



Activities & Audited Financials

1 April 2016 – 31 March 2017

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CHAIRMAN'S FOREWORD

This Annual Report presents the financial statements and activities of the Regulatory Authority of Bermuda (the "Authority") for the fiscal year 2016-17, which is the Authority's fourth full year of operation since it was established in 2013. The 2016-17 Work Plan was consulted upon and the Authority's proposed budget was approved by the Minister of Finance on 7 April 2016.

The 2016-17 fiscal year has been a year of new beginnings for the Authority, including regulation of a new sector (electricity), issuing new high demand spectrum, mandating new products to spectrum awardees (4G mobile coverage), introducing a new fee-filing approach for Integrated Communications Operating Licence (ICOL) holders, and approving a trial for another new product (high speed broadband). This has required the Authority to continually rise to the challenge of carrying out its regulatory functions for two fast-paced sectors in shifting regulatory landscapes.

The main strategic planning issue faced by the Authority is creating and implementing policies in a dynamic environment. The new electricity regulatory structure is expected to liberalize the electricity generation market, protect end users and ensure that opportunities exist for all credible supply or demand-side entities willing to participate in Bermuda's energy future and to modernize the electricity sector. Creating policies to meet and enhance the expectations of the electricity sector will be challenging. Concerns over emissions and climate change are bringing political and social pressure to bear on energy providers and policy makers to change the mix of fuels used for electricity generation, encourage efficiency and drive down electricity prices.

The Authority has initiated the development and implementation of the licensing regime of the Electricity Act 2016 which would give the Authority powers to act on all matters in the electricity sector. The Authority plans to complete the development and implementation of the licensing framework in 2017-18 and commence the regulation with the issuance of licences to incumbent sectorial providers. Following the implementation of the licensing regime the Authority plans to pursue the following:

- Development of an Integrated Resource Plan;
- Establish methodology to determine fair market value to the exporters of electricity and the electricity utility working with key stakeholders in the industry;
- Evaluate rate case submissions to ensure fair market value to the consumer with acceptable rates of returns to the electric utility; and
- Ensure consumer pricing is based on a fair and competitive rate which will be attributed to accurate accounting principles by the electric utility.

A major highlight of the 2016-17 fiscal year was the completion of the assignment of designated High Demand Spectrum (“HDS”) frequencies (“HDS-1”), which commenced with the issuance of a Request for Applications (“RFA”) in May 2016 and concluded in November 2016 with the award of spectrum to One Communications Ltd (“One”) and Telecommunications (Bermuda & West Indies) Limited (“Digicel”). After a comprehensive assessment of the RFA responses, One was awarded the Lower B & C Blocks of the 700 MHz Band, while Digicel was awarded the Upper C Blocks of the 700 MHz Band as well as the B & B’ Blocks of the 850 MHz Band.

This was in line with the Authority’s responsibility and commitment to encourage innovation and competition as appropriate in Bermuda’s regulated sectors. With the issuance of HDS-1 Licences, Bermuda will see first class mobile services across the entire island with average 4G download speeds in excess of 30 Mbps, surpassing many other larger jurisdictions. Also, this innovation is evident by the upgrades of both island-wide fixed networks. Making sure that the electronic communications markets work effectively for consumers is also at the heart of and remains a focus of the Authority, which has the privilege and honour of helping to direct and lead the technological advances that are making a difference in our community.

Details of a number of sector-specific activities undertaken by the Authority are set out in the report which follows.

I wish to express my sincere gratitude to my fellow Board members, the management and the staff of the Authority for their continued service to the Authority and by extension to the people of Bermuda.

Angela S. Berry
Chairman

REGULATORY AUTHORITY ACTIVITIES

Electronic Communications

In April 2016, the Authority approved Atlantic Tele Network Inc.'s ("ATN") acquisition of majority control of Keytech Limited (which on 14 February 2017 changed its name to One Communications Ltd.), subject to certain conditions set forth in the Authority's decision (available on the Authority's website).

High Demand Spectrum Consultation

The HDS-1 award requires One and Digicel to meet several obligations, including the roll out, island-wide, of a high speed 4G mobile network and ensuring high speed coverage for the America's Cup race. Failure to meet any of these obligations may result in severe financial penalties. The Authority expects this project to transform mobile services in Bermuda, resulting in universal access to high speed mobile data and increased quality and coverage of mobile services in general. Further details are set forth in the Authority's Final Decision on the Award of Spectrum Pursuant to the Authority's Request for Applications for the Assignment of Designated HDS-1 Frequencies in the 850 MHz, 700 MHz and 2100 MHz Bands which is available on the Authority's website.

On 19 May 2016, the Schedule to Regulatory Authority (Request for Applications for the Assignment of Designated HDS-1 Frequencies in the 850 MHz, 700 MHz, and 2100 MHz Bands) General Determination 2016 was released. This Request for Applications ("RFA"), together with its Annexes, in accordance with the Public Interest Factors set out in the Electronic Communications Act 2011 ("ECA"), the spectrum management objectives established in the ECA, the principal functions of the Authority, and the general policy for HDS assignment set out in the Spectrum Policy Statement issued by the Minister responsible for electronic communications on 22 September 2014. The RFA established the procedures, criteria and conditions for the award of individual spectrum licences for the individual lots of HDS frequencies designated.

Also, on 19 May 2016, the Criteria and Procedures for Assigning High Demand Spectrum Order was released. This was followed by the Authority's release of its HDS-1 Questions/Clarifications on 7 June 2016 due to matters arising from the original consultation. This document provided answers to questions submitted via the process set forth in the RFA. The submitted questions were discussed and edited for clarity and confidentiality and were grouped according to the paragraph numbers of the RFA. All terms, words or expressions defined in Annex A of the RFA were given the same meaning when used or referenced in the clarifications. On 13 June 2016, the Authority responded to those questions put forth by interested parties.

