---------------|----------------------------------|----------------------------------|
| Assets        | 4,545,135                        | 5,472,537                        |
| Liabilities   | 382,448                          | 2,470,510                        |
| Net Worth     | 4,162,687                        | 3,002,027                        |

| Statement of Cash Flows                  | 2018 Budget<br>12 Months \$000's | 2018 Actual<br>12 Months \$000's |
|--|----------------------------------|----------------------------------|
| Net cash flows from operating activities | 376,624                          | 265,281                          |
| Net cash flows from investing activities | (770,000)                        | (27,859)                         |
| Net cash flows from financing activities | Nil                              | 1,000,000                        |

## Ownership Targets

Pursuant to subsection 52(2)(c) in the PMFL, the tables below show the Office's execution against its agreed performance targets for the 2018 financial year.

| Financial Performance Measure   | 2018 Budget<br>12 Months \$ | 2018 Actual<br>12 Months \$ |
|---|-----------------------------|-----------------------------|
| Revenue from Cabinet  | 475,309                     | 1,625,309                   |
| Revenue from ministries, portfolios, statutory authorities and government companies | Nil                         | Nil                         |
| Revenue from other persons or organizations   | 5,601,598                   | 3,311,800                   |
| Other expenses  | 5,683,146                   | 4,801,450                   |
| Net Surplus/Deficit   | 393,761                     | 135,659                     |
| Total Assets  | 4,545,135                   | 5,472,537                   |
| Total Liabilities   | 382,448                     | 2,470,510                   |
| Net Worth   | 4,162,687                   | 3,002,027                   |
| Cash flows from operating activities  | 376,624                     | 265,281                     |
| Cash flows from investing activities  | (770,000)                   | (27,859)                    |
| Cash flows from financing activities  | -                           | 1,000,000                   |
| Change in cash balances   | (393,376)                   | 1,237,422                   |

| Financial Performance Ratio         | 2018 Budget<br>12 Months \$ | 2018 Actual<br>12 Months \$ |
|-------------------------------------|-----------------------------|-----------------------------|
| Current Assets: Current Liabilities | 8.16:1                      | 2.16:1                      |
| Total Assets: Total Liabilities     | 11.88:1                     | 2.21:1                      |

## Ownership Targets

| Human Capital Maintenance                   | 2018 Budget<br>12 Months | 2018 Actual<br>12 Months |
|---|--------------------------|--------------------------|
| Total full time equivalent                  | 28                       | 23                       |
| Staff turnover (%)                          | Nil                      | 4.35                     |
| Average length of service (Number)          |                          |                          |
| Senior management                           | 7                        | 5                        |
| Professional staff                          | 15                       | 10                       |
| Administrative Staff                        | 6                        | 4                        |
| Significant changes to personnel management | None                     | None                     |

| Physical Capital Measures                                      | 2018 Budget<br>12 Months \$ | 2018 Actual<br>12 Months \$ |
|--|-----------------------------|-----------------------------|
| Value of total assets  | 4,545,135                   | 5,472,537                   |
| Asset replacements: total assets                               | N/A                         | N/A                         |
| Book value of depreciated assets: initial cost of those assets | 0.57:1                      | 0.36:1                      |
| Depreciation: Cash flow on asset purchases                     | 0.38:1                      | 4.87:1                      |
| Changes to asset management policies                           | None                        | None                        |

| Major Capital Expenditure Projects | 2018 Target \$ | 2018 Actual \$ |
|------------------------------------|----------------|----------------|
| Leasehold Fit-Out (New Premises)   | 770,000        | Nil            |

## Ownership Targets

Detailed below is information regarding specific financial transactions:

| Transaction  | Amount for<br>2018 Target \$ | Amount for<br>2018 Actual \$ |
|--|------------------------------|------------------------------|
| Equity Investments into OfReg  | Nil                          | 1,000,000                    |
| 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                     | 1,487,801                    | 1,499,738                    |
| Remuneration Payments made to Senior Management                            | 1,331,801                    | 1,345,738                    |

| Human Capital                  | Number for<br>2018 Target | Number for<br>2018 Actual* |
|--------------------------------|---------------------------|----------------------------|
| No of Key Management Personnel | 14                        | 15                         |
| No of Senior Management        | 9                         | 10                         |

\*One staff member has been seconded from the Cabinet Office

# Complaints and Freedom of Information Requests

## Complaints

### Amendment of Settled Complaints

Complaints received and processed by OfReg

### Referred Complaints

By Law complaints should go to the sector licensee and then a formal complaint should be made to OfReg if there is no resolution. Often complainants come to OfReg first, and therefore the office must refer them to the appropriate licensee.

### Ongoing complaints

Are before OfReg for resolution but have not been finalized yet.

Complaints and Outcomes by Sector

| Sector | Total Complaints | Settled | Referred | Ongoing |
|--------|------------------|---------|----------|---------|
| Water  | 1                | 1       | 0        | 0       |
| Fuel   | 5                | 1       | 3        | 1       |
| ICT    | 50               | 26      | 22       | 2       |
| Energy | 4                | 3       | 1        | 0       |
| OfReg  | 0                | 0       | 0        | 0       |
| Total  | 60               | 31      | 26       | 3       |

## Freedom of Information Requests

The Cayman Islands Government committed itself to Freedom of Information ('FOI') with the passage of legislation in 2007.

As an independent statutory authority of the Government of the Cayman Islands, the Office is obligated to provide to individuals timely and complete access to information as set out in the Freedom of Information Law (2018 Revision).

The Office is committed to transparency and addressing compliant FOI requests. The Office is also a proactive publisher of non-confidential content and information pursuant to the URC Law and PMFL.

FOI Requests Received/Responses to by Sector

|                      |    |
|----------------------|----|
| General OfReg        | 9  |
| ICT                  | 2  |
| Fuels                | 2  |
| Energy and Utilities | 2  |
| Total                | 15 |

# Audited Financial Statements

**Utility Regulation and Competition Office**

**Financial Statements**

**31 December 2018**

**FINANCIAL STATEMENTS**  
**31 December 2018**

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**Utility Regulation and Competition Office**  
**Statement of Responsibility for the Financial Statements**  
**31 December 2018**

These financial statements have been prepared by the Utility Regulation and Competition Office in accordance with the provisions of the *Public Management and Finance Law (2018 Revision)*. The financial statements comply with generally accepted accounting practice as defined in International Public Sector Accounting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2018 Revision)*.

As Chairman and Acting 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 law, and properly record the financial transactions of the Utility Regulation and Competition Office.

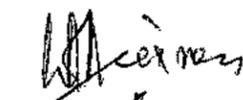
As Chairman and Acting Chief Executive Officer, we are responsible for the preparation of the Utility Regulation and Competition Office's financial statements and for the judgements made in them.

The financial statements fairly present the statement of financial position, financial performance and cash flows for the financial year ended 31 December 2018.

To the best of our knowledge we 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 2018;
- (b) fairly reflect the financial position as at 31 December 2018 and financial performance for the period ended 31 December 2018; 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.



Dr. the Hon. Linford Pierson  
Chair

Date: April 30, 2019



Alee Fa'amoe  
Acting Chief Executive Officer

Date: April 30, 2019

## AUDITOR GENERAL'S REPORT

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

#### Opinion

I have audited the accompanying financial statements of the Utility Regulation and Competition Office (the "Office") which comprise the statement of financial position as at December 31, 2018 and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year ended December 31, 2018, and notes to the financial statements, including a summary of accounting policies as set out on pages 8 to 32.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Office as at 31 December 2018 and its financial performance and its cash flows for the year ended 31 December 2018 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 Board in accordance with the International Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Management is responsible for the preparation and fair presentation 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 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's 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.

