



ANNUAL REPORT 2020 – 2021

MESSAGE FROM THE **REGULATORY** **AUTHORITY**

The 2020 to 2021 fiscal year will long be remembered as one of the most challenging periods in recent history. The global pandemic disrupted our economy, strained essential services, and required rapid adaptation from every institution in Bermuda. It tested resilience, leadership, and public trust.

During this period, the RA remained focused on its core responsibility: to ensure that Bermuda's critical infrastructure sectors remained stable, fair, and forward-looking. Electricity continued to power homes and businesses. Telecommunications networks kept families, students, and professionals connected. Strategic regulatory decisions were made with care, balance, and a clear view of Bermuda's long-term interest.

This year demanded decisiveness. It also demanded discipline. The RA acted to protect consumers during economic uncertainty while continuing to advance structural reforms in energy and communications. Major matters such as the review of BELCO's change of control, renewable energy licensing, spectrum reform, and submarine cable regulation were handled with technical rigour and transparency.

Behind every determination and decision stands a dedicated team. Commissioners, executive leadership, technical specialists, legal advisors, and administrative professionals worked with focus and professionalism under demanding circumstances. The RA's organisational structure, supported by clearly defined governance processes, enabled timely and well-reasoned decisions that reflected both statutory obligations and the needs of the community.

Bermuda emerges from 2020 to 2021 more aware of the importance of resilient infrastructure. The RA played its part in ensuring that our electricity system, digital networks, and regulatory frameworks are stronger and more responsive than before. Our work continues, but the foundation built during this period positions the country for a more secure and sustainable future.

The RA acknowledges the Board of Commissioners for their continued commitment and recognises its team for their resolute efforts. The RA also extends its appreciation to the people of Bermuda for their continued engagement and trust.

Electricity continued to power homes and businesses. Telecommunications networks kept families, students, and professionals connected.



INTRODUCTION

The fiscal year 2020 to 2021 represented a defining period for the Regulatory Authority of Bermuda (RA). The global COVID-19 pandemic disrupted economic activity, altered operational realities, and intensified scrutiny of essential services. Infrastructure stability was no longer an abstract regulatory objective. It became a daily necessity for households, businesses, healthcare providers, and schools.

Throughout this period, the RA maintained regulatory continuity while adapting to unprecedented circumstances. Emergency protections were introduced swiftly. Licensing and reform initiatives progressed without delay. Investigations were undertaken where required. Market oversight remained vigilant. The RA did not pause its mandate. Instead, it operated with increased focus and clarity.

This report provides a comprehensive account of those activities. It outlines how the RA balanced immediate consumer protections with long-term structural improvements. It demonstrates how regulatory decisions were grounded in statute, informed by evidence, and aligned with Bermuda's broader national objectives.

THE RA'S CORE MANDATE

The RA operates under a statutory mandate designed to balance market development with public interest. Its five core functions guide every determination, consultation, and licence issued.

▶ **PROMOTE AND PRESERVE COMPETITION**

The RA fosters open and fair markets. This includes monitoring market concentration, addressing anti-competitive behaviour, and ensuring equitable access to essential infrastructure. Competitive markets drive innovation, improve service quality, and enhance economic performance.

▶ **ENCOURAGE INVESTMENT AND INNOVATION**

Effective regulation creates certainty. Certainty encourages investment. The RA establishes frameworks that support technological advancement, infrastructure modernisation, and long-term capital deployment in electricity, electronic communications, and submarine cable systems.

▶ **PROTECT CONSUMERS**

Consumers must have access to reliable and affordable essential services. The RA oversees tariff structures, service standards, and regulatory securities to ensure fair pricing and service quality that meet national expectations.

▶ **SUPPORT BERMUDIAN PARTICIPATION**

The RA promotes policies that encourage Bermudian ownership, employment, and enterprise within regulated sectors. Infrastructure development must contribute to local economic participation.

▶ **ENSURE RESILIENCE**

The sustainability of Bermuda's infrastructure systems is fundamental. The RA evaluates financial, operational, and environmental factors to ensure that critical services remain stable, adaptable, and secure over time.

These five pillars operate collectively. No single objective stands alone. Together, they form the foundation of modern regulatory governance in Bermuda.

LEGISLATIVE FRAMEWORK

The RA was established under the Regulatory Authority Act 2011. Its powers and responsibilities are further defined by sector-specific legislation, including the Electronic Communications Act 2011, the Electricity Act 2016, and the Submarine Communications Cables Act 2020.

These Acts provide the legal authority for licensing, enforcement, tariff approval, consultation processes, and regulatory determinations. They also define procedural safeguards that ensure decisions are made in accordance with the law and in accordance with due process.

Governance is vested in a Board of Commissioners supported by an executive leadership team and professional staff. Decisions are documented, published, and subject to judicial oversight where applicable. This structure ensures that regulatory actions remain consistent, transparent, and aligned with statutory requirements.

YEAR IN REVIEW

The 2020 to 2021 fiscal year required the RA to operate on two tracks simultaneously.

First, it introduced emergency protections to shield consumers and maintain service continuity during national restrictions. These included measures to prevent disconnections and restrict tariff increases in both electricity and telecommunications.

Second, the RA continued advancing significant structural reforms. Renewable energy procurement frameworks were finalised. Spectrum licensing processes were completed. A new submarine cable licensing regime was operationalised. Investigations into grid reliability and environmental performance were initiated and overseen.

This dual focus ensured that Bermuda's infrastructure sectors remained stable in the short term while evolving for the long term.

ELECTRICITY SECTOR

Oversight of BELCO LTD Change of Control

During the fiscal year, the RA completed its review of the proposed acquisition of the Bermuda Electric Light Company by Algonquin Power and Utilities Corp. This was one of the most consequential regulatory matters in recent years.

The review assessed financial strength, capital investment plans, operational continuity, and alignment with Bermuda's Integrated Resource Plan. The RA evaluated whether the acquiring entity had the capacity and commitment to support long-term energy transformation objectives, including renewable integration and grid modernisation.

