



REGULATORY AUTHORITY  
OF BERMUDA

# SIX-MONTH REPORT

April 1, 2022 – September 30, 2022

- ▷ Activity Report
- ▷ Unaudited Condensed Financial Statements



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# I. INTRODUCTION

The purpose of this document is to report on the progress of activities of the Regulatory Authority of Bermuda (“the RA”) for the electricity and electronic communications sectors for the fiscal year 2022-23.

## THEY ARE:

- To promote and protect the interests of consumers;
- To promote and facilitate sustainable competition; and
- To facilitate Innovation and Investment.

## NOTE:

*This report contains the RA’s activities and the Unaudited Condensed Financial Statements from **April 1, 2022 to September 30, 2022.***

## II. RA ACTIVITIES

To promote and preserve innovation and competition, the following activities were initiated:


### ELECTRICITY SECTOR (E) ACTIVITIES

| INITIATIVE   | STATUS   |
|--|--|
| <b>BULK GENERATION PROPOSALS AND LICENCE EVALUATION</b>        | <b>N/A</b> - There were no proposals or licence applications during the stated period.   |
| <b>RETAIL TARIFF REVIEW - PHASE TWO (TARIFF MODERNISATION)</b> | <b>IN PROGRESS:</b><br>The Retail tariffs were updated and implemented on January 1, 2023. Additionally, a new tariff structure will continue to be assessed and finalized prior to being implemented on January 1, 2024.  |
| <b>IRP DEVELOPMENT AND EVALUATION</b>                          | <b>IN PROGRESS:</b><br>The RA requested an IRP Proposal from BELCO, which is due in Q3 of FY 2023/24?  |
| <b>WIND PRE-FEASIBILITY STUDY</b>                              | <b>IN PROGRESS:</b><br>Further analysis of the preliminary sites which includes cable routing, updating of costs, and environmental screening with the goal of finalizing a site is underway. Following the analysis and site selection, the RA will consult with key stakeholders and the public. |

| INITIATIVE  | STATUS   |
|---|--|
| <b>NATIONAL CONNECTIVITY PLAN</b>                             | <b>ON HOLD:</b><br>The RA will continue to assess the necessity for the National Connectivity Plan   |
| <b>SPECTRUM LIBERALIZATION</b>                                | <b>ON HOLD:</b><br>For increased efficiency, the Spectrum Liberalization will be combined with Spectrum Policy Updates in the RA's FY 23/24 Work Plan.       |
| <b>SIGNIFICANT MARKET POWER ("SMP") REMEDY IMPLEMENTATION</b> | <b>ON HOLD:</b><br>The SMP Remedy was challenged in the courts. The RA is awaiting the outcome of the legal proceedings.                                     |
| <b>REDEVELOPMENT OF SPECTRUM DATABASE PLATFORM</b>            | <b>IN PROGRESS:</b><br>The RA is assessing database platforms in the region to determine suitability for Bermuda's requirements.                             |
| <b>RADIOFREQUENCY ("RF") STUDY</b>                            | <b>ON HOLD:</b><br>The RA is awaiting new test equipment in order to conduct a follow up RF study. The RA expects the study to commence in Q1 of FY 2023/24. |
| <b>SECTORAL REVIEW</b>  | <b>IN PROGRESS:</b><br>Preliminary Report is expected to be published, January 2023.   |

## CONSUMER ADVOCACY ACTIVITIES

To promote and protect the interests of consumers and measure the perspective views of the organizational performance of sectoral providers, the RA has implemented the following initiatives:

| INITIATIVE   | STATUS   |
|--|--|
| <b>TRACKING AND REPORTING</b> on the trends of consumer complaints for sectoral providers in the Electronic Communications and Electricity sectors.  | <b>ONGOING</b> throughout the year   |
| <b>PRINCIPLES OF CONSUMER PROTECTION AWARENESS CAMPAIGN:</b> To ensure a single point of reference to protect consumers' interests, promote the delivery of high-quality services and products and encourage best practices in the electricity sector, which includes: <ul style="list-style-type: none"><li>● clear marketing</li><li>● honest advertising</li><li>● fair treatment</li><li>● access for vulnerable persons</li></ul> |  <b>COMPLETED</b> |