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 Law (2018 Revision)*. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Sue Winspear, CPFA  
Auditor General

April 30, 2019  
Cayman Islands

**Utility Regulation and Competition Office**  
**Statement of Financial Position**  
As at 31 December 2018  
(stated in Cayman Islands dollars)

**CURRENT ASSETS**

|                           | Notes   | Dec 31, 2018     | Restated<br>Dec 31, 2017 |
|---------------------------|---------|------------------|--------------------------|
| Cash and cash equivalents | 3(a),15 | \$ 3,209,412     | \$ 1,971,990             |
| Short-Term Investment     | 3(b)    | 1,008,194        | 1,008,194                |
| Accounts receivable       | 4,7,16  | 996,847          | 1,208,700                |
| Prepaid expenses          |         | 111,346          | 69,743                   |
|                           |         | <u>5,325,799</u> | <u>4,258,627</u>         |

**NON-CURRENT ASSETS**

|                               |   |                     |                     |
|-------------------------------|---|---------------------|---------------------|
| Property, plant and equipment | 5 | 146,738             | 254,488             |
| <b>TOTAL ASSETS</b>           |   | <u>\$ 5,472,537</u> | <u>\$ 4,513,115</u> |

**LIABILITIES**

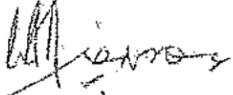
**CURRENT LIABILITIES**

|  |   |                     |                     |
|--|---|---------------------|---------------------|
| Collections Payable to Government        | 7 | 2,034,160           | 1,966,721           |
| Accounts payable and accrued liabilities | 6 | 376,350             | 640,026             |
| Defined benefit pension liability        | 9 | 60,000              | 49,000              |
| <b>TOTAL LIABILITIES</b>                 |   | <u>\$ 2,470,510</u> | <u>\$ 2,655,747</u> |

**NET ASSETS**

|   |  |                     |                     |
|---|--|---------------------|---------------------|
| <b>TOTAL LIABILITIES AND NET ASSETS</b> |  | <u>\$ 5,472,537</u> | <u>\$ 4,513,115</u> |
|---|--|---------------------|---------------------|

Approved on behalf of the Board of Directors on the 30 of April 2019

  
\_\_\_\_\_  
Dr. the Hon. Linford Pierson  
Chair

  
\_\_\_\_\_  
Alee Fa'anoel  
Acting 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 2018  
(stated in Cayman Islands dollars)

**INCOME**

|                                 | Notes | Dec 31, 2018     | Restated<br>Dec 31, 2017 |
|---------------------------------|-------|------------------|--------------------------|
| Regulatory fees                 | 11    | 2,415,622        | 1,774,250                |
| Services provided to Government | 7,10  | 1,625,309        | 698,487                  |
| Licensing Fees                  |       | 368,934          | 270,411                  |
| Other Income                    | 12    | 303,997          | 12,210                   |
| .ky domain fees                 |       | 152,521          | 175,439                  |
| Permit Fees                     |       | 70,726           | 80,500                   |
|                                 |       | <u>4,937,109</u> | <u>3,011,297</u>         |

**EXPENSES**

|  |     |                  |                    |
|--|-----|------------------|--------------------|
| Personnel costs                                  | 7,9 | 2,860,846        | 2,235,992          |
| Professional and consultancy fees                |     | 548,523          | 1,052,451          |
| General and Administration Costs                 | 14  | 409,642          | 324,359            |
| Lease of Office space                            | 13  | 274,856          | 94,613             |
| Legal Fees                                       |     | 183,891          | 243,752            |
| Directors' fees                                  |     | 154,000          | 113,268            |
| Official Travel and conferences                  |     | 140,439          | 234,233            |
| Depreciation and amortisation                    | 5   | 135,608          | 125,908            |
| Training   |     | 93,645           | 54,031             |
|  |     | <u>4,801,450</u> | <u>4,478,607</u>   |
| <b>Net surplus/(deficit) for the year/period</b> |     | <u>135,659</u>   | <u>(1,467,310)</u> |

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 2018  
(stated in Cayman Islands dollars)

|   | Note | (Restated)<br>Contributed<br>Capital | General<br>Reserve | (Restated)<br>Accumulated<br>(deficit)/surplus | (Restated)<br>Other<br>Comprehensive<br>Income | (Restated)<br>Total Net Assets |
|---|------|--------------------------------------|--------------------|--|--|--------------------------------|
| Restated<br>Balance at 16 January<br>2017           |      | 1,468,461                            | 1,924,000          | -  |  | 3,392,461                      |
| Prior Period Adjustment                             | 20   | (74,783)                             |                    | (2,222)  |  | (77,005)                       |
| Net deficit for the period                          |      |                                      |                    | (1,465,088)                                    |  | (1,465,088)                    |
| Remeasurement of<br>defined benefit pension<br>plan |      |                                      |                    |  | 7,000  | 7,000                          |
| <b>Balance at 31<br/>December 2017</b>              |      | <b>1,393,678</b>                     | <b>1,924,000</b>   | <b>(1,467,310)</b>                             | <b>7,000</b>                                   | <b>1,857,368</b>               |
| <b>Balance at 1 January<br/>2018</b>                |      | 1,393,678                            | 1,924,000          | (1,467,310)                                    | 7,000  | 1,857,368                      |
| Equity Injection                                    | 7    | 1,000,000                            |                    |  |  | 1,000,000                      |
| Net surplus for the year                            |      |                                      |                    | 135,659  |  | 135,659                        |
| Remeasurement of<br>defined benefit pension<br>plan |      |                                      |                    |  | 9,000  | 9,000                          |
| <b>Balance at 31<br/>December 2018</b>              |      | <b>2,393,678</b>                     | <b>1,924,000</b>   | <b>(1,331,651)</b>                             | <b>16,000</b>                                  | <b>3,002,027</b>               |

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 2018  
(stated in Cayman Islands dollars)

|   | Note | 2018                    | Restated<br>2017        |
|---|------|-------------------------|-------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                  |      |                         |                         |
| Net surplus/(deficit) for year                              |      | 135,659                 | (1,467,310)             |
| Adjustment for non-cash transactions:                       |      |                         |                         |
| Non-Cash Defined Benefit Pension Cost                       | 9    | 20,000                  | 7,000                   |
| Depreciation and amortisation                               |      | 135,608                 | 125,908                 |
|   |      | <u>291,267</u>          | <u>(1,334,402)</u>      |
| Net changes in non-cash operating balances:                 |      |                         |                         |
| Accounts receivable   |      | 211,853                 | (426,173)               |
| Prepaid expenses  |      | (41,603)                | 41,601                  |
| Collections payable to Government                           |      | 67,439                  | 1,825,616               |
| Accounts Payable and Accrued Expenses                       |      | (263,675)               | 257,184                 |
| Net cash provided by operating activities                   |      | <u>265,281</u>          | <u>363,826</u>          |
| <b>CASH FLOW USED IN INVESTING ACTIVITIES</b>               |      |                         |                         |
| Purchase of property, plant and equipment                   |      | (27,859)                | (169,015)               |
| Net cash used in investing activities                       |      | <u>(27,859)</u>         | <u>(169,015)</u>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |      |                         |                         |
| Equity Injection from Cabinet                               | 7    | 1,000,000               | -                       |
| Net cash provided by financing activities                   |      | <u>1,000,000</u>        | <u>-</u>                |
| Net increase in cash and cash equivalents during the period |      | 1,237,422               | 194,811                 |
| Cash and cash equivalents at beginning of the period        |      | 1,971,990               | 1,777,179               |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>           |      | <b><u>3,209,412</u></b> | <b><u>1,971,990</u></b> |

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 2018**  
**(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 Law, 2016 (URC Law) and commenced operations on **January 16, 2017**. The Office was established pursuant to section 4(1) of the URC Law.