Approval was granted subject to conditions that protected public interest objectives. These conditions addressed infrastructure investment commitments, workforce considerations, and continued compliance with regulatory obligations.

Grid Reliability and Outage Response

In December 2020, Bermuda experienced a full island-wide power outage linked to technical failures at the North Power Station. The RA immediately initiated a formal investigation.

The review identified deficiencies in protection system configurations and commissioning protocols. The RA required BELCO to implement corrective technical upgrades, conduct independent audits, and strengthen operational oversight procedures.

This event underscored the importance of rigorous commissioning standards and proactive system verification. The RA's actions were directed toward restoring public confidence and reinforcing reliability standards across the electricity network.

Emissions and Environmental Performance

Following the commissioning of North Power Station, community concerns emerged regarding air emissions. Though the RA does not regulate environmental matters, the organisation was

sure to monitor BELCO's investigations into combustion performance, fuel quality, and particulate output.

BELCO implemented phased engine adjustments and operational changes, including fuel-switching measures to reduce emissions intensity. The RA continued reviewing environmental data and compliance metrics to ensure adherence to applicable standards.

Environmental stewardship remains integral to long-term sector resilience and public trust.

Tariff Reform and Financial Oversight

The Retail Tariff Review completed during 2020 to 2021 applied cost-of-service principles to ensure rates reflected legitimate operational and capital expenditures. Public consultation formed a central component of the process.

A revised regulatory fee structure was introduced to support implementation of the Integrated Resource Plan. The RA's methodology was subsequently affirmed by the Supreme Court of Bermuda, reinforcing confidence in its analytical framework and procedural fairness.

Licensing of Renewable Generation

The RA licensed Saturn Solar Bermuda 1 Ltd. as Bermuda's first bulk renewable energy provider. This milestone advanced the objectives of the Integrated Resource Plan and signalled measurable progress toward energy diversification.

Bulk Generation Procurement Rules were finalised to ensure transparent and competitive project development. Feasibility assessments and structured procurement processes laid the groundwork for expanded solar capacity in subsequent periods.

ELECTRONIC COMMUNICATIONS SECTOR

Emergency Measures During the Pandemic

The RA issued an Emergency General Determination to protect telecommunications consumers during the height of the COVID-19 crisis. Disconnections for non-payment were prohibited. Tariff increases were restricted. Penalty fees were suspended for eligible users.

These measures ensured continuity of connectivity at a time when remote work, online education, and digital communication became essential.

Licensing Reform and Market Structure

The RA introduced a new regulatory framework for submarine communications operators, supporting infrastructure redundancy and long-term broadband resilience.

In December 2020, the RA concluded its consultation on spectrum assignment. The Final Decision and Order established licence conditions and introduced Significant Market Power remedies to address market concentration concerns. These measures promoted competition while safeguarding consumer interests.

RF Safety and 5G

In response to public concern regarding radiofrequency exposure, the RA implemented a moratorium on 5G deployment pending completion of scientific assessments. Public consultations were conducted to ensure community engagement.

The RA's approach reflects a commitment to evidence-based decision-making and responsible technological progression.

SUBMARINE COMMUNICATIONS CABLES SECTOR

The 2020 to 2021 fiscal year marked the first full year of regulatory implementation under the Submarine Communications Cables Act 2020.

The RA established application procedures, technical evaluation criteria, and consultation processes governing submarine cable systems. Although no new cables were commissioned during the reporting period, the regulatory foundation established supports future international connectivity investments.

Enhanced submarine cable governance strengthens Bermuda's digital security, economic competitiveness, and global integration.

OUTLOOK

Looking ahead, the RA will continue oversight of BELCO's environmental performance and grid reliability initiatives. Renewable energy procurement under the Integrated Resource Plan will progress in accordance with established rules and national energy objectives.

In the communications sector, radiofrequency assessments will conclude, and updated guidance on 5G deployment will be issued. Further spectrum licensing processes will support broadband expansion and competitive market development.

Public reporting, stakeholder consultation, and transparent publication of decisions will remain central to the RA's engagement strategy.

OUR COMMITMENT

The RA approaches its mandate with seriousness and discipline. Throughout 2020 to 2021, governance processes were refined to ensure structured decision-making, documentation integrity, and consistent publication of regulatory determinations.

Financial oversight mechanisms remained robust. Budget management adhered to approved parameters. Internal review procedures were strengthened to ensure regulatory outputs remained technically rigorous and legally sound.

Stakeholder engagement was sustained despite pandemic constraints. Consultations, determinations, and updates were published in accordance with statutory requirements. Community participation remained integral to regulatory development.

The RA recognises that public trust is earned through performance, clarity, and consistency. This Annual Report consolidates our activities into a single comprehensive account, providing Parliament, stakeholders, and the public with a transparent record of regulatory action during a pivotal year.

Bermuda's infrastructure sectors are more resilient today than they were at the outset of the pandemic. The RA contributed to that resilience through deliberate action, disciplined oversight, and a steadfast focus on the national interest.

FINANCIAL HIGHLIGHTS

INTRODUCTION

The RA prepares its financial statements 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, and which are subject to an annual audit. Included in this report are the audited financial statements for the financial year ended 31 March 2021. Shared expenses such as rent, advertising and other office services were allocated amongst the electricity and electronic communications sectors on a 50-50 basis. Salaries are also split between the two sectors based on a reasonable estimate of time spent on each sector.

Overall, consolidated results for the 2020-21 fiscal year included actual revenues of \$5.855 million, which were made up of Integrated Communications Operating Licence (ICOL), Bulk Generation (BG) and Transmission, Distribution and Retail (TD&R) fees. Budgeted revenues for the year were \$6.321 million, with actual revenues being below this by \$466k (7%).

Overall expenses for the year were budgeted to be \$6.338 million, however, the actual total expenses amounted to \$5.339 million, being under budget by \$1 million (16%). These results led to a surplus for the year of \$516k. The surplus is primarily attributable to reductions in Salaries, Employee Benefits, and Commissioners' honoraria resulting from cost containment measures implemented during the year.