As part of the HDS-1 process, an Advisory Panel was commissioned to assist the Authority with the review of the submitted applications. This panel was made up of two Authority employees and two international spectrum experts, together with other support mechanisms.

Ultimately, the final decision on the Award of Spectrum Pursuant to the Authority's Request for Applications for the Assignment of Designated HDS-1 Frequencies in the 850 MHz, 700 MHz and 2100 MHz Bands concluded in October 2016.

Cell One was awarded 700 MHz spectrum and Digicel was awarded spectrum in both 700 MHz and 850 MHz bands. Both successful applicants were issued amended Commercial Mobile Radio Service (“CMRS”) Licences. Those licences contained both Coverage/Rollout and Minimum Quality of Service Obligations for 4G LTE service deployment. There were no bids for the 2100 MHz spectrum and as such it was set aside for future assignment

Process of Payment of Regulatory Authority and Government Fees Consultation

In December 2016, the Authority introduced the Regulatory Authority (Process for Payment of Regulatory Authority and Government Authorization Fees) General Determination 2016 (the “Process for Payment GD”), which updated the process for ICOL holders to submit quarterly fee filings. By way of the Process for Payment GD, the Authority issued the Fee Filing Instructions, which replaces all previous guidance issued for ICOL holders, effective 1 December 2016. The Authority introduced the Process for Payment GD to simplify and clarify the fee filing process while providing the Authority with flexibility to review exemption requests in accordance with its regulatory functions.

Electricity

The Electricity Act 2016 (the “Act”) came into effect 28 October 2016 to, among other things, address some of the longer-term issues facing the sector. These issues include financial transparency, competition and non-discriminatory access to the grid. The Authority encountered several difficulties with the Act mainly because of the lack of transitional powers provided to the Authority.

Notwithstanding its challenges, the Authority continued with its goal of implementing a credible licensing regime for Bermuda. The Authority strives to:

- ✓ ensure adequacy, safety, sustainability and reliability of electricity supply in Bermuda
- ✓ encourage electricity conservation and the efficient use of electricity
- ✓ promote alternative energy sources and renewable energy sources
- ✓ provide sectoral participants and end-users with non- discriminatory interconnection to transmission and distribution systems,
- ✓ protect the interests of end-users with respect to prices and affordability, and the adequacy, reliability and quality of electricity service; and
- ✓ promote economic efficiency and sustainability in the generation, transmission, distribution and sale of electricity.

From the onset of the Act being enacted, the main goal for the Authority has been to develop a licensing regime. The construction of the licensing regime commenced this year with the timely selection of experienced advisors and development of a licence procedure manual to explain licence classifications, eligibility, requirements to apply, and conditions of the licence classes. Prior to the start of the licensing regime, the Authority provided support to the renewables energy industry by mandating that BELCO provide interconnections and contracts to prospective renewable energy customers. In the absence of this direction from the Authority, the renewables energy program from BELCO would have ended.

The Authority issued the Regulatory Authority (Transitional Measures for Bermuda Electric Light Company Limited Solar Net Metering Scheme) Emergency General Determination 2017 (the “Net Metering EGD”) in March 2017 in response to BELCO closing its net metering scheme to new entrants, which was having a detrimental

effect upon the solar market and the electricity sector. In accordance with the Authority's responsibilities, (including promoting and preserving competition and promoting the development of the Bermuda economy, employment and ownership) the Authority acted swiftly to require BELCO to continue to accept new entrants into its net metering scheme. The Net Metering EGD also required BELCO to pay scheme participants based on BELCO's avoided cost, in line with the requirements of the Electricity Act 2016 ("EA"). The Authority also commenced the consultation process on the EGD in March 2017.

CORPORATE DEVELOPMENTS AND INITIATIVES

The following are the main corporate and ongoing activities undertaken by the Authority.

Staff and Organisational Restructure

As the regulatory activities that the Authority pursue are specialised and complex, it is important that the Authority builds and maintains an appropriate resource and staff base. This includes a focus on ongoing development, training and succession planning. The Authority performed an organisational re-structuring in 2016-17. The re-structuring focused on building a team of predominantly Bermudian staff, from which to deliver a strong regulatory framework.

With the increased responsibilities of the Electricity sector, the headcount of the Authority increased from nine to twelve employees. The Authority is proud to report that ten of the twelve employees are Bermudian for the period 2016-17.

Professional Development

The quality and commitment of the Authority's staff are central to the Authority's ability to fulfil its duties. The Authority remains committed to training its staff and has provided both local and overseas training opportunities to ensure that performance and organisational goals are in alignment. It will continue to invest in its staff's professional development in order to meet its legislative responsibilities and Work Plan objectives.

Website

With the expanded mandate to regulate the Electricity sector, the Authority will perform a website redevelopment during 2017-18 to enhance the current interface and facilitate communications and exchange of information between the Authority and its stakeholders.

Commentary on the 2016/2017 Work Plan

Striving for Organizational Excellence

Activity 1 – Commission an independent annual review of Authority internal controls

- The external auditors examine and test the internal controls each year. This specific project was not undertaken based on cost and to avoid duplicated effort.

Activity 2 - Arrange regular meetings between ICOL holders and the Authority as well as between the Board and stakeholders

- The Board adopted the practice of meeting with stakeholders when requested.
- The Authority arranged regularly scheduled meetings with ICOL holders during the year.

Activity 3 - Submission of work plan and budget.

- This process is completed on an annual basis by the Authority.

Activity 4 - Continue to provide targeted training to the Authority's members of staff to ensure they are equipped to perform at the highest standard. Arrange at least two in house training opportunities for staff.

- No in-house training was conducted during the year. Individuals undertook professional development, and external training was conducted via some 120 hours during courses and conferences.