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 January 16, 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 Law, 2017 (ICTA Law) and section 92A of the Electricity Regulatory Authority Law, 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 Law, 2017 (WSR Law).

In each of these sectors for which it has responsibility, the Office derives its authority and functions through a variety of Sectoral Laws, the principal ones being the Electricity Sector Regulation Law, 2016 (ESR Law), the Information and Communication Technology Law (2017 Revision) (ICT Law), the Dangerous Substances Law (2017 Revision) (DS Law), the Fuels Sector Regulation Law, 2017 (FSR Law) and the Water Sector Regulation Law, 2017 (WSR Law).

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 **December 31<sup>st</sup>** each year. For the Office's 2017 financial year, the beginning of the year was 16 January 2017. For the Office's 2018 financial year, the beginning of the year was 1 January 2018. As at December 31, 2018, the Office had 23 employees.

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

The Office is located at 85 North Sound Way, 3<sup>rd</sup> floor, Alissta Towers, George Town, Grand Cayman. Mailing address is P.O. Box 2502, Grand Cayman KY1-1104, 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 Law. 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 19 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.

**Utility Regulation and Competition Office**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**  
**(stated in Cayman Islands dollars)**

**2. Significant accounting policies (continued)**

*(b) Use of estimates*

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

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

*(c) Budget amounts*

The original budget amounts for the year ended 31 December 2018 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 2018 which was tabled in the Legislative Assembly on November 27, 2017. The budget was revised in 2018 for an increase in appropriations for Output fees to fund the regulatory function of the Office in the Fuels Sector. This increase in appropriation was approved by the Legislative Assembly on November 22, 2018.

*(d) Foreign currency translation*

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

*(e) Cash and cash equivalents*

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

*(f) Short Term Investments*

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

*(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/depreciation and amortisation*

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

**Utility Regulation and Competition Office**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**  
**(stated in Cayman Islands dollars)**

**2. Significant accounting policies (continued)**

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

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

|                                |         |
|--------------------------------|---------|
| Office equipment and furniture | 3 Years |
| IT equipment                   | 3 Years |
| Computer Software              | 3 Years |
| Motor Vehicles                 | 3 Years |
| Other Equipment                | 3 Years |

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

*(i) Revenue recognition*

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

**Regulatory Fees** - Regulatory Fees are the main source of revenue for the Office. Regulatory fees are collected from each sector, with revenue recognized from the administration of licensing arrangements with major licensees.

**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, radio, and spectrum. 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 Law (2017). Revenue is recognized once the license has been issued.

**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 Law, 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 Law (2017) 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.

All application and licence fees are non-refundable.

**Utility Regulation and Competition Office**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**  
**(stated in Cayman Islands dollars)**

**2. Significant accounting policies (continued)**

*(j) Leases*

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

*(k) Financial instruments*

*(i) Classification*

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

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities are comprised of accounts payables and accrued expenses.

*(ii) Recognition*

The Office recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the statement of financial performance.

*(iii) Measurement*

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition, all financial assets are recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

*(iv) Derecognition*

A financial asset is derecognised when the Office realises the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expired.

*(l) Provisions and contingencies*

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

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

**Utility Regulation and Competition Office**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**  
**(stated in Cayman Islands dollars)**

**2. Significant accounting policies (continued)**

*(m) 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 9).

*Defined Contribution Plan*

The Office participates in the Public Service Pensions Plan, a defined contribution pension fund, in accordance with the Public Service Pension Law. 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 1% of each employee's monthly salary. This 1% is a Past Service Liability (PSL) cost to cover a deficiency in the Fund.

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 Law 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.

*(n) Subsequent Events*

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

**Utility Regulation and Competition Office**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**  
**(stated in Cayman Islands dollars)**

**3.**

**(a) Cash and cash equivalents**

|  | December 31, 2018 | December 31, 2017 |
|--|-------------------|-------------------|
| Cash on Hand                           | 500               | 500               |
| Fixed Deposits                         | 484,982           | 478,125           |
| Current and Savings accounts           | 2,723,930         | 1,493,365         |
| <b>Total cash and cash equivalents</b> | <b>3,209,412</b>  | <b>1,971,990</b>  |

**(b) Short-Term Investments**

Short-Term Investments are comprised of term deposits of \$1,008,194 (2017:\$1,008,194) held with the Bank of Butterfield (Cayman).

**4. Accounts receivable**

|  | December 31, 2018 | December 31, 2017 |
|--|-------------------|-------------------|
| Accounts receivables - Trade             | 611,557           | 476,825           |
| Receivable from Government               | 406,327           | 710,154           |
| Other Receivables                        | 13,391            | 21,721            |
| Allowance for doubtful accounts          | (34,428)          | -                 |
| <b>Trade and other receivables (net)</b> | <b>996,847</b>    | <b>1,208,700</b>  |

The total Trade and other receivables below represent the net of receivables and Allowance for doubtful accounts of \$34,428 (2017 - \$nil). During the period, there were no bad debts written off.

|                                  | December 31, 2018 | December 31, 2017 |
|----------------------------------|-------------------|-------------------|
| <b>Period Outstanding (Days)</b> |                   |                   |
| 0-30                             | 317,968           | 406,550           |
| 30-90                            | 641,450           | 102,689           |
| Over 90                          | 37,429            | 699,461           |
| <b>Total</b>                     | <b>996,847</b>    | <b>1,208,700</b>  |

The bad debts expense recorded in the statement of financial performance of \$34,428 (2017: nil) represents an estimate of the losses expected to be incurred. The amount recorded is based primarily on management's assessment of accounts in the over 90-day category.

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

| December 31, 2018                                |                                |                 |                   |                  |                 |                  |
|--|--------------------------------|-----------------|-------------------|------------------|-----------------|------------------|
|  | Office equipment and furniture | IT equipment    | Computer software | Motor vehicles   | Other Equipment | Total            |
| <b>Cost</b>                                      |                                |                 |                   |                  |                 |                  |
| Balance at beginning of period                   | 25,447                         | 159,888         | 7,788             | 173,186          | 14,085          | 380,394          |
| Additions  | 1,275                          | 26,584          | -                 | -                | -               | 27,859           |
| Balance at end of period                         | 26,722                         | 186,472         | 7,788             | 173,186          | 14,085          | 408,253          |
| <b>Accumulated depreciation and Amortisation</b> |                                |                 |                   |                  |                 |                  |
| Balance at beginning of period                   | 9,782                          | 63,316          | 3,005             | 47,104           | 2,700           | 125,907          |
| Charge for period                                | 9,107                          | 57,957          | 2,800             | 62,927           | 2,817           | 135,608          |
| Balance at end of period                         | 18,889                         | 121,273         | 5,805             | 110,031          | 5,517           | 261,515          |
| <b>Net Book Value At 31 December 2018</b>        | <b>\$7,833</b>                 | <b>\$65,199</b> | <b>\$1,983</b>    | <b>\$63,155</b>  | <b>\$8,568</b>  | <b>\$146,738</b> |
| December 31, 2017                                |                                |                 |                   |                  |                 |                  |
|  | Office equipment and furniture | IT equipment    | Computer software | Motor vehicles   | Other Equipment | Total            |
| <b>Cost</b>                                      |                                |                 |                   |                  |                 |                  |
| Balance at beginning of period                   | 12,602                         | 90,318          | 3,588             | 90,786           | 14,085          | 211,379          |
| Additions  | 12,845                         | 69,570          | 4,200             | 82,400           | -               | 169,015          |
| Balance at end of period                         | 25,447                         | 159,888         | 7,788             | 173,186          | 14,085          | 380,394          |
| <b>Accumulated depreciation and Amortisation</b> |                                |                 |                   |                  |                 |                  |
| Balance at beginning of period                   | -                              | -               | -                 | -                | -               | -                |
| Charge for period                                | 9,782                          | 63,316          | 3,005             | 47,104           | 2,700           | 125,907          |
| Balance at end of period                         | 9,782                          | 63,316          | 3,005             | 47,104           | 2,700           | 125,907          |
| <b>Net Book Value At 31 December 2017</b>        | <b>\$15,665</b>                | <b>\$96,572</b> | <b>\$4,783</b>    | <b>\$126,082</b> | <b>\$11,385</b> | <b>\$254,487</b> |