The balance of the Special Funds carried forward as at March 31, 2021 amounted to \$744k (March 31, 2020: \$577k), reflecting reallocations of the surplus during the year of \$167k.

ELECTRONIC COMMUNICATIONS

Fees received from the Electronic Communications sector in relation to Integrated Communications Operating licence holders, totaled \$3.217 million which was below the budgeted revenues of \$3.460 million by \$243k (7%).

The Electronic Communications sector incurred an actual expense of \$2.912 million which were related to the general administration, professional services, and amortization expenses. This was below the approved budget of \$3.465 million by \$553k (16%).

ELECTRICITY

During the year, the RA received total fees of \$2.638 million from the sector, of which \$2.440 million were related to the TD&R licenses and \$198k to the BG licenses. The revenue collections for the year were below the overall budget of \$2.861 million by \$223k (8%).

The Electricity sector incurred a total expenditure of \$2.427 million in relation to the general administration, professional services, and amortization expenses. This expenditure was lower than the projected expenditure of \$2.873 million by \$446k (16%).

THE UNIVERSITY OF CHICAGO

PHILOSOPHY DEPARTMENT

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REGULATORY AUTHORITY

FINANCIAL STATEMENTS

MARCH 31, 2021



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INDEPENDENT AUDITOR'S REPORT

To the Minister of Home Affairs

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of the Regulatory Authority, which comprise the statement of financial position as at March 31, 2021, and the statements of operations and accumulated surplus and changes in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regulatory Authority as at March 31, 2021, and the results of its operations, changes in its net financial assets and its cash flow for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Regulatory Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in Bermuda, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

In preparing the financial statements, management is responsible for assessing the Regulatory Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Regulatory Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regulatory Authority's financial reporting process.

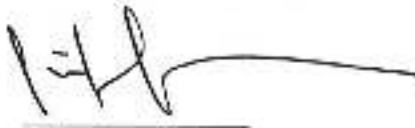
Management's Responsibility for the Financial Statements

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 financial management and internal controls to provide reasonable assurance that transactions are properly authorized and recorded in compliance with legislation, assets are safeguarded, and reliable financial records are properly maintained and available on a timely basis.

The Board of Commissioners 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 approval. The financial statements have been approved by the Board of Commissioners and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.



Richard Ambrosio
Chief Executive



Kristy Woods
Director of Finance

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Bermuda and Canada will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Bermuda and Canada, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements (whether due to fraud or error), design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regulatory Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regulatory Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Regulatory Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, related safeguards.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the Office of the Auditor General website at: www.oagbermuda.bm. This description forms part of our auditor's report.

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, proper accounting and supporting records have been kept, and that the receipts, expenditure and the acquisition of assets by the Regulatory Authority during the year ended March 31, 2021, have been in accordance with the provisions of the Regulatory Authority Act 2011.

Hamilton, Bermuda
March 25, 2026



Heather Thomas, CPA, CFE, CGMA
Auditor General

REGULATORY AUTHORITY

STATEMENT OF FINANCIAL POSITION

As at March 31, 2021

(Expressed in Bermuda dollars)

	2021 \$	2020 \$
FINANCIAL ASSETS		
Cash	3,234,438	6,442,927
Accounts receivable (Notes 9 & 13)	6,270,555	6,569,310
Due from the Government of Bermuda (Note 10)	7,730	-
	<u>9,512,723</u>	<u>13,012,237</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 13)	340,309	554,042
Bank borrowing (Note 11)	1,001,507	1,016,063
Due to the Government of Bermuda (Note 10)	6,783,836	10,057,764
Obligation under capital lease (Note 8)	9,030	13,847
Distribution payable to the Consolidated Fund of the Government of Bermuda (Note 10)	29,056	722,950
	<u>8,163,738</u>	<u>12,364,666</u>
NET FINANCIAL ASSETS	<u>1,348,985</u>	<u>647,571</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 3 and 8)	655,006	863,442
Prepaid expenses (Note 12)	101,724	78,189
	<u>756,730</u>	<u>941,631</u>
ACCUMULATED SURPLUS (Note 4)	<u>2,105,715</u>	<u>1,589,202</u>
CONTRACTUAL OBLIGATIONS (Note 7)		
CONTINGENT LIABILITIES (Note 19)		

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, 2021

(Expressed in Bermuda dollars)

	2021	2021	2020
	Budget	Actual	Actual
	(Note 17)		
	\$	\$	\$
REVENUES			
Fees from Integrated Communications Operating Licences (Note 14)	3,460,000	3,216,578	3,457,778
Fees from Transmission, Distribution and Retail Licences (Note 15)	2,684,400	2,440,357	2,624,476
Fees from Bulk Generation Licences (Note 15)	176,600	198,163	176,600
Service fees (Note 16)	-	-	25,000
Interest earned	-	9	10
	<u>6,321,000</u>	<u>5,855,107</u>	<u>6,283,864</u>
EXPENSES			
General administration (Note 5)	4,708,584	3,654,666	4,712,865
Professional services (Note 5)	1,629,516	1,443,009	1,804,906
Amortization of tangible capital assets (Note 3)	-	216,844	115,320
Accounts receivable impairment loss (Note 9)	-	24,075	23,073
Loss on disposal of tangible assets (Note 3)	-	-	7,798
	<u>6,338,100</u>	<u>5,338,594</u>	<u>6,663,962</u>
ANNUAL SURPLUS (DEFICIT)	<u>(17,100)</u>	<u>516,513</u>	<u>(380,098)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
Intra-fund transfers during the year (Note 4)		1,589,202	1,392,475
Loss carry-forward distribution (Note 4)		(516,513)	380,098
Movement in the Special Fund Reserve (Note 4)		349,097	(349,097)
Movement in Reserve Fund (Note 4)		167,416	576,825
		-	(31,001)
ACCUMULATED SURPLUS, END OF YEAR		<u>2,105,715</u>	<u>1,589,202</u>