Activity 5 - Participation in relevant industry and regulatory forums and training.

- The Electricity team participated via conferences and training seminars.

Facilitating Sustainable Competition

Activity 1 - Investigate the establishment of an Industry Working Group for wholesale access to infrastructure.

- This element of the Work Plan was suspended due to higher priority projects.

Activity 2 - Monitor compliance with conditions imposed on Digicel after its acquisition of BTC.

- Relevant reports were received by the Authority for consideration.

Activity 3 - Assignment of High Demand Spectrum (HDS-2)

- There were no stakeholders that requested HDS-2 during the year. Therefore, the project was closed. HDS-1 was the primary focus throughout the year.

Promoting and Protecting the Interest of Consumers

Activity 1 - Consultation on Billing practices of electronic communications service providers.

- The Authority considered that this activity was of lower priority and resources were realigned to complete other projects of the Plan. This item has been deferred for future action.

Activity 2 - Seeking the views of Bermuda public on the treatment of data on the internet (Net Neutrality).

- The Authority considered that this activity was of lower priority and resources were realigned to complete other projects of the Plan. This item has been deferred for future action.

Activity 3 - Quality of Service investigation: Fixed Broadband / ISP Speed.

- The Authority considered that this activity was of lower priority and resources were realigned to complete other projects of the Plan. This item has been deferred for future action.

Activity 4 - Confidentiality of Consumer Data.

- This project was deferred due to higher priorities. Recommendations were however made in relation to consultations for the Personal Information Protection Act (PIPA)

Facilitating Innovation and Investment

Activity 1 - Investigate appropriate levels of financial penalties for breach of rules.

- The Authority deferred this project as the Authority does not yet have the ability to impose penalties.

Activity 2 - Continue to develop relationship with the Bermuda Business Development Agency (BBDA).

- The Authority interacted with the BBDA as well as several other QUANGOs and cross-agencies through regularly scheduled quarterly meetings.

Providing Timely Advice / Information to Government

Activity 1 - Review and determine public interest in allowing more ICOL holders to enter the market.

- This activity was not undertaken as it requires a Direction from the Minister which was not received in the year.

Activity 2 - Review of ICOL condition A 5.1 re: location of personnel, facilities and services outside of Bermuda.

- This Work Plan activity was considered by the Authority and no definitive position was determined. However, the Authority will continue to review this condition on a case-by-case basis.

FINANCIAL HIGHLIGHTS

For the financial year ended 31 March 2017, the Authority recorded a total net deficit from operations of \$638,057. The operating and capital budgets for the period were \$4.76 million and \$13,250 respectively. The Authority's audited operating results are before taking into account expenditure on capital assets of \$100,293 bringing the net deficit to \$738,350. Effective 28 October 2016, the Electricity Act 2016 came into effect and transferred responsibility for the regulation of the electricity from the Energy Commission to the Authority.

Electronic Communications

For the financial year ended 31 March 2017, the Authority's total revenues amounted to \$3,566,364 and exceeded budgeted revenues by \$223,864 (7%). The Authority's total actual costs, including capital asset expenditure, totalled \$3,367,725 and \$7,775 (0.2%) less than expected when compared to the approved budget of \$3,375,500.

The general administration expenses for the fiscal year were less than the budgeted allocation by \$567,030 (21%). The majority of the variance was as a result of salaries, employee benefits and Commissioners' honoraria being below budget to the amount of \$440,436 (21%). This was largely due to the common cost savings between the Electronic Communications and Electricity sectors.

Professional services were over budget by \$421,705 (65%), largely due to Technical Consultancy expenses exceeding budgeted allocation by \$397,878 (80%). The Authority continued its critical focus on the high demand spectrum (4G) application and award process and awarded appropriate spectrum licences during November 2016. The capital budget was exceeded by \$93,293 (1,333%) due to the Authority relocating office space to accommodate the increase in staff and sectors.

Electricity

With respect to the commencement of the Authority's expanded mandate to regulate the Electricity sector the Authority secured a \$3.4 million overdraft facility. This financing has enabled the Authority to commence electricity regulation prior to its ability to collect the relevant regulatory fees. The Authority was only able to levy fees on the Electricity sector providers from 1 April 2017 onwards, thus resulting in a period between enactment and 31 March 2017 which remained unfunded from the Electricity sector providers.

The Authority adopted the 2017-18 Electricity budget, as pro-rated, for the 2016-17 fiscal year, amounting to \$1,404,917. No revenues were earned during the period in relation to the Electricity sector and total expenses amounted to \$936,989 which was under budget by \$467,928 (33%).

For further detail, please refer to the Audited Annual Financial Statements for the fiscal year ending 31 March 2017.

AUDITED FINANCIAL STATEMENTS

REGULATORY AUTHORITY

FINANCIAL STATEMENTS

MARCH 31, 2017

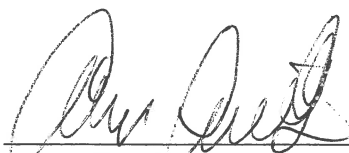
Management's Responsibility for the Financial Statements

These financial statements have been prepared by management, who are responsible for the reliability, integrity and objectivity of the information provided. The preparation of financial statements necessarily involves using management's best estimates and judgments, where appropriate.

Management is responsible for maintaining a comprehensive system of accounting records, internal controls, policies and management practices, designed to provide reasonable assurance that transactions are properly authorized and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

The Board of Commissioners (the "Board") is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. They meet periodically with management to discuss matters relating to financial reporting, internal control and audits. They also review the financial statements before their approval. The financial statements have been approved by the Board and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.