### III. FINANCIAL HIGHLIGHTS FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2022, FISCAL YEAR 2022-2023

The Regulatory Authority of Bermuda (“the RA”) prepares its financial statements in accordance with public sector accounting standards, which are generally accepted in Bermuda and Canada. These standards are recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and are subject to an annual audit. Included in this report are the unaudited condensed financial statements for the six-month period ended September 30, 2022.

Shared expenses such as rent, advertising and other office services were allocated between the Electricity and Electronic Communications sectors on a 50-50 basis. Other expenses, such as salaries, are also split between the two sectors, on a basis that is deemed reasonable as determined by the Financial Controller, and the Chief Executive, with approval from the RA’s Board of Commissioners.

#### CONSOLIDATED RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022

Overall, the consolidated results for the six-month period ended September 30, 2022, included actual revenues of \$3.458 million, comprised of Integrated Communications Operating License (“ICOL”) fees of \$1.610 million, Transmission, Distribution and Retail (“TD&R”) fees of \$1.768 million, and Bulk Generation (“BG”) fees of \$80k. The total budgeted revenues for the six-month period ended September 30, 2022, were \$3.326 million, with actual revenues being above the budget by \$132k (4%). The increase is likely due to the general increase in economic activity, stemming from the rebounding of tourism and strong consumer spending which resulted in higher turnover in the electronic communications sector and more electricity consumption during the summer period.

Overall expenses for the six-month period ended September 30, 2022, were budgeted at \$3.290 million, however, the actual total expenses amounted to \$2.690 million, resulting in an underspend of \$599k (18%). This led to a consolidated surplus of \$768k for the six-month period ended September 30, 2022.

The consolidated surplus is largely attributed to the underspend on the Projects Consultancy Budget, stemming from the timing difference between the start dates of some planned projects and the prorated budget.

Any annual surplus will be allocated accordingly between the Project Fund and the Litigation Reserve Fund as at March 31, 2023.



## ELECTRONIC COMMUNICATIONS SECTOR

Fees received from the Electronic Communications sector, in relation to Integrated Communications Operating License holders, amounted to \$1.610 million, which was higher than budgeted revenues of \$1.565 million by \$45k (3%).

In relation to the Electronic Communications sector, the RA incurred a total expenditure of \$1.332 million against a corresponding budget of \$1.539 million for the six-month period ended September 30, 2022. This resulted in an underspend of \$207k (13%). Salaries, employee benefits & Commissioners' honoraria, administrative expenses, and professional services amounted to \$1.279 million, which constituted 96% of the total expenditure.

## ELECTRICITY SECTOR

The Bulk Generation, TD&R electricity license fees and service fees for the period ended September 30, 2022, amounted to \$1.848 million compared to the budgeted revenues of \$1.761 million, which resulted in a revenue increase of \$88k (5%).

With respect to the Electricity sector, the RA incurred a total expenditure of \$1.358 million against a corresponding budget of \$1.751 million for the six-month period ended September 30, 2022. This resulted in an underspend of \$393k (22%). Salaries, employee benefits & Commissioners' honoraria, administrative expenses, and professional services amounted to \$1.318 million which constituted 97% of the total expenditure.

## IV. UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2022

In the interest of openness, good governance, transparency and pursuant to the Public Access to Information Act 2010, the Regulatory Authority of Bermuda provides the enclosed Unaudited Condensed Financial Statements for the Six-Month Period Ended September 30, 2022.