**Utility Regulation and Competition Office**  
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**6. Accounts payable and accrued liabilities**

|                  | December 31, 2018 | December 31, 2017 |
|------------------|-------------------|-------------------|
| Accrued Expenses | 218,897           | 384,000           |
| Accounts Payable | 83,348            | 185,541           |
| Other            | 74,105            | 70,485            |
|                  | <b>376,350</b>    | <b>640,026</b>    |

**7. Related party balances and transactions**

The following balances and transactions occurred during the period between the Office and the Government.

|                               | 2018      | 2017      |
|-------------------------------|-----------|-----------|
| Accounts Payable – Government | 2,034,160 | 1,966,721 |
| Services provided to Cabinet  | 1,625,309 | 698,487   |

During the year, the Government engaged the Office to provide, a number of Utility Regulation and Competition Office related 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. Additionally, in lieu of subsidies, the Government pays the Office for services such as the management of the Electromagnetic Spectrum.

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

| Period | Amount Collected – CI\$ |
|--------|-------------------------|
| Q1     | \$1,994,716             |
| Q2     | \$2,030,159             |
| Q3     | \$1,976,687             |
| Q4     | \$2,034,160             |
|        | <b>\$8,035,722</b>      |

At the end of the year, the amount collected in Q4 remains outstanding as a payable to Government.

Equity Injection from the Government

During the year, the Office requested an equity injection of \$1.0 million in interim funding in accordance with section 11(5) of the Public Management and Finance Law (2018 Revision). At the time of the request, the Fuel and Water sectors had not been funded from the inception of the Office, which contributed to the loss recognized in the prior year. The request was approved by the Legislative Assembly on November 22, 2018.

Public Service Pension Plan

As detailed in Note 9, the Office on behalf of its eligible employees paid contributions of \$275,838 (2017: 217,370) to the Public Service Pensions Plan during the period.

Key Employee Benefits

The key employees of the Office includes the four (2017: four) Executive Members of the Board. Salaries and other short-term employee benefits for key management are shown below:

|                                | December 31, 2018** | December 31, 2017* |
|--------------------------------|---------------------|--------------------|
| Salaries and employee benefits | 703,805             | 668,105            |

\*The current Executive Director of Energy & Utilities (EDEU) was appointed in September 2017. The former EDEU retired in April 2017.  
\*\* The former Chief Executive Officer’s contract ended in August 2018.

**Utility Regulation and Competition Office**  
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**7. Related party balances and transactions (continued)**

During the year, the Government seconded a Chief Operations Officer to be part of the Office's management team. The employee is paid by 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 |

Total fees paid to the five Non-Executive Board Members for the year ended December 31, 2018 was \$156,000 (2017: 111,000).

**8. General reserve**

The Utility Regulation and Competition Law Section 38 requires the Office to maintain a reserve fund; the management of such fund being at the discretion of the Office. The Law requires the fund to be applied only for the purposes of the Office.

**9. Pensions**

Contributions to Public Service Pensions Plan

During the current year, the Office recognised pension expenses under salaries and employee benefits of \$286,838 (2017: \$217,370) paid to the Public Service Pensions Fund and the Silver Thatch Pensions Fund.

Public Service Defined Benefit Plan

The Office has three employees (2017: 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 \$20,000 (2017: \$7,000).

Pension contributions for eligible employees of the Office are paid to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board ("the Pensions Board") and is operated as a multi-employer plan. Prior to 1 January 2000 the scheme underlying the Fund was a defined benefit scheme. With effect from 1 January 2000 the Fund had both a defined benefit and a defined contribution element, with participants joining after 1 January 2000 becoming members of the defined contribution element only.

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

The Fund has been valued by the Actuary (Mercer) to the Pensions Board. The defined contribution part of the Fund is not subject to the special actuarial valuations due to the nature of the benefits provided therein. The Office paid both the employee and employers 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.

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**9. Pensions (continued)**

Public Service Defined Benefit Plan (continued)

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

|                            | 2018   | 2017   |
|----------------------------|--------|--------|
|                            | \$'000 | \$'000 |
| Defined benefit obligation | 317    | 277    |
| Fair value of plan assets  | 257    | 228    |
| Funded status              | 60     | 49     |
| Net liability              | 60     | 49     |

The change in defined benefit obligation is as follows:

|   | 2018  | 2017  |
|---|-------|-------|
|   | \$000 | \$000 |
| Defined benefit obligation at end of prior year | 277   | -     |
| Service Cost                                    | 40    | 19    |
| Interest expense                                | 10    | 8     |
| Cash flows                                      | 17    | 12    |
| Other significant events                        | -     | 220   |
| Remeasurements                                  | (27)  | 18    |
| Effect of changes in foreign exchange rates     | -     | -     |
| Defined benefit obligation at end of year       | 317   | 277   |

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

|   | 2018  | 2017  |
|---|-------|-------|
|   | \$000 | \$000 |
| Fair value of plan assets at end of prior year      | 228   | -     |
| Interest Income                                     | 8     | 7     |
| Cash flows – employer and participant contributions | 39    | 24    |
| Other significant events                            | -     | 172   |
| Remeasurements                                      | (18)  | 25    |
| Effect of changes in foreign exchange rates         | -     | -     |
| Fair value of plan assets at end of year            | 257   | 228   |

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9. Pensions (continued)

*Public Service Defined Benefit Plan (continued)*

*The net defined benefit liability (asset) reconciliation:*

|   | 2018<br>\$000 | 2017<br>\$000 |
|---|---------------|---------------|
| Net defined benefit liability as of beginning of year | 49            | -             |
| Defined benefit cost included in P&L                  | 42            | 20            |
| Total remeasurements included in OCI                  | (9)           | (7)           |
| Other significant events                              | -             | 48            |
| Cash flows  | (22)          | (12)          |
| Credit to reimbursements                              | -             | -             |
| Effect of changes in foreign exchange rates           | -             | -             |
| Net defined benefit liability as of end of year       | 60            | 49            |

*The components of defined benefit cost is as follows:*

|  | 2018<br>\$000 | 2017<br>\$000 |
|--|---------------|---------------|
| Service Cost   | 40            | 19            |
| Net interest cost  | -             | -             |
| Interest expense on DBO  | 10            | 8             |
| Interest (income) on plan assets                                       | (8)           | (7)           |
| Total net interest cost  | 2             | 1             |
| Remeasurements of Other Long Term Benefits                             | -             | -             |
| Administrative expenses and taxes                                      | -             | -             |
| Defined benefit cost included in P & L                                 | 42            | 20            |
| Remeasurements (recognized in other comprehensive income)              | -             | -             |
| Effect of changes in demographic assumptions                           | (3)           | (33)          |
| Effect of changes in financial assumptions                             | (75)          | (9)           |
| Effect of experience adjustments                                       | 51            | 60            |
| (Return) on plan assets (excluding interest income)                    | 18            | (25)          |
| (Return) on reimbursement rights (excluding interest income)           | -             | -             |
| Changes in asset ceiling/onerous liability (excluding interest income) | -             | -             |
| Total remeasurements included in OCI                                   | (9)           | (7)           |
| Total defined benefit cost recognized in P&L and OCI                   | 33            | 13            |