Aaron Smith
Interim Chief Executive



Paul Davis
Chief Financial Officer

May 22, 2018



Office of the Auditor General

Reid Hall, Penthouse
3 Reid Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148

Fax: (441) 295-3849

Email: oag@oagbermuda.bm

Website: www.oagbermuda.bm

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport and Regulatory Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the Regulatory Authority, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with public sector accounting standards generally accepted in Bermuda and Canada, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

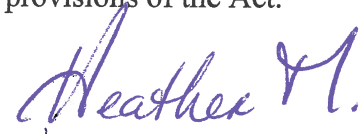
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Regulatory Authority as at March 31, 2017, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Report on Other Legal and Regulatory Requirements

As required by Section 46 of the Regulatory Authority Act 2011, I also report that, in my opinion, the financial statements show fairly the financial transactions and the state of affairs of the Authority, proper accounting and other records have been kept, including records of all assets of the Authority, and the receipts, expenditure and investment of moneys and the acquisition and disposal of assets by the Authority during the financial year, were in accordance with the provisions of the Act.

Hamilton, Bermuda
May 22, 2018



Heather Thomas, CPA, CFE, CGMA
Auditor General

REGULATORY AUTHORITY

STATEMENT OF FINANCIAL POSITION

As at March 31, 2017

(Expressed in Bermuda dollars)

	2017 \$	2016 \$
FINANCIAL ASSETS		
Cash	1,502,454	1,781,572
Accounts receivable	4,908,015	3,502,468
Due from the Government of Bermuda	4,875	-
	<u>6,415,344</u>	<u>5,284,040</u>
LIABILITIES		
Accounts payable and accrued liabilities	398,402	291,401
Bank borrowing (Note 10)	374,182	-
Due to the Government of Bermuda (Note 9)	4,184,455	2,817,268
Obligation under capital lease (Note 8)	9,348	8,156
Distribution payable to the Consolidated Fund of the Government of Bermuda (Note 9)	660,950	660,950
	<u>5,627,337</u>	<u>3,777,775</u>
NET FINANCIAL ASSETS	<u>788,007</u>	<u>1,506,265</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 3 & 8)	191,191	133,479
Prepaid expenses	43,693	21,204
	<u>234,884</u>	<u>154,683</u>
ACCUMULATED SURPLUS (Note 4)	<u>1,022,891</u>	<u>1,660,948</u>
Accumulated surplus is comprised of:		
Initial paid-up capital	1,000,000	1,000,000
Paid-up capital	22,891	330,474
Reserve Fund	-	330,474
	<u>1,022,891</u>	<u>1,660,948</u>
CONTRACTUAL OBLIGATIONS (Note 7)		

The accompanying notes and schedules are an integral part of these financial statements

REGULATORY AUTHORITY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31, 2017

(Expressed in Bermuda dollars)

	2017	2017	2016
	Budget	Actual	Actual
	(Note 13)		
	\$	\$	\$
REVENUES			
Fees from Integrated Communications			
Operating Licences (Note 12)	3,342,500	3,565,936	2,815,537
Interest	-	428	649
	<u>3,342,500</u>	<u>3,566,364</u>	<u>2,816,186</u>
EXPENSES (Note 5)			
General administration	3,568,499	2,519,031	1,892,342
Professional services	1,197,917	1,636,101	730,922
Amortization of tangible capital assets	-	49,289	28,861
	<u>4,766,416</u>	<u>4,204,421</u>	<u>2,652,125</u>
ANNUAL (DEFICIT) SURPLUS	<u>(1,423,916)</u>	(638,057)	164,061
ACCUMULATED SURPLUS, BEGINNING OF YEAR		1,660,948	1,578,918
Less: Distribution to the Consolidated Fund of the Government of Bermuda (Notes 4 and 9)		-	(82,031)
ACCUMULATED SURPLUS, END OF YEAR		<u>1,022,891</u>	<u>1,660,948</u>

The accompanying notes and schedules are an integral part of these financial statements

REGULATORY AUTHORITY

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended March 31, 2017

(Expressed in Bermuda dollars)

	2017 \$	2016 \$
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,506,265</u>	<u>1,459,203</u>
Annual (deficit) surplus	(638,057)	164,061
Acquisition of tangible capital assets (Note 3)	(107,823)	(66,364)
Loss on disposal of tangible capital assets (Note 3)	5,412	
Proceeds on disposal of tangible capital assets (Note 3)	300	-
Acquisition of office equipment under capital lease (Note 3)	(4,890)	(8,373)
Amortization of tangible capital assets (Note 3)	49,289	28,861
Change in prepaid expenses	(22,489)	10,908
Distribution to the Consolidated Fund of the Government of Bermuda (Note 4 and 9)	<u>-</u>	<u>(82,031)</u>
(Decrease) increase in net financial assets	<u>(718,258)</u>	<u>47,062</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>788,007</u></u>	<u><u>1,506,265</u></u>

The accompanying notes and schedules are an integral part of these financial statements

REGULATORY AUTHORITY

STATEMENT OF CASH FLOWS

For the year ended March 31, 2017

(Expressed in Bermuda dollars)

	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual (deficit) surplus	(638,057)	164,061
Adjustment for items not affecting cash:		
Amortization of tangible capital assets	49,289	28,861
Acquisition of office equipment under capital lease	(4,890)	(8,373)
Loss on disposal of tangible capital assets	5,412	-
	<u>(588,246)</u>	<u>184,549</u>
Changes in non-cash working capital:		
(Increase) decrease in accounts receivable	(1,405,547)	231,158
(Increase) decrease in due from the Government of Bermuda	(4,875)	13,140
(Increase) decrease in prepaid expenses	(22,489)	10,908
Increase (decrease) in accounts payable and accrued liabilities	107,001	(145,515)
Increase in bank borrowing	374,182	-
Increase (decrease) in due to the Government of Bermuda	1,367,187	(62,149)
Increase in obligation under capital lease	1,192	8,156
	<u>(171,595)</u>	<u>240,247</u>
CASH FLOWS FROM CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(107,823)	(66,364)
Proceeds from disposal of tangible capital assets	300	-
	<u>(107,523)</u>	<u>(66,364)</u>
NET (DECREASE) INCREASE IN CASH	(279,118)	173,883
CASH, BEGINNING OF YEAR	1,781,572	1,607,689
CASH, END OF YEAR	<u>1,502,454</u>	<u>1,781,572</u>

The accompanying notes and schedules are an integral part of these financial statements

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

1. AUTHORITY AND PURPOSE

The Regulatory Authority (the "Authority") was established under the Regulatory Authority Act 2011 (the "Act"), as amended.