These unaudited quarterly financial statements were approved by the Board of Commissioners and signed on its behalf by:



Abayomi Carmichael, Chief Executive

Date: January 27, 2023



Michael Wells, Chairman

Date: January 27, 2023

## V. STATEMENT OF FINANCIAL POSITION

As at September 30, 2022  
(Expressed in Bermuda dollars)

|   | Unaudited<br>September 30, 2022<br>\$ | Unaudited<br>March 31, 2022<br>\$ |
|---|---------------------------------------|-----------------------------------|
| <b>FINANCIAL ASSETS</b>                   |                                       |                                   |
| Cash                                      | 3,568,829                             | 3,097,150                         |
| Accounts receivable                       | 7,183,880                             | 6,164,066                         |
|   | <u>10,752,709</u>                     | <u>9,261,216</u>                  |
| <b>LIABILITIES</b>                        |                                       |                                   |
| Accounts payable and accrued liabilities  | 247,112                               | 316,312                           |
| Due to the Government of Bermuda (Note 5) | 7,216,264                             | 6,471,620                         |
| Balance due to License holders            | 7,843                                 | -                                 |
| Obligation under capital lease            | 1,351                                 | 3,979                             |
|   | <u>7,472,570</u>                      | <u>6,791,911</u>                  |
| <b>NET FINANCIAL ASSETS</b>               | <u>3,280,139</u>                      | <u>2,469,305</u>                  |
| <b>NON-FINANCIAL ASSETS</b>               |                                       |                                   |
| Tangible capital assets (Notes 3)         | 424,547                               | 468,089                           |
| Prepaid expenses                          | 100,571                               | 100,313                           |
|   | <u>525,118</u>                        | <u>568,402</u>                    |
| <b>ACCUMULATED SURPLUS (NOTE 4)</b>       | <u><u>3,805,257</u></u>               | <u><u>3,037,707</u></u>           |

## VI. STATEMENT OF OPERATIONS

For the six-month period ended September 30, 2022  
(Expressed in Bermuda dollars)

|   |                          | Unaudited<br>September 30,<br>2022 | Unaudited<br>September 30,<br>2021 |
|---|--------------------------|------------------------------------|------------------------------------|
|   | Budget<br>(Note 8)<br>\$ | Actual<br>\$                       | Actual<br>\$                       |
| <b>REVENUES</b>   |                          |                                    |                                    |
| Fees from Integrated Communications Operating Licences (Note 6)   | 1,565,000                | 1,609,624                          | 1,588,827                          |
| Fees from Transmission, Distribution and Retail Licences (Note 7) | 1,675,608                | 1,768,289                          | 1,762,151                          |
| Fees from Bulk Generation Licences (Note 7)                       | 84,892                   | 80,050                             | 80,050                             |
| Service fees from the Electricity Sector                          | -                        | -                                  | 10,000                             |
| Service fees from the Electronic Communications Sector            | -                        | -                                  | 2,400                              |
| Interest earned   | -                        | 1                                  | 5                                  |
|   | <u>3,325,500</u>         | <u>3,457,964</u>                   | <u>3,443,433</u>                   |
| <b>EXPENSES</b>   |                          |                                    |                                    |
| Salaries, employee benefits & Commissioners' honoraria            |                          | 1,826,293                          | 1,646,954                          |
| Professional services   |                          | 362,646                            | 405,167                            |
| Administrative expenses   |                          | 408,209                            | 428,605                            |
| Amortization of tangible capital assets                           |                          | 93,266                             | 111,919                            |
|   | <u>3,289,695</u>         | <u>2,690,414</u>                   | <u>2,592,645</u>                   |
| <b>SURPLUS FOR THE PERIOD</b>                                     | <u>35,805</u>            | <u>767,550</u>                     | <u>850,788</u>                     |