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9. Pensions (continued)

*Public Service Defined Benefit Plan (continued)*

*The sensitivity analysis on defined benefit obligation is shown below:*

|                                     | 2018 | 2017 |
|-------------------------------------|------|------|
| 1. Discount rate                    |      |      |
| a. Discount rate – 25 basis points  | 341  | 300  |
| b. Discount rate + 25 basis points  | 294  | 256  |
| 2. Inflation rate                   |      |      |
| a. Inflation rate – 25 basis points | 295  | 256  |
| b. Inflation rate + 25 basis points | 340  | 300  |
| 3. Mortality                        |      |      |
| a. Mortality - 10% of current rates | 323  | 283  |
| b. Mortality + 10% of current rates | 310  | 271  |

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

|                                 | Amount (\$000) | Amount (\$000) |
|---------------------------------|----------------|----------------|
| Expected employer contributions | 14             | 6              |

*The significant actuarial assumptions are presented below:*

|                                    | 2018  | 2017  |
|------------------------------------|---|---|
| 1. Discount rate                   | 4.50%   | 3.80%   |
| 2. Rate of salary increase         | 2.50%   | 2.50%   |
| 3. Rate of price inflation         | 2.00%   | 2.00%   |
| 4. Rate of pension increases       | 2.00%   | 2.00%   |
| 5. Post-retirement mortality table | RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected using Scale MP-2018 | RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected using Scale MP-2016 |
| 6. Cost Method                     | Projected Unit Credit   | Projected Unit Credit   |
| 7. Asset valuation method          | Market Value  | Market Value  |

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**9. Pensions (continued)**

*Public Service Defined Benefit Plan (continued)*

|                                    | 2018   | 2017  |
|------------------------------------|--|---|
| 1. Discount rate                   | 3.85%  | 4.10%   |
| 2. Rate of salary increase         | 2.50%  | 3.50%   |
| 3. Rate of price inflation         | 2.00%  | 2.50%   |
| 4. Rate of pension increases       | 2.00%  | 2.50%   |
| 5. Post-retirement mortality table | RP-2014 scaled back to 2006 using Scale MP-2014 then generationaly projected from 2006 using Scale MP-2016 | RP-2014 projected on a generational basis using Scale MP-2014 |

*Plan Assets*

The Defined Benefit assets as well as Defined Contribution assets of the Plan are held as part of the Public Service Pensions Fund ("the Fund") and managed by the PSPB. The assets of two other pension plans are pooled together to constitute the Fund. The assets are notionally allocated to each of the three participating pension plans through an internal accounting mechanism that tracks, for each accounting period, actual cash flows and allocates investment income and expenses in proportion to the opening value of assets allocated. Based on the data provided, the gross rate of return earned by the Fund for the period ended January 2017 was 4.89%. 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 draft financial statements as at 31 December 2018 as well as asset value as at 31 December 2018 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 79%(2017: 80%) equities and 21% (2017:20%) bonds. As at 31 December 2018, the Fund was invested as follows:

| Plan Assets by Asset Category | 2018           |             | 2017           |             |
|-------------------------------|----------------|-------------|----------------|-------------|
|                               | \$000          | Percentage  | \$000          | Percentage  |
| Global equities securities    | 523,688        | 79%         | 547,500        | 80%         |
| Debt securities               | 134,985        | 20%         | 129,083        | 19%         |
| Real estate / Infrastructure  | -              | -           | -              | -           |
| Cash                          | 5,056          | 1%          | 9,000          | 1%          |
| <b>Total</b>                  | <b>663,729</b> | <b>100%</b> | <b>685,583</b> | <b>100%</b> |

For the period ended December 2018, the Defined Contribution portion of the Fund totaled to \$361,762,700 (2017: \$303,457,800) 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 2018 is \$256,700 (2017:\$227,500).

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**9. Pensions (continued)**

*Public Service Defined Benefit Plan (continued)*

*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 2018 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   | 2018  | 2017  |
|--|---|---|
| Discount rate  |   |   |
| - BOY disclosure and current year expense  | 3.80% per year  | 4.50% per year  |
| - EOY disclosure and following year expense  | 4.50% per year  | 3.80% per year  |
| Increases in pensionable earnings  | 4.20% per year  | 3.50% per year  |
| Rate of Pension Increases  | 2.00% per year  | 2.00% per year  |
| Rate of Indexation   | 2.00% per year  | 2.00% per year  |
| Expected long-term rate of return on assets (net of expenses) for purposes of IFRIC only | 2.00% per year  | 2.00% per year  |
| Mortality  |   |   |
| - BOY disclosure and current year expense  | RP-2014 scaled back to 2006 using Scale MP-2014, then generationaly projected using scale MP-2016 | RP-2014 generationaly projected using scale MP-2014   |
| - EOY disclosure and following year expense  | RP-2014 scaled back to 2006 using Scale MP-2014, then generationaly projected using scale MP-2016 | RP-2014 scaled back to 2006 using Scale MP-2014, then generationaly projected using scale MP-2016 |
| Disability   | None  | None  |
| Turnover Rates   | Age related table   | Age related table   |
| Retirement   | Age 57 and 10 years of service  | Age 57 and 10 years of service  |
| Assumed life expectations on retirement  | Retiring today (member age 57) 28.80  | Retiring today (member age 57) 29.13  |
|  | Retiring in 25 years (at age 57): 31.08   | Retiring in 25 years (at age 57): 31.42   |
| 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   |

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**9. Pensions (continued)**

*Public Service Defined Benefit Plan (continued)*

Turnover Rates at sample ages:

| Age | Males | Females |
|-----|-------|---------|
| 20  | 7.5%  | 12.5%   |
| 25  | 5.0%  | 12.5%   |
| 30  | 3.5%  | 7.5%    |
| 35  | 2.5%  | 4.5%    |
| 40  | 1.5%  | 2.5%    |
| 45  | 0.5%  | 5.0%    |
| 50  | 0.0%  | 0.0%    |

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. The mortality assumption was updated to make allowance for future mortality improvements. In the addition, the mortality improvement scale has been updated from Scale AA to Scale BB. These are the same assumptions as approved by the PSPB for use in the 1 January 2014 funding valuation of the Plan.

**10. Outputs to Cabinet: Revenue**

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 2018 established legal provisions for the Office to provide a maximum of \$475,309 in services. During fiscal 2018, in accordance with Section 12 of the Public Management and Finance Law (2018 Revision), the Office requested and received an increase in appropriations of \$1.15 million to fund the regulatory function of the Office in the fuel sector this year. Each fiscal year's Ownership Agreement between the Office and Government sets out the objectives that the Office seeks to achieve.

**11. Regulatory Fees**

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

| Regulatory Fees by Sector    | December 31, 2018 | December 31, 2017 |
|------------------------------|-------------------|-------------------|
| ICT                          | 1,385,300         | 1,076,394         |
| Electricity                  | 1,030,322         | 697,856           |
| <b>Total Regulatory Fees</b> | <b>2,415,622</b>  | <b>1,774,250</b>  |

**Utility Regulation and Competition Office**  
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**12. Other Income**

|                           | December 31, 2018 | December 31, 2017 |
|---------------------------|-------------------|-------------------|
| Administrative Fine – Sol | 286,700           | -                 |
| Other                     | 17,297            | 12,210            |
| <b>Total Other Income</b> | <b>303,997</b>    | <b>12,210</b>     |

During the year, the Office imposed penalties of \$286,700 on Sol Petroleum in relation to non-compliance and breaches of the Dangerous Substances Law which resulted in the incident at Jackson Point Terminal on July 23, 2017.