The Authority commenced operations on January 28, 2013 and currently operates as an electronic communications and electricity regulator under the Electronic Communications Act 2011 and Electricity Act 2016 respectively. Effective October 28, 2016, the Electricity Act 2016 came into effect and transferred responsibility for the regulation of the electricity from the Energy Commission to the Authority.

The principal functions of the Authority, in relation to any industry sector that it regulates, are:

- to promote and preserve competition;
- to promote the interests of the residents and consumers of Bermuda;
- to promote the development of the Bermudian economy, Bermudian employment and Bermudian ownership;
- to promote innovation; and
- to fulfil any additional functions specified by sectoral legislation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. For financial reporting purposes, the Authority is classified as an "other government organization" and has adopted accounting policies appropriate for this classification. The policies considered particularly significant are as follows:

(a) Revenue recognition

Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

The Authority derives its revenue from the Regulatory Fee applicable to the Integrated Communication Operating Licenses ("ICOLs") which fee is based on a percentage of the actual returns received and an accrued estimate relating to carriers which are required by the Act to file returns and remit the related ICOL fees. This estimate has been made by management using information available to the Authority.

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fees

Fees collected on behalf of the Government of Bermuda (the "Government") for ICOL and Class licenses are not recognized as revenue, but rather recorded as amounts due to Government.

(b) Expenses

Expenses are recognized when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration paid or payable.

(c) Cash

Cash includes all cash on deposit with financial institutions that can be withdrawn without prior notice or penalty.

(d) Tangible capital assets including capital lease and amortization

Tangible capital assets are recorded at cost less accumulated amortization. The cost of a tangible capital asset consists of its purchase price and costs directly attributable to making the asset ready for its intended use.

Obligation under capital lease is recorded at the present value of the minimum lease payments excluding executor cost (e.g. insurance, maintenance cost, etc.). The discount rate used to determine the present value of the lease payments is the Authority's rate for incremental borrowing.

Amortization is computed using the straight-line method over the estimated useful lives of the tangible capital assets as follows:

Furniture and fittings	10 years
Office equipment	5 years
Leasehold improvements	5 years
Electronic communications equipment	5 years
Computers and software	3 years

The estimated useful life of an asset is the period over which the Authority expects to obtain economic benefits or service potential from the asset. This is specific to the Authority and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognized on a prospective basis.

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Tangible capital assets including capital lease and amortization (continued)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Authority's ability to provide services, or when the value of the future economic benefits associated with the tangible capital assets is less than their net book value. The net write-down is accounted for as an expense in the statement of operations and accumulated surplus.

(e) Leases

Leases are classified as capital leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Lease incentives are recognized as a reduction of rentals on a straight-line basis over the lease term.

(f) Funds and reserves

Certain amounts, as stipulated in the Act, are set aside from the accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

(g) Foreign currencies

The Authority's functional and presentation currency is the Bermuda dollar.

Transactions denominated in foreign currencies are translated into Bermuda dollars at the prevailing exchange rates on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the year-end date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of operations and accumulated surplus.

(h) Financial instruments

The Authority's financial instruments consist of cash, accounts receivable, accounts payable, amounts due from/to the Government and distribution payable to the Consolidated Fund of the Government of Bermuda (the "Consolidated Fund"). These financial instruments are measured at cost or amortized cost.

REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current period and are not intended for sale in the normal course of operations.

(j) Measurement uncertainty

These financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. These standards require 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 and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of estimates include determination of the estimated useful lives of tangible capital assets and accruals. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

(k) Remeasurement gains and losses

The Authority has no transactions that would result in remeasurement gains and losses therefore no statement of remeasurement gains and losses has been prepared.

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

3. TANGIBLE CAPITAL ASSETS

	Furniture and fittings	Office equipment	Electronic communica- tions equipment	Computers and software	Office equipment under capital lease	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$	\$
Opening cost - April 1, 2016	66,547	13,354	-	99,505	8,373	-	187,779
Additions	42,636	-	9,420	1,367	4,890	54,400	112,713
Disposal	(4,070)	(7,030)	-	(1,320)	-	-	(12,420)
Closing cost - March 31, 2017	105,113	6,324	9,420	99,552	13,263	54,400	288,072
Opening accumulated amortization - April 1, 2016	13,884	7,249	-	33,029	138	-	54,300
Amortization	8,882	2,067	372	29,218	2,460	6,290	49,289
Disposal	(993)	(4,395)	-	(1,320)	-	-	(6,708)
Closing accumulated amortization - March 31, 2017	21,773	4,921	372	60,927	2,598	6,290	96,881
Net book value - March 31, 2017	83,340	1,403	9,048	38,625	10,665	48,110	191,191

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NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

3. TANGIBLE CAPITAL ASSETS (continued)

	Furniture and fittings	Office equipment	Computers and software	Office equipment under capital lease	Total
	\$	\$	\$	\$	\$
Opening cost - April 1, 2015	66,547	13,354	33,141	-	113,042
Additions	-	-	66,364	8,373	74,737
Closing cost - March 31, 2016	66,547	13,354	99,505	8,373	187,779
Opening accumulated amortization - April 1, 2015	7,229	4,579	13,631	-	25,439
Amortization	6,655	2,670	19,398	138	28,861
Closing accumulated amortization - March 31, 2016	13,884	7,249	33,029	138	54,300
Net book value - March 31, 2016	52,663	6,105	66,476	8,235	133,479

4. ACCUMULATED SURPLUS

Funds and reserves: Pursuant to Section 41 of the Act, in any year in which the Authority realizes a net surplus, the Authority, after recouping any net losses brought forward from prior years (subject to the approval of all Ministers responsible for regulated industry sectors), shall transfer any remaining surplus in the following manner:

- 50% shall be transferred to the Consolidated Fund;
- 25% shall be transferred to paid-up capital of the Authority; and
- 25% shall be transferred to the Reserve Fund.