## VII. STATEMENT OF CASH FLOWS

For the six-month period ended September 30, 2022  
(Expressed in Bermuda dollars)

|   | Unaudited<br>September 30, 2022<br>\$ | Unaudited<br>March 31, 2022<br>\$ |
|---|---------------------------------------|-----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                       |                                   |
| Surplus for the period  | 767,550                               | 1,070,367                         |
| Adjustment for items not affecting cash:  |                                       |                                   |
| Amortization of tangible capital assets   | 93,266                                | 215,886                           |
|   | 860,816                               | 1,286,253                         |
| Changes in non-cash working capital:  |                                       |                                   |
| (Increase) Decrease in accounts receivable  | (1,019,814)                           | 106,489                           |
| Decrease in due from the Government of Bermuda  | -                                     | 7,730                             |
| Increase in balance due to ICOL holders   | 7,843                                 | -                                 |
| Decrease in Distribution payable to the Consolidated Fund of the Government of Bermuda (Note 5) | -                                     | (29,056)                          |
| (Increase) Decrease in prepaid expenses   | (258)                                 | 1,411                             |
| Decrease in Project Fund (Note 4)   | -                                     | (162,265)                         |
| Decrease in accounts payable and accrued liabilities  | (69,200)                              | (4,998)                           |
| Decrease in Bank borrowing  | -                                     | (1,001,507)                       |
| Increase (Decrease) in due to the Government of Bermuda   | 744,644                               | (312,216)                         |
| Decrease in obligation under capital lease  | (2,628)                               | (5,051)                           |
| Cash flows generated from (used in) operating activities  | 521,403                               | (113,210)                         |
| <b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>   |                                       |                                   |
| Acquisition of tangible capital assets  | (49,724)                              | (24,078)                          |
| Cash flows used in capital activities   | (49,724)                              | (24,078)                          |
| <b>NET DECREASE IN CASH</b>   | 471,679                               | (137,288)                         |
| <b>CASH, BEGINNING OF THE PERIOD</b>  | 3,097,150                             | 3,234,438                         |
| <b>CASH AT END OF PERIOD</b>  | 3,568,829                             | 3,097,150                         |

# VIII. NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2022

## 1. AUTHORITY AND PURPOSE

The Regulatory Authority of Bermuda (“the RA”) was established under the Regulatory Authority Act 2011 (the “Act”), as amended.

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

The principal functions of the RA, 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

The RA’s financial statements are prepared in accordance with public sector accounting standards, which are 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 RA 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

#### i) Electronic Communications sector

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 RA derives revenues from Integrated Communication Operating Licenses (“ICOLs”) which are based on actual returns received and an accrued estimate relating to carriers which are required by the ECA to file returns and remit the related ICOL fees.

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

ii) Electricity sector

Revenues from the electricity sector are derived from Transmission, Distribution and Retail ("TD&R") licenses as well as Bulk Generation ("BG") licenses. These revenues are based on returns received, and an accrued estimate for carriers required by the EA to file returns and remit fees. These estimates have been made by management using information available to the RA.

b) Expenses

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

c) Cash

Cash includes all cash on deposit with financial institutions and 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.

Obligations under capital leases are recorded at the present value of the minimum lease payments excluding executor costs (e.g., insurance, maintenance cost, etc.). The discount rate used to determine the present value of the lease payments is the RA'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 RA expects to obtain economic benefits or service potential from the asset. This is specific to the RA 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.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the RA'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 RA'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 RA's financial instruments consist of cash, accounts receivable, accounts payable, amounts due to/from the Government of Bermuda and distribution payable to the Consolidated Fund of the Government of Bermuda (the "Consolidated Fund"). These financial instruments are measured at cost.

Write-downs on financial assets are recognized when the amount of a loss is known, and there is no prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations and accumulated surplus.



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

The RA's 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 RA has no transactions that would result in remeasurement gains and losses. Therefore, no statement of remeasurement gains and losses has been prepared.