**13. Lease commitments**

The Office currently leases the third floor of Alissta Towers under a month to month operating lease. The Lease payments are \$6,239 per month. The Office also has another contractual arrangement with TPC Limited, for office space at Smith Road Center, which was executed on August 3, 2017 for a period of ten years with lease payments of \$17,186 per month. The Office's future lease commitments with TPC Limited based on contractual arrangements are:

| Period                                    | Amount             |
|---|--------------------|
| Less than 1 year                          | \$206,232          |
| Greater than 1 year but less than 5 years | \$824,928          |
| Greater than 5 years                      | \$807,742          |
| <b>Total Future Commitment</b>            | <b>\$1,838,902</b> |

**14. General and Administration Costs**

|   | December 31, 2018 | December 31, 2017 |
|---|-------------------|-------------------|
| Utilities                                     | 74,482            | 73,781            |
| IT Services                                   | 79,822            | 86,296            |
| Subscriptions and contributions               | 46,997            | 28,615            |
| Office Administration Expenses                | 57,403            | 67,422            |
| Bad Debt Expense                              | 34,428            | -                 |
| Bank Charges                                  | 17,381            | 14,746            |
| Insurance                                     | 19,557            | 9,167             |
| Other Expenses                                | 79,572            | 44,332            |
| <b>Total General and Administrative Costs</b> | <b>409,642</b>    | <b>324,359</b>    |

**15. Financial risk management objectives and policies**

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

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**15. Financial risk management objectives and policies (continued)**

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 market risk, credit risk, liquidity risk and interest rate risk.

*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 2018.

*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 laws.

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

The Office's accounts receivable balance does not have any significant credit risk exposure to any single licensee but is inherently exposed in its entirety to each sector for which it has responsibility for regulating in the Cayman Islands. The Office's licensees include well-established local telecommunication and media, electricity, fuel and water companies and, at 31 December 2018, 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 2018, is as follows:

|                           | December 31, 2018 | December 31, 2017 |
|---------------------------|-------------------|-------------------|
| Cash and Cash equivalents | 3,209,412         | 1,971,990         |
| Short-Term Investments    | 1,008,194         | 1,008,194         |
| Accounts receivable       | 996,847           | 1,208,700         |
|                           | <b>5,214,453</b>  | <b>4,188,884</b>  |

*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 Law. The size and nature of the reserve are determined by Management. At the moment, the Office maintains a cash reserve equivalent to 3 months of operating expenses.

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**15. Financial risk management objectives and policies (continued)**

*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.

**16. 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.

**17. Judicial Review**

The application to the Grand Court for judicial review between the Office and an ICT Licensee Data Link has been heard by the Court and the Office is currently awaiting the decision of the Judge. The application concerned a determination made by the Office concerning the level of pole attachment reservation fees levied by the ICT Licensee in the broadband internet provision sector against the named telecommunications providers. 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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**Notes to the Financial Statements**  
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**18. Segment Reporting**

|  | ICT Sector       | Electricity Sector | Fuel Sector      | Water Sector     | Consolidated     |
|--|------------------|--------------------|------------------|------------------|------------------|
|  | 2018             | 2018               | 2018             | 2018             | 2018             |
|  | \$               | \$                 | \$               | \$               | \$               |
| <b>Revenue</b>                                     |                  |                    |                  |                  |                  |
| Outputs from Cabinet                               | 257,058          | 27,909             | 1,331,208        | 9,134            | 1,625,309        |
| Revenue from external sources                      | 1,918,536        | 1,032,578          | 359,948          | 738              | 3,311,800        |
| <b>Total revenue</b>                               | <b>2,175,594</b> | <b>1,060,487</b>   | <b>1,691,156</b> | <b>9,872</b>     | <b>4,937,109</b> |
| <b>Expenses</b>                                    |                  |                    |                  |                  |                  |
| Personnel  | 1,178,745        | 699,479            | 682,417          | 300,206          | 2,860,847        |
| Supplies and consumables                           | 956,003          | 276,060            | 314,638          | 80,343           | 1,627,043        |
| Depreciation                                       | 56,307           | 32,428             | 36,260           | 10,613           | 135,608          |
| Other expenses                                     | 95,036           | 31,657             | 42,045           | 9,214            | 177,952          |
| <b>Total expenses</b>                              | <b>2,286,091</b> | <b>1,039,624</b>   | <b>1,075,360</b> | <b>400,375</b>   | <b>4,801,450</b> |
| <b>Surplus/(deficit) from operating activities</b> | <b>(110,497)</b> | <b>20,863</b>      | <b>615,796</b>   | <b>(390,503)</b> | <b>135,659</b>   |
| <b>Assets</b>                                      |                  |                    |                  |                  |                  |
| Property, plant and equipment                      | 49,715           | 40,058             | 51,871           | 5,094            | 146,738          |
| <b>Total assets</b>                                | <b>49,715</b>    | <b>40,058</b>      | <b>51,871</b>    | <b>5,094</b>     | <b>146,738</b>   |
| <b>Liabilities</b>                                 |                  |                    |                  |                  |                  |
| Current liabilities                                | 2,311,858        | 62,891             | 69,598           | 26,163           | 2,470,510        |
| <b>Total liabilities</b>                           | <b>2,311,858</b> | <b>62,891</b>      | <b>69,598</b>    | <b>26,163</b>    | <b>2,470,510</b> |

|  | ICT Sector       | Electricity Sector | Fuel Sector      | Water Sector     | Consolidated       |
|--|------------------|--------------------|------------------|------------------|--------------------|
|  | 2017             | 2017               | 2017             | 2017             | 2017               |
|  | \$               | \$                 | \$               | \$               | \$                 |
| <b>Revenue</b>                                     |                  |                    |                  |                  |                    |
| Outputs from Cabinet                               | 311,927          | 28,750             | 357,810          | -                | 698,487            |
| Revenue from external sources                      | 1,526,794        | 700,855            | 83,727           | 1,434            | 2,312,810          |
| <b>Total revenue</b>                               | <b>1,838,721</b> | <b>729,605</b>     | <b>441,537</b>   | <b>1,434</b>     | <b>3,011,297</b>   |
| <b>Expenses</b>                                    |                  |                    |                  |                  |                    |
| Personnel  | 941,418          | 604,790            | 667,551          | 15,233           | 2,228,992          |
| Supplies and consumables                           | 1,321,168        | 293,335            | 284,412          | 116,600          | 2,015,515          |
| Depreciation                                       | 60,909           | 21,410             | 34,780           | 8,806            | 125,907            |
| Other expenses                                     | 37,948           | 24,378             | 26,908           | 11,959           | 101,193            |
| <b>Total expenses</b>                              | <b>2,361,443</b> | <b>943,913</b>     | <b>1,013,653</b> | <b>152,598</b>   | <b>4,471,607</b>   |
| <b>Surplus/(deficit) from operating activities</b> | <b>(522,722)</b> | <b>(214,308)</b>   | <b>(572,116)</b> | <b>(151,164)</b> | <b>(1,460,310)</b> |
| <b>Assets</b>                                      |                  |                    |                  |                  |                    |
| Property, plant and equipment                      | 94,461           | 65,800             | 80,609           | 13,618           | 254,488            |
| <b>Total assets</b>                                | <b>94,461</b>    | <b>65,800</b>      | <b>80,609</b>    | <b>13,618</b>    | <b>254,488</b>     |
| <b>Liabilities</b>                                 |                  |                    |                  |                  |                    |
| Current liabilities                                | 2,469,134        | 88,943             | 97,670           | -                | 2,655,747          |
| <b>Total liabilities</b>                           | <b>2,469,134</b> | <b>88,943</b>      | <b>97,670</b>    | <b>-</b>         | <b>2,655,747</b>   |

**Utility Regulation and Competition Office**  
**Notes to the Financial Statements**  
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**18. Segment Reporting (continued)**

In accordance with Section 40(2) of the Utility Regulation and Competition Law (2018 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, while taking into account that some personnel support all sectors, to determine the proportion to be allocated to each regulated sector.