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

REGULATORY AUTHORITY

STATEMENT OF CASH FLOW

For the year ended March 31, 2021

(Expressed in Bermuda dollars)

	2021	2020
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	516,513	(380,098)
Adjustment for items not affecting cash:		
Amortization of tangible capital assets (Note 3)	216,844	115,320
Interest expense on Bank Borrowing (Note 11)	42,428	1,170
Accounts receivable impairment loss (Note 9)	24,075	23,073
Loss on disposal of tangible capital assets (Note 3)	-	7,798
	<u>799,860</u>	<u>(232,737)</u>
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable (Note 9)	274,680	(61,474)
Increase in due from the Government of Bermuda (Note 10)	(7,730)	-
Decrease in Distribution payable to the Consolidated Fund of the Government of Bermuda (Note 10)	(693,894)	-
Increase in prepaid expenses (Note 12)	(23,535)	(14,594)
Decrease in Project Fund (Note 4)	-	(229,941)
(Decrease) Increase in accounts payable and accrued liabilities	(213,733)	167,875
(Decrease) Increase in due to the Government of Bermuda (Note 10)	(3,273,928)	4,722,373
(Decrease) Increase in obligation under capital lease	(4,817)	13,272
Cash flow (used in) generated from operating activities	<u>(3,143,097)</u>	<u>4,364,774</u>
CASH FLOW USED IN CAPITAL ACTIVITIES		
Acquisition of tangible capital assets (Note 3)	(8,408)	(699,932)
Cash flows used in capital activities	<u>(8,408)</u>	<u>(699,932)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Principal settlement of Bank Borrowing (Note 11)	(1,015,081)	-
Bank Borrowing secured (Note 11)	1,000,000	1,015,081
Interest payments included in Bank Borrowing (Note 11)	(41,903)	(188)
Cash flow (used in) generated from financing activities	<u>(56,984)</u>	<u>1,014,893</u>
NET (DECREASE) INCREASE IN CASH	(3,208,489)	4,679,735
CASH, BEGINNING OF YEAR	6,442,927	1,763,192
CASH, END OF YEAR	3,234,438	6,442,927

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, 2021

(Expressed in Bermuda dollars)

	2021 Budget \$	2021 \$	2020 \$
NET FINANCIAL ASSETS, BEGINNING OF YEAR	[Note 17] 647,571	647,571	1,042,252
Annual Surplus (Deficit)	(17,100)	516,513	(380,098)
Loss on disposal of tangible assets	-	-	7,798
Acquisition of tangible capital assets (Note 3)	(43,000)	(8,408)	(699,932)
Amortization of tangible capital assets (Note 3)	-	216,844	115,320
Change in prepaid expenses (Note 12)	-	(23,535)	(14,594)
Project Fund at end of year (Note 4)	-	-	313,484
Litigation Reserve Fund at end of year (Note 4)	-	-	263,341
Change in net financial assets	(60,100)	701,414	(394,681)
NET FINANCIAL ASSETS, END OF YEAR	587,471	1,348,985	647,571

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

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

1. AUTHORITY AND PURPOSE

The Regulatory Authority (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, electricity and telecommunications regulator under the Electronic Communications Act 2011 ("ECA"), Electricity Act 2016 ("EA") and Submarine Communications Cables Act 2020 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Revenue recognition (continued)

(ii) Electricity sector

Revenues from the electricity sector are derived from Transmission, Distribution and Retail ("TD&R") licenses as well as Bulk Generation 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.

(iii) Service fees

Revenues from service fees are recognized in the period in which the transactions or events occurred that gave rise to the revenues.

(iv) Government Authorization Fees

Fees collected on behalf of the Government of Bermuda (the "Government") for TD&R licenses, Bulk Generation licenses, ICOL fees (Government portion), Spectrum and Handset Fees 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 were received. Expenses are measured at the fair value of the consideration paid or payable at the time of the transaction.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 since they are insignificant in value to warrant reporting separately in a Statement of Remeasurement Gains and Losses.

(h) Financial instruments

The RA's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, amounts due to/from the Government of Bermuda, bank borrowing 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, except for accounts receivable which can include measurements with reasonable estimates of amounts that were due during the reporting period. 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Measurement uncertainty (continued)

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, accounts receivable 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's exchange differences are insignificant in value and are included in the statement of operations and accumulated surplus. Therefore, no statement of remeasurement gains and losses has been prepared.

3. TANGIBLE CAPITAL ASSETS

	Furniture and fittings	Office equipment	Electronic communica- tions equipment	Computers and software	Office equipment under capital lease (Note 8)	Leaschold improve- ments	Total
	\$	\$	\$	\$	\$	\$	\$
Opening cost - April 1, 2020	157,624	25,673	228,898	146,458	28,278	640,732	1,227,663
Additions	-	-	-	4,414		3,994	8,408
Closing cost - March 31, 2021	157,624	25,673	228,898	150,872	28,278	644,726	1,236,071
Opening accumulated amortization - April 1, 2020	44,667	7,218	120,404	112,644	14,431	64,827	364,221
Amortization	15,762	3,869	45,780	18,542	4,817	128,074	215,844
Closing accumulated amortization - March 31, 2021	60,429	11,117	166,184	131,186	19,248	192,901	581,065
Net book value - March 31, 2021	97,195	14,556	62,714	19,686	9,030	451,825	655,006

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

3. TANGIBLE CAPITAL ASSETS (continued)

	Furniture and fittings	Office equipment	Electronic communica- tions equipment	Computers and software	Office equipment under capital lease (Note B)	Leasehold improve- ments	Total
	\$	\$	\$	\$	\$	\$	\$
Opening cost - April 1, 2019	109,028	6,324	228,898	129,055	13,263	59,058	545,626
Additions	66,491	19,349	-	17,403	15,015	581,674	699,932
Disposal	(17,895)	-	-	-	-	-	(17,895)
Closing cost - March 31, 2020	157,624	25,673	228,898	146,458	28,278	640,732	1,227,663
Opening accumulated amortization - April 1, 2019	43,340	6,324	74,624	97,382	7,753	29,565	258,988
Amortization	11,424	924	45,780	15,262	8,668	35,262	115,320
Disposal	(10,097)	-	-	-	-	-	(10,097)
Closing accumulated amortization - March 31, 2020	44,667	7,248	120,404	112,644	14,421	64,827	364,211
Net book value March 31, 2020	112,957	18,425	108,494	33,814	13,857	575,905	863,442

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

4. ACCUMULATED SURPLUS (continued)

The movements in Operating Fund, Special Funds and Accumulated deficit balances during the year were as follows:

Table 1 – March 31, 2021, accumulated surplus.