### 3. TANGIBLE CAPITAL ASSETS

|   | Furniture and fittings | Office equipment | Electronic communications equipment | Computers and software | Office equipment under capital lease | Leasehold improvements | Total     |
|---|------------------------|------------------|-------------------------------------|------------------------|--------------------------------------|------------------------|-----------|
| Opening cost - April 1, 2022                          | 175,519                | 25,673           | 228,898                             | 173,772                | 28,278                               | 645,904                | 1,278,044 |
| Additions   | -                      | -                | 33,356                              | 13,508                 | -                                    | 2,860                  | 49,724    |
| Closing cost - September 30, 2022                     | 175,519                | 25,673           | 262,254                             | 187,280                | 28,278                               | 648,764                | 1,327,768 |
| Opening accumulated amortization - April 1, 2022      | 90,984                 | 14,999           | 211,593                             | 152,347                | 24,299                               | 315,733                | 809,955   |
| Amortization  | 8,777                  | 1,935            | 12,557                              | 8,165                  | 2,628                                | 59,204                 | 93,266    |
| Closing accumulated amortization - September 30, 2022 | 99,761                 | 16,934           | 224,150                             | 160,512                | 26,927                               | 374,937                | 903,221   |
| Net book value - September 30, 2022                   | 75,758                 | 8,739            | 38,104                              | 26,768                 | 1,351                                | 273,827                | 424,547   |

|   | Furniture and fittings | Office equipment | Electronic communications equipment | Computers and software | Office equipment under capital lease | Leasehold improvements | Total     |
|---|------------------------|------------------|-------------------------------------|------------------------|--------------------------------------|------------------------|-----------|
| Opening cost - April 1, 2021                      | 175,519                | 25,673           | 228,898                             | 150,872                | 28,278                               | 644,726                | 1,253,966 |
| Additions   | -                      | -                | -                                   | 22,900                 | -                                    | 1,178                  | 24,078    |
| Closing cost - March 31, 2022                     | 175,519                | 25,673           | 228,898                             | 173,772                | 28,278                               | 645,904                | 1,278,044 |
| Opening accumulated amortization - April 1, 2021  | 73,433                 | 11,118           | 166,184                             | 131,186                | 19,247                               | 192,901                | 594,069   |
| Amortization                                      | 17,551                 | 3,881            | 45,409                              | 21,161                 | 5,052                                | 122,832                | 215,886   |
| Closing accumulated amortization - March 31, 2022 | 90,984                 | 14,999           | 211,593                             | 152,347                | 24,299                               | 315,733                | 809,955   |
| Net book value - March 31, 2022                   | 84,535                 | 10,674           | 17,305                              | 21,425                 | 3,979                                | 330,171                | 468,089   |

#### 4. ACCUMULATED SURPLUS

Funds and reserves: Pursuant to Section 41 of the Act, in any year in which the RA realizes a net surplus, the RA, 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:

- a) 50% shall be transferred to the Consolidated Fund;
- b) 25% shall be transferred to paid-up capital of the RA; and
- c) 25% shall be transferred to the Reserve Fund.

Pursuant to Section 40 of the Act, in any financial year in which the RA incurs a loss and the Reserve Fund is not sufficient to meet the loss, the RA may carry forward and recoup the losses from any future surplus, before payment is made to the Consolidated Fund.

The paid-up capital together with the Reserve Fund is not to exceed the RA's authorized capital of \$3.5 million. Any excess surplus must be paid to the Consolidated Fund. The sum of the paid-up capital and Reserve Fund as at September 30, 2022, was \$1,361,474 (March 31, 2022: \$1,361,474).

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

On December 5, 2018, the RA was granted approval by the Minister of Home Affairs to carry forward realized deficits incurred on or before March 31, 2018.

On May 19, 2022, the Minister of Home Affairs approved to carry forward the realized deficit on March 31, 2020. The accumulated deficit as at September 30, 2022, was Nil (March 31, 2022: Nil).

On March 22, 2019, the RA was granted approval by the Minister of Finance to create a Litigation Reserve Fund and a Project Fund. The Litigation Reserve Fund was approved to hold up to a maximum of one million, five hundred thousand dollars (\$1.5 million) and the Project Fund to hold monies for stated work plan projects and projects in progress.

The provisions for the Litigation Reserve Fund and the Project Fund as at September 30, 2022 amounted to \$418,201 (March 31, 2022: \$418,201) and \$1,258,032 (March 31, 2022: \$1,258,032) respectively.