**19. Budget Variances**

| Statement of Financial Position          | December 31, 2018 | December 31, 2018 | December 31, 2018  | Note |
|--|-------------------|-------------------|--------------------|------|
|  | Actual            | Budget            | Variance           |      |
| <b>CURRENT ASSETS</b>                    |                   |                   |                    |      |
| Cash and cash equivalents                | 3,209,412         | 1,646,705         | 1,562,707          | 1    |
| Short Term Investments                   | 1,008,194         | -                 | 1,008,194          | 2    |
| Accounts receivable                      | 996,847           | 1,419,122         | (422,275)          | 3    |
| Prepaid expenses                         | 111,346           | 54,871            | 56,475             |      |
|  | <b>5,325,799</b>  | <b>3,120,698</b>  | <b>2,205,101</b>   |      |
| <b>NON-CURRENT ASSETS</b>                |                   |                   |                    |      |
| Property, plant and equipment            | 146,738           | 1,424,437         | (1,277,699)        | 4    |
| <b>TOTAL ASSETS</b>                      | <b>5,472,537</b>  | <b>4,545,135</b>  | <b>927,402</b>     |      |
| <b>LIABILITIES AND NET WORTH</b>         |                   |                   |                    |      |
| <b>CURRENT LIABILITIES</b>               |                   |                   |                    |      |
| Collections Payable to Government        | 2,034,160         | -                 | (2,034,160)        | 1    |
| Accounts payable and accrued liabilities | 376,350           | 382,448           | 6,098              |      |
| Defined benefit pension liability        | 60,000            | -                 | (60,000)           |      |
|  | <b>2,470,510</b>  | <b>382,448</b>    | <b>(2,088,062)</b> |      |
| <b>NET WORTH</b>                         | <b>3,002,027</b>  | <b>4,162,687</b>  | <b>1,160,660</b>   | 5    |
| <b>TOTAL NET WORTH</b>                   | <b>5,472,537</b>  | <b>4,545,135</b>  | <b>(927,402)</b>   |      |

Note 1 – ICT royalty fees of \$2.0m due to Government at year end not included in the budget.

Note 2 – Funds placed on short term fixed deposit not included in the budget.

Note 3 – The budget amount included regulatory fees owed to the Office for the Water Sector. The regulatory fee mechanism for the Water Sector not implemented as at December 31, 2018.

Note 4 – The budgeted capital expenditure for leasehold improvements for 2017-2018 is \$880,000. As at December 31, 2018, the actual spend for leasehold improvements is nil.

Note 5 – The net assets are lower than budgeted due to the net deficit experienced in 2017 of \$1.5m.

**Utility Regulation and Competition Office**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**  
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19. Budget Variances (continued)

| Statement of Financial Performance | December 31, 2018 | December 31, 2018 | December 31, 2018 | Note |
|------------------------------------|-------------------|-------------------|-------------------|------|
|                                    | Actual            | Budget            | Variance          |      |
| <b>REVENUE</b>                     |                   |                   |                   |      |
| Sales of goods and services        | 4,633,113         | 6,037,407         | (1,404,294)       | 6    |
| Other revenue                      | 303,996           | 39,500            | 264,496           | 7    |
| <b>TOTAL REVENUE</b>               | <b>4,937,109</b>  | <b>6,076,907</b>  | <b>1,139,798</b>  |      |
| <b>EXPENSES</b>                    |                   |                   |                   |      |
| Personnel Costs                    | 2,851,571         | 3,574,522         | 722,951           | 8    |
| Purchase of Services               | 1,123,011         | 1,361,378         | 238,367           | 9    |
| Lease of Property and Equipment    | 274,856           | 133,151           | (141,705)         | 10   |
| Travel and Subsistence             | 140,439           | 80,000            | (60,439)          | 11   |
| Depreciation                       | 135,608           | 298,948           | 163,340           | 10   |
| Recruitment and Training           | 102,919           | 95,000            | (7,919)           |      |
| Utilities                          | 74,482            | 50,200            | (24,282)          |      |
| Bad Debt Expense                   | 34,428            | -                 | (34,428)          | 12   |
| General Insurance                  | 19,617            | 20,447            | 830               |      |
| Supplies and Materials             | 4,519             | 19,500            | 14,981            |      |
| Interdepartmental expenses         | 40,000            | 50,000            | 10,000            |      |
| <b>TOTAL EXPENSES</b>              | <b>4,801,450</b>  | <b>5,683,146</b>  | <b>881,696</b>    |      |
| <b>NET SURPLUS</b>                 | <b>135,659</b>    | <b>393,761</b>    | <b>(258,102)</b>  |      |

Total Expenses is favourable to budget by \$881,696 or 16% due mainly to savings with personnel costs and the purchase of services.

Note 6 – The unfavourable variance of \$1.4m is due mainly to the delay in the implementation of the regulatory fee mechanism for the Water Sector.

Note 7 – Other Revenue is favourable to budget due to unanticipated revenue from the penalties imposed on Sol Petroleum in relation to non-compliance and breaches of the Dangerous Substances Law (2017) which resulted in the incident at Jackson Point Terminal on July 23, 2017.

Note 8 – The favourable variance experienced with personnel costs is due to vacant positions not being filled during the year.

Note 9 – Purchase of Services is favourable to budget due to lower Professional and Consultancy fees.

Note 10 – Lease of Property Plant and Equipment is unfavourable to budget due to the Office incurring costs for two office premises; Alissta Towers and Smith Road Centre, which was unexpected. This is being offset by savings from depreciation due to unspent capital expenditure for leasehold improvements for new office space.

Note 11 – Travel and Subsistence is unfavourable to budget by \$60K due mainly to higher than expected travel for conferences related to the ICT Sector.

Note 12 – Bad Debt Expense is unfavourable to budget due to the establishment of a provision for bad debt in relation to outstanding balances over 90 days.

**Utility Regulation and Competition Office**  
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**For the Year Ended 31 December 2018**  
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19. Budget Variances (continued)

| Statement of Cash Flows                                     | December 31, 2018 | December 31, 2018 | December 31, 2018 | Note |
|---|-------------------|-------------------|-------------------|------|
|   | Actual            | Budget            | Variance          |      |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                  |                   |                   |                   |      |
| Net comprehensive surplus/(deficit) for year                | 135,659           | 393,762           | (258,103)         | 13   |
| Adjustment for non-cash transactions:                       |                   |                   |                   |      |
| Depreciation and amortisation                               | 135,608           | 298,948           | (163,340)         | 14   |
| Non-Cash Pension Expenses                                   | 20,000            | -                 | 20,000            |      |
|   | 291,267           | 692,710           | (401,443)         |      |
| Net changes in non-cash operating balances:                 |                   |                   |                   |      |
| (Increase)/decrease in:                                     |                   |                   |                   |      |
| Accounts receivable   | 211,853           | (337,454)         | 549,307           | 15   |
| Prepaid Expenses  | (41,603)          | (3,604)           | (37,999)          |      |
| Accounts Payable and Accrued Expenses                       | (196,237)         | 24,972            | (221,209)         | 16   |
| <b>Net cash provided by operating activities</b>            | <b>265,281</b>    | <b>376,624</b>    | <b>(111,344)</b>  |      |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                  |                   |                   |                   |      |
| Purchase of property, plant and equipment                   | (27,859)          | (770,000)         | 742,142           | 17   |
| <b>Net cash used in investing activities</b>                | <b>(27,858)</b>   | <b>(770,000)</b>  | <b>742,142</b>    |      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |                   |                   |                   |      |
| Injection from Cabinet                                      | 1,000,000         | -                 | 1,000,000         | 18   |
| <b>Net cash provided by financing activities</b>            | <b>1,000,000</b>  | <b>-</b>          | <b>1,000,000</b>  |      |
| Net increase in cash and cash equivalents during the period | 1,237,422         | (393,376)         | 1,630,797         |      |
| Cash and cash equivalents at beginning of the period        | 1,971,990         | 2,040,081         | (68,091)          |      |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>           | <b>3,209,412</b>  | <b>1,646,705</b>  | <b>1,562,706</b>  |      |

Note 13 – The Net Surplus is lower than budgeted due to lower regulatory fees than anticipated, partially offset by lower total expenses.