The paid-up capital together with the Reserve Fund is not to exceed the Authority's authorized capital of \$3.5 million. Any excess surplus must be paid to the Consolidated Fund.

In 2013, the Government paid the Authority \$1 million as initial paid-up capital. The \$1 million was paid with the intent that the Authority would have funding until collecting sufficient revenues to cover operating expenses as per section 111 (b)(ii) of the Act.

The movements in Operating Fund, Initial paid-up capital, Paid-up capital and Reserve Fund balances during the year were as follows:

REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

4. ACCUMULATED SURPLUS (continued)

	Operating Fund	Initial paid- up capital	Paid-up capital	Reserve Fund	Total
	\$	\$	\$	\$	\$
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	1,000,000	330,474	330,474	1,660,948
Annual deficit	(638,057)	-	-	-	(638,057)
Intra-fund transfers	638,057	-	(307,583)	(330,474)	-
ACCUMULATED SURPLUS, END OF YEAR	-	1,000,000	22,891	-	1,022,891

5. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2017 \$	2016 \$
GENERAL ADMINISTRATION		
Salaries, employee benefits and commissioners' honoraria (Note 6)	1,962,013	1,396,711
Rent and utilities	184,002	170,403
Office services	95,823	85,425
Information technology	63,420	36,778
Bank charges and lease interest	59,459	13,074
Training and travel	44,502	34,531
Communication and meetings	40,548	65,439
Staff recruitment	34,982	13,957
Advertising and public relations	10,742	18,599
Membership fees	6,954	14,585
Loss on disposal of tangible capital assets	5,412	-
Casual labor	-	30,310
Miscellaneous	11,174	12,530
	<u>2,519,031</u>	<u>1,892,342</u>
PROFESSIONAL SERVICES		
Technical consultancy	1,452,565	586,752
Non-technical consultancy	91,106	67,850
Accounting fees	68,430	52,320
Audit fees	24,000	24,000
	<u>1,636,101</u>	<u>730,922</u>
AMORTIZATION OF TANGIBLE CAPITAL ASSETS (Note 3)	<u>49,289</u>	<u>28,861</u>
	<u>4,204,421</u>	<u>2,652,125</u>

REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

6. SALARIES, EMPLOYEE BENEFITS AND COMMISSIONERS' HONORARIA

This account consists of:

	2017	2016
	\$	\$
Salaries, bonuses and commissioners' honoraria	1,617,082	1,161,207
Payroll tax	168,443	121,168
Pension	73,264	54,440
Health insurance	70,474	47,389
Social insurance	17,750	12,507
Housing allowance	15,000	-
	<u>1,962,013</u>	<u>1,396,711</u>

Employee benefits include the following:

(a) Salaries, bonuses and commissioners' honoraria

i) Chief Executive compensation

The Chief Executive received a gross salary of \$227,302 (2016 - \$168,554) during the year. In addition, the Chief Executive was granted a housing allowance of \$15,000 (2016 - \$nil).

ii) Commissioners' Honoraria

The Authority has three Commissioners. In accordance with the provisions of the Act, each Commissioner is selected by a Selection Committee that consists of the Minister responsible for justice, as Chairman; the Minister responsible for labor; the Opposition Leader or his or her designate; and the Minister responsible for the electronic communications sector. The responsibilities of the Commissioners are quite broad and diverse. Amongst other things, they are responsible for the strategic direction and governance of the Authority and for providing general direction to its Chief Executive. They are also responsible for making legally binding determinations, adjudication decisions and orders that may be required to effect the Authority's regulatory functions.

The total amount of honoraria paid to the Commissioners was \$315,000 (2016 - \$282,150).

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

6. SALARIES, EMPLOYEE BENEFITS AND COMMISSIONERS' HONORARIA (continued)

(b) Compensated absences

Compensated absences include maternity and paternity leave, sick leave and vacation days. All of these benefits are unfunded as there is no separate fund set up to pay for these benefits.

Maternity and paternity leave does not accumulate or vest and therefore an expense and liability is only recognized when extended leave is applied for and approved. There were no maternity and paternity leave benefits applied for or approved during the current year and therefore, no liability has been accrued in the accounts.

Sick leave does not accumulate or vest, and like maternity and paternity leave, a liability is recorded only when extended leave is applied for and approved. There was no extended sick leave applied for or approved during the current year and therefore, no liability has been accrued in the accounts.

Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability as at March 31, 2017 is \$31,615 (2016 - \$18,666) and is included in accounts payable and accrued liabilities.

(c) Health insurance

The Authority offers a standard group medical plan for a majority of employees and their qualified dependents. The remainder of employees, all of whom were previous employees of the Government, are covered by the Government Employment Health Insurance scheme ("GEHI"). The cost of health insurance is matched equally with employees.