The surplus for the six-month period ended September 30, 2022, amounted to \$767,550. Any annual surplus will be allocated accordingly between the Project Fund and the Litigation Reserve Fund as at March 31, 2023.

The movements in Operating Fund, Initial paid-up capital, Paid-up capital, Reserve Fund, Litigation Reserve Fund and Project Fund as at September 30, 2022, were as follows:

|  | Operating Fund | Initial paid-up capital | Paid-up capital | Unallocated Surplus as at September 30, 2022 | Litigation Reserve Fund | Project Fund | Total     |
|--|----------------|-------------------------|-----------------|--|-------------------------|--------------|-----------|
|  | \$             | \$                      | \$              | \$   | \$                      | \$           | \$        |
| Accumulated surplus, beginning of period   | -              | 1,000,000               | 361,474         | -  | 418,201                 | 1,258,032    | 3,037,707 |
| Surplus for period                         | 767,550        | -                       | -               | -  | -                       | -            | 767,550   |
| Intra-fund transfers                       | (767,550)      | -                       | -               | 767,550                                      | -                       | -            | -         |
| Accumulated surplus, at September 30, 2022 | -              | 1,000,000               | 361,474         | 767,550                                      | 418,201                 | 1,258,032    | 3,805,257 |

## 5. RELATED PARTY TRANSACTIONS

The RA is associated with certain Government ministries and departments and enters transactions with these entities in the normal course of business where 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 RA 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.

### a) Balances due to government of Bermuda

|                                  | September 30, 2022 | March 31, 2022 |
|----------------------------------|--------------------|----------------|
|                                  | \$                 | \$             |
| Payroll Tax                      | 73,595             | 88,712         |
| Social Insurance                 | 623                | -              |
| ICOL, Handset and Spectrum Fees* | 6,902,467          | 6,092,150      |
| TD&R and Bulk Generation Fees    | 90,444             | 40,343         |
| Class Licenses**                 | 149,135            | 250,415        |
|                                  | 7,216,264          | 6,471,620      |

\*The ICOL fees due to government are disclosed net of the impairment loss of \$134,523 (March 31, 2022: \$134,523).

\*\*The Class license fees balance includes \$124,605 (March 31, 2022: \$96,575) due from the Bermuda Shipping and Maritime Authority for the issuance of the Class 9a Radio licenses.

The balance due to government as at September 30, 2022, includes quarter 2 (July to September 2022) ICOL, Handset and Spectrum fees of \$4,572,537 and TD&R and bulk generation fees of \$48,534 which were due from the license holders on November 30, 2022.

## **6. FEES FROM INTEGRATED COMMUNICATIONS OPERATING LICENCES**

The Regulatory Authority fees were reduced to 1.65% of the ICOL holders' relevant turnover for the year from April 1, 2022, to March 31, 2023 (financial year ended March 31, 2022: 1.70%), in accordance with the Electronic Communications (Regulatory Authority Fees) Regulations 2022.

## **7. FEES FROM TRANSMISSION, DISTRIBUTION AND RETAIL, AND BULK GENERATION LICENCES**

The RA began receiving fees for the regulation of the electricity sector effective April 1, 2017. TD&R fees are based on total kilowatt hour ("kWh") sales throughout the period and are calculated at a rate of \$0.00635 per kWh. Bulk Generation fees are based on total megawatt ("MW") of installed capacity and are calculated at a rate of \$1,000 per MW for Utility Scale Electricity Generation and \$1,500 per MW for Waste-to-Energy generation. These fees are in accordance with the Electricity (Regulatory Authority Fees) Regulations 2021. These fees remained unchanged from the prior financial year.

## **8. BUDGET**

### **a) Electronic Communications sector**

The budgeted revenue for the fiscal year ending March 31, 2023, was \$3,130,000. The prorated budget for the six-month period ended September 30, 2022, is \$1,565,500 as indicated in schedule 1.