Note 14 - Depreciation is lower than budgeted due to savings from the unspent capital expenditure for leasehold improvements for new office space.

Note 15 – Lower receivables than anticipated due to lower regulatory fees owed to the Office for the Water Sector. The regulatory fee mechanism for the Water Sector was not implemented during 2018.

Note 16 – The prior year's actual Accounts Payable and Accrued Liabilities balance was higher than originally forecasted.

Note 17 – The budgeted capital expenditure for leasehold improvements was not spent.

Note 18 - The Office requested an equity injection from the Government of \$1.0 million in interim funding in accordance with section 11(5) of the Public Management and Finance Law (2018 Revision). At the time of the request, the Fuel and Water sectors had not been funded from the inception of the Office, which contributed to the loss recognized in the prior year. The request was approved by the Legislative Assembly on November 22, 2018.

**Utility Regulation and Competition Office**  
**Notes to the Financial Statements**  
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**20 . Restatement of Prior Year Balances**

Restatement of prior year balances relate to the following:

An error with the recognition of property, plant and equipment as Contributed Capital to the Office;

An error with the recognition of defined benefit pension costs;

Reclassification of term deposits with an original maturity of greater than 3 months.

Effects on the Statement of Financial Position at December 31, 2017 are shown below:

|  | As previously Reported | Effect of Restatement | As Restated      |
|--|------------------------|-----------------------|------------------|
| <b>CURRENT ASSETS</b>                    |                        |                       |                  |
| Cash and cash equivalents                | 2,980,184              | (1,008,194)           | 1,971,990        |
| Short term investment                    | -                      | 1,008,194             | 1,008,194        |
| Accounts receivable                      | 1,208,700              |                       | 1,208,700        |
| Prepaid expenses                         | 69,743                 |                       | 69,743           |
|  | <u>4,258,627</u>       |                       | <u>4,258,627</u> |
| <b>NON-CURRENT ASSETS</b>                |                        |                       |                  |
| Property, plant and equipment            | 324,493                | (70,005)              | 254,488          |
| <b>TOTAL ASSETS</b>                      | <u>4,583,120</u>       |                       | <u>4,513,115</u> |
| <b>LIABILITIES AND EQUITY</b>            |                        |                       |                  |
| <b>CURRENT LIABILITIES</b>               |                        |                       |                  |
| Collections Payable to Government        | 1,966,721              |                       | 1,966,721        |
| Accounts payable and accrued liabilities | 640,026                |                       | 640,026          |
| Defined benefit pension liability        | 49,000                 |                       | 49,000           |
|  | <u>2,655,747</u>       |                       | <u>2,655,747</u> |
| <b>NET ASSETS</b>                        | 1,927,373              | (70,005)              | 1,857,368        |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <u>4,583,120</u>       |                       | <u>4,513,115</u> |

**Utility Regulation and Competition Office**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**  
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**20 . Restatement of Prior Year Balances (continued)**

Effects on the Statement of Financial Performance at December 31, 2017 are shown below:

|                                   | As previously Reported | Effect of Restatement | As Restated        |
|-----------------------------------|------------------------|-----------------------|--------------------|
| <b>INCOME</b>                     |                        |                       |                    |
| Regulatory fees                   | 1,774,250              | -                     | 1,774,250          |
| Services provided to Government   | 698,487                | -                     | 698,487            |
| Licensing Fees                    | 270,411                | -                     | 270,411            |
| .ky domain fees                   | 175,439                | -                     | 175,439            |
| Import permit                     | 80,500                 | -                     | 80,500             |
| Other Income                      | 12,210                 | -                     | 12,210             |
|                                   | <u>3,011,297</u>       | -                     | <u>3,011,297</u>   |
| <b>EXPENSES</b>                   |                        |                       |                    |
| Personnel costs                   | 2,228,992              | 7,000                 | 2,235,992          |
| Professional and consultancy fees | 1,052,451              | -                     | 1,052,451          |
| General and Administration Costs  | 324,359                | -                     | 324,359            |
| Legal Fees                        | 243,752                | -                     | 243,752            |
| Official Travel and conferences   | 234,233                | -                     | 234,233            |
| Depreciation and amortisation     | 130,685                | (4,777)               | 125,908            |
| Directors' fees                   | 113,268                | -                     | 113,268            |
| Lease of Office space             | 94,613                 | -                     | 94,613             |
| Training                          | 54,031                 | -                     | 54,031             |
| Total Expenses                    | <u>4,476,385</u>       |                       | <u>4,478,607</u>   |
| <b>Net deficit for the period</b> | <u>(1,465,088)</u>     |                       | <u>(1,467,310)</u> |

**Utility Regulation and Competition Office**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**  
**(stated in Cayman Islands dollars)**

**20 . Restatement of Prior Year Balances (continued)**

Effect on the Statement of Cash Flows for the period ended December 31, 2017

|  | As previously<br>Reported | Effect of<br>Restatement  | As Restated             |
|--|---------------------------|---------------------------|-------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                             |                           |                           |                         |
| Net comprehensive deficit for the period                               | (1,465,088)               | (2,222)                   | (1,467,310)             |
| Adjustment for non-cash transactions:                                  |                           |                           |                         |
| Depreciation and amortisation  | 130,685                   | (4,777)                   | 125,908                 |
| Non-Cash Defined Benefit Pension Cost                                  | -                         | 7,000                     | 7,000                   |
|  | <u>(1,334,403)</u>        |                           | <u>(1,334,402)</u>      |
| Net changes in non-cash operating balances:<br>(Increase)/decrease in: |                           |                           |                         |
| Accounts receivable  | (426,174)                 |                           | (426,173)               |
| Prepaid Expenses   | 41,601                    |                           | 41,601                  |
| Accounts Payable and Accrued Expenses                                  | 2,082,802                 |                           | 2,082,800               |
| <b>Net cash provided by operating activities</b>                       | <u><b>363,826</b></u>     | -                         | <u><b>363,826</b></u>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                             |                           |                           |                         |
| Purchase of property, plant and equipment                              | (169,015)                 |                           | (169,015)               |
| <b>Net cash used in investing activities</b>                           | <u><b>(169,015)</b></u>   | -                         | <u><b>(169,015)</b></u> |
| Net increase in cash and cash equivalents during<br>the period         | 194,811                   |                           | 194,811                 |
| Cash and cash equivalents at beginning of the<br>period                | 2,785,373                 | (1,008,194)               | 1,777,179               |
| <b>CASH AND CASH EQUIVALENTS AT END<br/>OF PERIOD</b>                  | <u><b>2,980,184</b></u>   | <u><b>(1,008,194)</b></u> | <u><b>1,971,990</b></u> |

**21. Subsequent Events**

On April 9, 2019, the Finance Committee of the Legislative Assembly granted approval for a supplementary appropriation in Fiscal 2019 of \$1.3m to support the operational costs of the Fuel Sector in accordance with Section 12 of the Public Management and Finance Law (2018 Revision).

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