	Operating Fund	Initial Paid-up Capital	Paid-up Capital	Accumulated deficit	Special Funds	Total
	\$	\$	\$	\$	\$	\$
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	1,000,000	361,474	(349,097)	576,825	1,589,202
Annual surplus	516,513	-	-	-	-	516,513
Intra-fund transfers	(516,513)	-	-	349,097	167,416	-
ACCUMULATED SURPLUS, END OF YEAR	-	1,000,000	361,474	-	744,241	2,105,715

Table 2 – March 31, 2020, accumulated surplus.

	Operating Fund	Initial Paid-up Capital	Paid-up Capital	Reserve Fund	Accumulated deficit	Special Funds	Total
	\$	\$	\$	\$	\$	\$	\$
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	1,000,000	361,474	31,001	-	-	1,392,475
Special Fund, beginning of year	-	-	-	-	-	806,766	806,766
Utilised Special Fund	-	-	-	-	-	(229,941)	(229,941)
Annual deficit	(380,096)	-	-	-	-	-	(380,096)
Intra-fund transfers	380,096	-	-	(31,001)	(349,097)	-	-
ACCUMULATED SURPLUS, END OF	-	1,000,000	361,474	-	(349,097)	576,825	1,589,202

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 initial Paid-up capital and Reserve Fund as at March 31, 2021 was \$1,361,474 (2020: \$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 March 22, 2019, the RA was granted approval by the Minister of Finance to create Special Funds for litigation reserve and project fund. The RA's 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.

On May 19, 2022, the RA was granted approval by the Minister of Home Affairs to carry forward realized deficits in the year ended March 31, 2020.

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

5. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2021	2020
	<u>\$</u>	<u>\$</u>
GENERAL ADMINISTRATION		
Salaries, employee benefits and commissioners' honoraria (Note 6)	2,998,013	3,445,455
Rent and utilities	341,863	314,059
Information technology	101,123	128,684
Bank charges and lease interest	71,584	56,383
Office services	68,593	89,706
Advertising and public relations	19,661	120,382
Communication and meetings	16,375	34,358
Membership fees	13,624	11,155
Subscriptions	11,795	9,400
Other personnel costs	2,701	17,368
Repairs and maintenance	2,455	3,484
Training and travel	2,003	471,829
Staff recruitment	1,117	7,328
Miscellaneous	3,759	3,274
	<u>3,654,666</u>	<u>4,712,865</u>
PROFESSIONAL SERVICES		
Technical consultancy	1,035,260	1,406,087
Non-technical consultancy	205,306	279,899
Accounting fees	153,443	88,920
Audit fees	49,000	30,000
	<u>1,443,009</u>	<u>1,804,906</u>

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

6. SALARIES, EMPLOYEE BENEFITS AND COMMISSIONERS' HONORARIA

This account consists of:	<u>2021</u>	<u>2020</u>
	\$	\$
Salaries, employee benefits and commissioners' honoraria	2,588,028	2,854,259
Payroll tax	159,926	323,365
Health insurance	118,584	120,225
Pension	24,710	115,996
Social Insurance	<u>6,765</u>	<u>31,610</u>
	<u>2,998,013</u>	<u>3,445,455</u>

The decline is largely attributed to the following COVID 19 cost reduction measures implemented during the year:

Initiative	Savings (\$)
Suspension of company pension and social insurance contributions effective July 1, 2020.	90,847
A voluntary 5% reduction in employee salaries effective July 1, 2020.	68,850
Effective July 1, 2020, the Chairman authorized the RA to withhold 10% of his honorarium until the end of the fiscal year.	8,100
In addition to the above, the RA applied for the New Hire Relief (NHR) on August 31, 2020, which was approved on October 14, 2020, for all the new hires during the period April 1, 2018, to March 31, 2021.	133,128

The cost reduction measures enabled a COVID-19 relief repayment to employees of \$116,300, net of payroll tax March 2021.

Employee benefits include the following:

- (a) Salaries, bonuses and commissioners' honoraria
 - i) Chief Executive compensation

The Chief Executive received a gross salary of \$275,000 during the year ended March 31, 2021 (2020: \$272,500).

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

(a) Salaries, bonuses and commissioners' honoraria (continued)

ii) Commissioners' Honoraria

The RA has five Commissioners. In accordance with the provisions of the Act, each Commissioner is selected by a Selection Committee of the Ministry of Home Affairs that consists of the Minister responsible for justice, as Chairman; the Minister responsible for labour; the Opposition Leader or his or her designate; and the Minister(s) responsible for the regulated sectors. The responsibilities of the Board of Commissioners are quite broad and diverse. Amongst other things, they are responsible for the strategic direction and governance of the RA and for providing general direction to the Chief Executive. They are also responsible for making administrative determinations such as statutory instruments, adjudication decisions and orders, that may be required to effect the RA's regulatory functions.

The total amount of honoraria paid to the Commissioners was \$375,726 (2020: \$540,000).

(b) Compensated absences

Compensated absences include maternity and paternity leave, sick leave and vacation days. All 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. During the year there was one application for maternity leave benefit which was approved and fully utilized by the end of the 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, 2021 is \$60,341 (2020: \$33,838) and is included in accounts payable and accrued liabilities.

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

(c) Health insurance

The RA 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 RA are enrolled in two different pension schemes:

i) Defined contribution plan

The RA 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 RA pays fixed contributions. The RA has no legal or constructive obligations to pay further contributions. Employee contributions to the Plan are 5% of gross salary matched by the RA.