(d) Pension plans

Employees of the Authority are enrolled in two different pension schemes:

i) Defined contribution plan

The Authority has a defined contribution plan administered by Colonial Pension Services Ltd. (the "Plan") for the majority of its eligible employees. A defined contribution plan is a post-employment benefit plan under which the Authority pays fixed contributions. The Authority has no legal or constructive obligations to pay further contributions. Employee contributions to the Plan are 5% of gross salary matched by the Authority.

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

6. SALARIES, EMPLOYEE BENEFITS AND COMMISSIONERS' HONORARIA (continued)

(d) Pension plans (continued)

i) Defined contribution plan (continued)

The Authority's contributions are recognized as employee benefit expenses when they are due and totaled \$49,623 (2016 - \$27,517) during the year.

ii) Defined benefit plan

The Authority contributes to the Public Service Superannuation Fund (the "PSSF"), which is a defined benefit plan, administered by the Government and covers the remainder of the Authority's eligible employees, all of whom were previous employees of the Government. Contributions of 8% of gross salary are required from both the employee and the Authority, and have been included in salaries and employee benefits. As part of the agreement to transfer this employee group to the Authority, the Authority is not required to make contributions to the PSSF with respect to the quantified actuarial deficiencies. As a result, the current year contributions to the PSSF represent the total liability of the Authority. The Authority's contributions to the PSSF during the year were \$23,641 (2016 - \$26,798).

7. CONTRACTUAL OBLIGATIONS

Effective July 1, 2016, the Authority terminated the existing five-year operating lease and entered into a five-year operating lease for office space and service charge at a cost of \$598,851 and \$259,063 respectively. The rent and service charge expense recognized during the year is \$95,706 (2016 - \$96,233) and \$51,436 (2016 - \$27,739) respectively.

As at March 31, 2017, the total remaining obligation under the lease is \$729,228. The future minimum lease payments in the ensuing fiscal years are as follows:

	\$
2017/18	171,583
2018/19	171,583
2019/20	171,583
2020/21	171,583
2021/22	42,896

REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

8. OBLIGATION UNDER CAPITAL LEASE

Effective March 1, 2016, the Authority entered into a three-year lease for office equipment at an effective interest rate of 4.75%, which ownership would transfer over to the Authority at the end of the lease.

As at March 31, 2017, the present value of the minimum lease payments was \$5,486 and has been recorded as a liability and a tangible capital asset in the financial statements. The interest and maintenance charge expense recognized during the year was \$1,830 (2016 - \$33).

The future minimum lease payments in the ensuing fiscal years are as follows:

	\$
2017/18	3,000
2018/19	<u>2,750</u>
Total minimum lease payments	5,750
Less amounts representing interest	<u>(264)</u>
Present value of net minimum capital lease payments	<u><u>5,486</u></u>

Effective April 26, 2016, the Authority entered into a three-year lease for office equipment at an effective interest rate of 4.75%, which ownership would transfer over to the Authority at the end of the lease. As at March 31, 2017, the present value of the minimum lease payments was \$3,862 and has been recorded as a liability and a tangible capital asset in the financial statements. The interest and maintenance charge expense recognized during the year was \$379 (2016 - \$nil).

The future minimum lease payments in the ensuing fiscal years are as follows:

2017/18	1,752
2018/19	1,752
2019/20	<u>584</u>
Total minimum lease payments	4,088
Less amounts representing interest	<u>(226)</u>
Present value of net minimum capital lease payments	<u><u>3,862</u></u>

9. RELATED PARTY TRANSACTIONS

The Authority is related to all Government ministries, departments, agencies and quasi-autonomous non-governmental organizations under the common control of the Government. Also, the Authority is related to organizations that the Government jointly controls or significantly influences.

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

9. RELATED PARTY TRANSACTIONS (continued)

The Authority enters into transactions with these entities in the normal course of business and such transactions are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

Fees are collected by the Authority on behalf of the Government. These fees include the Government authorization, spectrum reference, class license and cellular telephone fees and are established by the Minister of Finance pursuant to the Government Fees Act 1965, as amended.

Transactions with related parties during the year included:

	Expense during the year	Collection of fees on behalf of the Government	Payments / Remittance made during the year	Due to the Government of Bermuda at year-end
	\$	\$	\$	\$
GEHI and PSSF	41,179	-	(35,290)	5,889
Land tax	7,791	-	(7,791)	-
Payroll tax	168,443	-	(102,247)	66,196
Social insurance	17,750	-	(14,372)	3,378
ICOLs, handset and spectrum fees	-	13,739,762	(9,695,625)	4,044,137
Class licenses	-	434,475	(369,620)	64,855
	<u>235,163</u>	<u>14,174,237</u>	<u>(10,224,945)</u>	<u>4,184,455</u>
	Balance beginning of year	Distribution to the Consolidated Fund	Payments/ Remittance made during the year	Balance end of year
	\$	\$	\$	\$
Distribution payable to the Consolidated Fund of the Government of Bermuda	<u>(660,950)</u>	<u>-</u>	<u>-</u>	<u>(660,950)</u>

REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

10. BANK BORROWING

Bank borrowing consists of the following:

	<u>2017</u>	<u>2016</u>
	\$	\$
The Bank of N.T. Butterfield & Son Limited overdraft facility	<u>374,182</u>	<u>-</u>

On September 23, 2016, the Ministry of Finance issued a letter of comfort to the Bank of N.T. Butterfield and Son Ltd. (the "Bank") extending an overdraft facility of \$3,400,000 to the Authority. On October 31, 2016, the Authority established the overdraft facility in the amount of \$3,400,000 with the Bank. The Authority's overdraft facility, which expires on October 31, 2017, bears interest at 1% per annum above the Bermuda dollar base rate. As at March 31, 2017, the Authority had drawn down \$374,182 on this facility, bearing interest of approximately 5.25%.