The budgeted operational expenditure for the fiscal year ended March 31, 2023, was \$3,077,195. The prorated budget for the six-month period ended September 30, 2022, is \$1,538,597 as indicated in schedule 1.

### **b) Electricity sector**

The budgeted revenue for the for the fiscal year ending March 31, 2023, was \$3,521,000. The prorated budget for the six-month period ended September 30, 2022, is \$1,760,500 as shown in schedule 2.

The budgeted operational expenditure for the fiscal year ended March 31, 2023, was \$3,502,195. The prorated budget for the six-month period ended September 30, 2022, is \$1,751,098 as shown in schedule 2.

This budget was approved by the Minister of Finance on March 24, 2022.

# IX. SCHEDULE 1

## STATEMENT OF OPERATIONS: ELECTRONIC COMMUNICATIONS SECTOR

For the quarter ended September 30, 2022  
(Expressed in Bermuda dollars)

|  |                                      | Unaudited<br>September 30,<br>2022 | Unaudited<br>September 30, 2021 |
|--|--------------------------------------|------------------------------------|---------------------------------|
|  | Prorated<br>Budget<br>(Note 8)<br>\$ | Actual<br>\$                       | Actual<br>\$                    |
| <b>REVENUES</b>  |                                      |                                    |                                 |
| Fees from Integrated Communications<br>Operating Licences (Note 6) | 1,565,000                            | 1,609,624                          | 1,588,827                       |
| Service Fees   | -                                    | -                                  | 2,400                           |
| Interest earned  | -                                    | 1                                  | 5                               |
|  | <u>1,565,000</u>                     | <u>1,609,625</u>                   | <u>1,591,232</u>                |
| <b>EXPENSES</b>  |                                      |                                    |                                 |
| Salaries, employee benefits & Commissioners'<br>honoraria          |                                      | 927,161                            | 835,436                         |
| Professional services  |                                      | 161,228                            | 204,289                         |
| Administrative expenses  |                                      | 190,683                            | 230,687                         |
| Amortization of tangible capital assets                            |                                      | 52,911                             | 67,405                          |
|  | <u>1,538,597</u>                     | <u>1,331,983</u>                   | <u>1,337,817</u>                |
| <b>SURPLUS FOR THE PERIOD</b>                                      | <u>26,403</u>                        | <u>277,642</u>                     | <u>253,415</u>                  |

## X. SCHEDULE 2

### STATEMENT OF OPERATIONS: ELECTRICITY SECTOR

For the quarter ended September 30, 2022  
(Expressed in Bermuda dollars)

|   |                                      | Unaudited<br>September 30, 2022 | Unaudited<br>September 30, 2021 |
|---|--------------------------------------|---------------------------------|---------------------------------|
|   | Prorated<br>Budget<br>(Note 8)<br>\$ | Actual<br>\$                    | Actual<br>\$                    |
| <b>REVENUES</b>   |                                      |                                 |                                 |
| Fees from Transmission, Distribution and Retail Licences (Note 7) | 1,675,608                            | 1,768,289                       | 1,762,151                       |
| Fees from Bulk Generation Licences (Note 7)                       | 84,892                               | 80,050                          | 80,050                          |
| Service fees from the Electricity Sector                          | -                                    | -                               | 10,000                          |
|   | <u>1,760,500</u>                     | <u>1,848,339</u>                | <u>1,852,201</u>                |
| <b>EXPENSES</b>   |                                      |                                 |                                 |
| Salaries, employee benefits & Commissioners' honoraria            |                                      | 899,132                         | 811,518                         |
| Professional services   |                                      | 201,418                         | 200,878                         |
| Administrative expenses   |                                      | 217,526                         | 197,918                         |
| Amortization of tangible capital assets                           |                                      | 40,355                          | 44,514                          |
|   | <u>1,751,098</u>                     | <u>1,358,431</u>                | <u>1,254,828</u>                |
| <b>SURPLUS FOR THE PERIOD</b>                                     | <u>9,402</u>                         | <u>489,908</u>                  | <u>597,373</u>                  |



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