The RA's contributions are recognized as employee benefit expenses when they are due and totaled \$21,943 (2020: \$102,622) during the year.

In accordance with temporary amendments to the National Pension Scheme legislation enacted in 2020, the RA elected to temporarily suspend both employer and employee pension contributions as a cost-management measure. The suspension was effective from July 2020 and remained in place until July 2021.

Pension contributions resumed following the expiry of the temporary legislative relief.

ii) Defined benefit plan

The RA 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 RA'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 RA and have been included in salaries and employee benefits.

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

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

(d) Pension plans (continued)

ii) Defined benefit plan (continued)

As part of the agreement to transfer this employee group to the RA, the RA 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 RA. The RA's contributions to the PSSF during the year were \$2,767 (2020: \$13,374).

During the year, participation in the PSSF ceased following the departure of the sole remaining eligible employee, who ceased employment with the RA in May 2020. Accordingly, contributions to the PSSF were made only up to the date of cessation.

7. CONTRACTUAL OBLIGATIONS

As part of the office space expansion project, on June 15, 2019, the RA entered a five-year contractual operating lease term at a cost of \$853,820 and \$485,125 for office space and service charge, respectively with rent increases annually from June 15, 2022 to reflect any increases in the Bermuda Consumer Price Index.

The rent and service charge expense recognized during the year was \$170,764 (2020: \$163,993) and \$97,025 (2020: \$81,800) respectively.

As at March 31, 2021, the total remaining obligation under the operating lease for office space was \$591,367. The future minimum lease payments in the ensuing fiscal years are as follows:

	\$
2021/22	267,789
2022/23	267,789
2023/24	55,789

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NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

7. CONTRACTUAL OBLIGATIONS (continued)

In addition, the RA has entered various contracts relating to operational support and delivery of services. The aforementioned contracts have commencement terms prior to March 31, 2021, and the latest contract termination date is December 31, 2022. These contractual obligations will become liabilities in the future when the terms of the contracts are met. The remaining obligations of the contracts were as follows:

	2021/2 2	2022/23
	\$	\$
Operational	35,182	4,050
Consultancy	31,217	-
IT support	2,400	-
	<u>68,799</u>	<u>4,050</u>

8. OBLIGATION UNDER CAPITAL LEASE

Effective January 16, 2020, the RA entered a three-year lease for office equipment at an effective interest rate of 5%, which ownership would transfer over to the RA at the end of the lease.

As at March 31, 2021, the present value of the minimum lease payments was \$9,030 and is recorded as a liability and a tangible capital asset in the financial statements. The interest and maintenance charge expense recognized during the year was \$583 (2020: \$183).

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

	\$
2021/22	5,400
2022/23	4,050
Total minimum lease payments	9,450
Less amounts representing interest	<u>(420)</u>
Present value of net minimum capital lease payments	<u>9,030</u>

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

9. ACCOUNTS RECEIVABLE

This account consists of:	2021	2020
	\$	\$
ICOL, Handset and Spectrum Fees*	5,647,191	5,958,418
TD&R and Bulk Generation Fees**	631,589	674,035
Class Licenses***	64,000	6,075
Less impairment loss during the year	(72,225)	(69,218)
	<u>6,270,555</u>	<u>6,569,310</u>
Impairment:	2021	2020
	\$	\$
RA fees – Loss taken to Statement of Operations	24,075	23,073
Government Authorization fees – Loss taken as a reduction in Accounts Receivable and in Due to Government of Bermuda	48,150	46,145
Total impairment	<u>72,225</u>	<u>69,218</u>

*The ICOL, Handset and Spectrum Fees include the quarter 4 fees amounting to \$5,020,905 (2020: \$4,864,258) which were due on May 31, 2021.

** TD&R and Bulk Generation Fees include the quarter 4 fees of \$631,589 (2020: \$661,435) which were due on May 31, 2021.

***Class license fees are due from Bermuda Shipping and Maritime Authority in relation to the issuance of the Class On Rate licenses.

10. RELATED PARTY TRANSACTIONS

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

The RA collects certain regulatory fees on behalf of the Government, including Government authorization fees, spectrum fees, class licence and cellular telephone fees established by the Minister of Finance pursuant to the Government Fees Act 1965, as amended. Related party balances primarily arise from these collections and from statutory employer obligations. Payroll tax and land tax are settled in accordance with Government filing requirements, generally on a quarterly basis, while social insurance and health-related contributions are remitted monthly. Regulatory fees collected on behalf of the Government are remitted after collection, typically within three months following the end of each quarter and only once funds have been received from licensees; accordingly, outstanding balances represent timing differences between collection and remittance.

REGULATORY AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2021

10. RELATED PARTY TRANSACTIONS (continued)

a) Transactions with related parties

i) Transactions with related parties during the year included:

	Due to Government of Bermuda at the beginning of year April 1, 2020	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 March 31, 2021
	\$	\$	\$	\$	\$
GEH and PSSP	11	4,389	4,519	(8,919)	-
Payroll tax	139,005	159,926	143,336	(406,048)	37,219
Social insurance	5,100	6,765	8,010	(19,875)	-
Land Tax	-	22,800	-	(17,100)	5,700
ICDLs, handset and spectrum fees *	8,707,827	-	20,750,038	(23,431,851)	6,026,012
TDR and bulk generation fees	143,093	-	234,245	(287,856)	89,423
Class licenses **	370,457	-	392,096	(624,942)	138,151
Other (Note 10 (b), (c))	692,331	-	-	(205,000)	487,331
	<u>10,057,754</u>	<u>199,880</u>	<u>21,532,183</u>	<u>(24,999,991)</u>	<u>6,783,836</u>

*The ICDL fees due to government are disclosed net of the impairment loss of \$90,925.

**The Class license fees balance includes \$64,000 (2020: \$6,075) due from the Bermuda Shipping and Maritime Authority for the issuance of the Class 0a radio licenses.