11. FINANCIAL RISK MANAGEMENT

In the normal course of operations, the Authority is exposed to a number of risks that can affect its operating performance. These include: credit risk, liquidity risk and market risk associated with its financial instruments. The Board of Commissioners has overall responsibility for the establishment and oversight of the Authority's risk management framework. The Authority's risk management program seeks to minimize potential adverse effects on the Authority's financial performance through a combination of sound business practices.

a) Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations to the Authority. Such risks arise primarily from certain assets held consisting of cash and accounts receivable. The objective of managing counterparty risk is to prevent losses on financial assets. The Authority determines on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive based on their estimated realizable value. It is management's opinion that the Authority is not exposed to significant credit risk associated with cash as they are placed with highly rated financial institutions.

The Authority is exposed to credit risk in the event of non-performance by licensed carriers. This risk is mitigated because 99% of accounts receivable are current; therefore, management does not consider it to be impaired.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure credit risk.

11. FINANCIAL RISK MANAGEMENT (continued)

b) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. The Authority manages liquidity risk by continually monitoring actual and forecasted cash flows from operations to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they become due.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure liquidity risk.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. It is management's opinion that the Authority is not exposed to significant currency risk, as amounts held and transactions settled in foreign currency are insignificant.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Authority's exposure to interest rate risk is limited to interest earned on its cash. It is management's opinion that the Authority is not exposed to significant interest rate risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure market risk.

12. FEES FROM INTEGRATED COMMUNICATIONS OPERATING LICENCES

On March 28, 2016 the Authority fees were increased to 1.75% (2016 - 1.50%) of the ICOL holders' relevant turnover for the year from April 1, 2016 to March 31, 2017 in accordance with the Electronic Communications (Regulatory Authority Fees) Regulation 2016.

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

13. BUDGET

The electronic communications work plan and budget of \$3,375,500 for the year from April 1, 2016 to March 31, 2017 was approved by the Board of Commissioners on December 31, 2015.

Effective October 28, 2016, the Electricity Act 2016 came into effect and transferred responsibility for the regulation of the electricity from the Energy Commission to the Authority. The Authority adopted the 2017-18 Electricity budget, as pro-rated, for the 2016-17 fiscal year, amounting to \$1,404,166. The combined electronic communications and electricity budget for 2016-17 of \$4,779,666 was approved by the Board of Commissioners on December 6, 2016. The combined operating and capital expenditure budgets were \$4,766,416 and \$13,250 respectively.

14. SUBSEQUENT EVENT

On October 30, 2017, the Ministry of Finance issued a letter of comfort to the Bank of N.T. Butterfield and Son Ltd. (the "Bank") extending an overdraft facility of \$2,700,000 to the Authority. On October 31, 2017, the Authority established the overdraft facility in the amount of \$2,700,000 with the Bank.

REGULATORY AUTHORITY

SCHEDULE 1: REVENUES AND EXPENSES BY SECTOR

MARCH 31, 2017

ELECTRONIC COMMUNICATIONS:

	2017	2017	2016
	Budget	Actual	Actual
	\$	\$	\$
REVENUES			
Fees from Integrated Communications			
Operating Licences	3,342,500	3,565,936	2,815,537
Interest	-	428	649
	<u>3,342,500</u>	<u>3,566,364</u>	<u>2,816,186</u>
EXPENSES			
General Administration			
Salaries, employee benefits and commissioners' honoria	2,140,900	1,700,464	1,396,711
Rent and utilities	177,121	165,949	170,403
Office services	76,379	84,983	85,425
Information technology	47,554	55,107	36,778
Training and travel	58,000	41,457	34,531
Communication and meetings	49,390	35,430	65,439
Staff recruitment	29,500	24,207	13,957
Bank charges and lease interest	23,000	16,775	13,074
Advertising and public relations	54,610	9,065	18,599
Membership fees	17,464	6,814	14,585
Loss on disposal of tangible capital assets	-	5,412	-
Casual labor	37,950	-	30,310
Miscellaneous	11,232	10,407	12,530
	<u>2,723,100</u>	<u>2,156,070</u>	<u>1,892,342</u>
Professional Services			
Technical consultancy	498,000	895,878	586,752
Non-technical consultancy	55,000	85,987	67,850
Accounting fees	68,400	63,240	52,320
Audit fees	24,000	22,000	24,000
	<u>645,400</u>	<u>1,067,105</u>	<u>730,922</u>
Amortization of tangible capital assets	-	44,257	28,861
	<u>3,368,500</u>	<u>3,267,432</u>	<u>2,652,125</u>
ANNUAL SURPLUS / (DEFICIT)	<u>(26,000)</u>	<u>298,932</u>	<u>164,061</u>

REGULATORY AUTHORITY

SCHEDULE 1: REVENUE AND EXPENSES BY SECTOR (continued)

MARCH 31, 2017

ELECTRICITY:

	2017	2017
	Budget	Actual
	\$	\$
REVENUES	-	-
EXPENSES		
General Administration		
Salaries, employee benefits and commissioners' honoria	630,240	261,549
Bank charges and lease interest	85,625	42,684
Rent and utilities	43,929	18,053
Office services	18,968	10,840
Staff recruitment	6,458	10,775
Information technology	7,025	8,313
Communication and meetings	22,116	5,118
Training and Travel	21,844	3,045
Advertising and public relations	4,342	1,677
Membership fees	1,965	140
Miscellaneous	2,887	767
	<u>845,399</u>	<u>362,961</u>
Professional Services		
Technical consultancy	522,813	556,687
Accounting fees	17,100	5,190
Non-technical consultancy	6,354	5,119
Audit fees	6,250	2,000
	<u>552,517</u>	<u>568,996</u>
Amortization of tangible capital assets	-	5,032
	<u>1,397,916</u>	<u>936,989</u>
ANNUAL DEFICIT	<u>(1,397,916)</u>	<u>(936,989)</u>