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NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

10. RELATED PARTY TRANSACTIONS (continued)

a) Transactions with related parties (continued)

ii) Transactions with related parties during the prior year included:

	Due to Government of Bermuda at the beginning of year April 1, 2019	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 March 31, 2020
	\$	\$	\$	\$	\$
GTHI and PSSF	5,545	23,098	23,455	(52,087)	11
Payroll tax	101,901	323,365	137,296	(423,557)	139,005
Social insurance	4,310	31,610	32,256	(63,076)	5,100
ICOLs, handset and spectrum fees *	4,304,197	-	17,290,044	(12,886,414)	8,707,827
TD&R and bulk generation fees	92,554	-	188,007	(137,528)	143,033
Class licenses **	134,553	-	447,751	(211,847)	370,457
Other (Note 10 (b), (c))	692,331	-	-	-	692,331
	<u>5,335,391</u>	<u>378,073</u>	<u>18,118,809</u>	<u>(13,774,509)</u>	<u>10,057,764</u>

b) Balance due from Telecommunications (Bermuda & West Indies) Limited ("Digicel")
(Note 22 (a))

	Balance at beginning of year April 1, 2020	Receipts during the year	Payments/ Remittance made during the year the year	Balance at end of year March 31, 2021
	\$	\$	\$	\$
Handset fees due from Digicel and due to the Government of Bermuda	<u>614,921</u>	<u>-</u>	<u>(205,000)</u>	<u>409,921</u>

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

10. RELATED PARTY TRANSACTIONS (continued)

- b) Balance due from Telecommunications (Bermuda & West Indies) Limited ("Digicel") (Note 22 (a)) (continued)

	Balance at beginning of year April 1, 2019	Receipts during the year	Payments/ Remittance made during the year	Balance at end of year March 31, 2020
	\$	\$	\$	\$
Handset fees due from Digicel and due to the Government of Bermuda	614,921	-	-	614,921

- c) Balance due to government in relation to the GlobeNet Cobos Submarinos Bermuda Ltd ("GlobeNet") generated revenue from the Indefeasible Right of Use ("IRU") agreement between TeleBermuda International Limited ("TBI") and GlobeNet during the period April 2013 to December 2017 (Note 22 (b))

	Balance at beginning of year April 1, 2020	Receipts during the year	Payments/ Remittance made during the year	Balance at end of year March 31, 2021
	\$	\$	\$	\$
ICOL fees due to Government in relation to the GlobeNet IRU with TBI	77,410	-	-	77,410

	Balance at beginning of year April 1, 2019	Receipts during the year	Payments/ Remittance made during the year	Balance at end of year March 31, 2020
	\$	\$	\$	\$
ICOL fees due to Government in relation to the GlobeNet IRU with TBI	77,410	-	-	77,410

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NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

10. RELATED PARTY TRANSACTIONS (continued)

- d) Distribution payable to the Consolidated Fund of the Government of Bermuda (Note 22 (c))

	Balance at beginning of the year April 1, 2020	Distribution to the Consolidated Fund	Payments/ Remittance made during the year	Balance at end of year March 31, 2021
	\$	\$	\$	\$
Distribution payable to the Consolidated Fund of the Government of Bermuda	722,950	-	(693,894)	29,056

	Balance at beginning of the year April 1, 2019	Distribution to the Consolidated Fund	Payments/ Remittance made during the year	Balance at end of year March 31, 2020
	\$	\$	\$	\$
Distribution payable to the Consolidated Fund of the Government of Bermuda	722,950	-	-	722,950

- e) Balance due from the Government of Bermuda, Department of Environment and Natural Resources ("DENR") (Note 22 (d))

	Balance at beginning of the year April 1, 2020	Payments on behalf of DENR during the year	Receipts from DENR during the year	Balance at end of year March 31, 2021
	\$		\$	\$
Balance due from the Department of Environment and Natural Resources	-	7,730	-	7,730

- f) A member of the Board of Commissioners owns an IT business that has delivered services to the RA since January 2013. During the year, the RA had transactions of \$58,003 (2020: \$72,005) in general administration expenses. An amount of \$Nil (2020: \$2,926) was owed at year-end.

REGULATORY AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2021

11. BANK BORROWING

	<u>2021</u>	<u>2020</u>
	\$	\$
Clarien Bank Limited Revolving Line of Credit facility	<u>1,001,507</u>	<u>1,016,063</u>

On October 24, 2019, the Ministry of Finance issued a letter to Clarien Bank Limited pursuant to Section 45(2) of the Regulatory Authority Act 2011 approving the borrowing of \$1,500,000 from Clarien Bank Limited to assist in short-term working capital requirements. On November 25, 2019, the RA established a Revolving Line of Credit with Clarien Bank Limited in the amount of \$1,500,000. This facility which expires September 30, 2021, bears a fixed interest of 5.0% per annum. As at March 31, 2021, the RA had a drawdown of \$1,000,000 and interest due of \$1,507 (2020: the RA had a drawdown of \$1,015,081 and interest due of \$982).

The total interest incurred on bank borrowing amounted to \$42,428 (2020: \$1,170).

12. PREPAID EXPENSES

	<u>2021</u>	<u>2020</u>
	\$	\$
This account consists of:		
Insurance services	39,022	25,567
Office premises rent & service Charges	22,316	-
Software licenses & other subscriptions	19,484	23,402
Government levies	9,964	9,667
Quality of service monitoring	5,231	-
Professional memberships	3,991	4,881
Communication services	1,343	1,466
Computer & IT equipment maintenance	300	300
Numbering services	73	12,906
	<u>101,724</u>	<u>78,189</u>

13. FINANCIAL RISK MANAGEMENT

In the normal course of operations, the RA 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 RA's risk management framework. The RA's risk management program seeks to minimize potential adverse effects on the RA'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 RA. 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 RA 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 RA is not exposed to significant credit risk associated with cash as they are placed with highly rated financial institutions. The aging of accounts receivables is based on the length of time outstanding from the date licence fees are due is as follows:

	Within 6 months \$	6 - 12 months \$	Over 12 months \$	Total \$
ICOL, Handset and Spectrum Fees	5,095,561	60,011	419,394	5,574,966
TD&R and Bulk Generation Fees	631,589	-	-	631,589
Class Licenses	46,125	11,800	6,075	64,000
Accounts Receivable	<u>5,773,275</u>	<u>71,811</u>	<u>425,469</u>	<u>6,270,555</u>

The RA is exposed to credit risk in the event of non-performance by licensed carriers. This risk is mitigated through frequent monitoring and follow up on outstanding receivables. To this end, the accounts receivable are deemed recoverable. The impaired receivables from 2020 and 2021 amount to \$141,443 of which \$94,295 relates to Government authorization fees and \$47,148 relates to RA fees (Note 22 (d)). The Accounts Receivables balance on the statement of financial position is disclosed net of the impairment loss.

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

13. FINANCIAL RISK MANAGEMENT (continued)

b) Liquidity risk

Liquidity risk is the risk that the RA will not be able to meet its financial obligations as they become due. The RA 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.

The following table sets out the expected cash flows of financial liabilities:

	Within 1 year \$	1 to 5 years \$	Total \$
Expected cash outflows			
Accounts payable and accrued liabilities	340,309	-	340,309
Bank borrowing	1,001,507	-	1,001,507
Obligation under capital lease	3,967	5,063	9,030
Due to Government of Bermuda	6,783,836	-	6,783,836
Distribution payable to the Consolidated Fund of the Government of Bermuda	29,056	-	29,056
Total expected cash outflows	8,158,675	5,063	8,163,738

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 RA is not exposed to significant currency risk, as amounts held, and transactions settled in foreign currencies are insignificant.

13. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

ii) Interest 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 RA's exposure to interest rate risk is limited to interest earned on its cash. It is management's opinion that the RA 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.

14. FEES FROM INTEGRATED COMMUNICATIONS OPERATING LICENCES

The Regulatory Authority fees were maintained at 1.75% of the ICOL holders' relevant turnover for the year from April 1, 2020, to March 31, 2021, in accordance with the Electronic Communications (Regulatory Authority Fees) Regulations 2018.

15. FEES FROM TRANSMISSION, DISTRIBUTION AND RETAIL (TD&R) 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 kWh sales throughout the period and are calculated at a rate of \$0.00475 per kWh. Bulk Generation fees are based on total MW of installed capacity and are calculated at a rate of \$1,000 per MW for Utility Scale Electricity Generation and \$1,500 per MWh for Waste to Energy generation. These fees are in accordance with the Electricity (Regulatory Authority Fees) Regulations 2018.

16. SERVICE FEES

The RA service fees generated in the prior year were in accordance with the Regulatory Authority (Service Fees) Regulations 2018.

17. BUDGET

The budgeted expenditures for the fiscal year April 1, 2020, to March 31, 2021, were \$3,385,350 (Schedule 1) for the electronic communications sector, \$2,872,750 (Schedule 2) for the electricity sector, and \$80,000 for extraordinary projects. This budget was approved by the Minister of Finance on March 30, 2020.

18. NEW AND AMENDED STANDARDS NOT YET EFFECTIVE

The Public Sector Accounting Board has issued several new public sector accounting standards and amendments to standards that are not yet effective for the year ended March 31, 2021.

In particular, the new and amended standards, which become effective for annual periods beginning on or after April 1, 2021, include:

Amendments to *Tangible Capital Assets*, Section PS 3150 – Effective for fiscal years beginning on or after April 1, 2030. Earlier adoption is permitted. Main features of the amendments include a new criterion to the definition of a tangible capital asset, a new definition of a collection, new disclosure requirements for works of art, historical treasures and/or collections, new guidance for situations where an entity purchases a tangible capital asset at substantially below fair value; and new guidance for situations where an entity receives contributed materials and/or labour when constructing or developing a tangible capital asset.

The *Conceptual Framework for Financial Reporting in the Public Sector - Effective April 1, 2026 Financial Statement Presentation*, Section PS 1202 Effective April 1, 2026. Early adoption is permitted for the conceptual framework and PS 1202.

PS 3400 *Revenue*, effective April 1, 2023 – Establishes standards on how to account for and report on revenue. It differentiates between revenue arising from transactions that include performance obligations, referred to as "exchange transactions", and transactions that do not have performance obligations, referred to as "non-exchange transactions."

PS 3160, *Public Private Partnerships*, effective April 1, 2023 – In April 2021, PSAB issued PS 3160, *Public Private Partnerships*, to provide guidance on the recognition, measurement, presentation, and disclosure of public private partnerships.

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

18. NEW AND AMENDED STANDARDS NOT YET EFFECTIVE (continued)

PS 3280 – Asset Retirement Obligations, effective April 1, 2022 – Section PS 3280 was issued in August 2018 to provide guidance on the recognition and measurement of obligations that arise from asset retirement activities.

PS 3450 – Financial Instruments, effective April 1, 2022 – Section PS 3450 provides guidance on the recognition, measurement, presentation, and disclosure of financial instruments, including derivatives.

PS 2601 – Foreign Currency Translation, effective April 1, 2022 – Section PS 2601 replaces the guidance in Section PS 2600, Foreign Currency Translation. Under Section PS 2601, exchange gains and losses arising on monetary assets and liabilities prior to settlement are recorded in the statement of remeasurement gains and losses.

PS 3041 – Portfolio Investments effective April 1, 2022 – PS 3041 states that portfolio investments are measured in accordance with PS 3450, Financial Instruments unless they have concessionary terms such as little or no return on the government investment. Losses in the value of a portfolio investment that are not a temporary decline should be recognized and recorded in the statement of operations.

PS 1201 – Financial Statement Presentation effective April 1, 2022 – Section PS 1201 introduces the statement of remeasurement for gains and losses. Remeasurement gains and losses arise from exchange gains and losses on items in the amortized cost category denominated in foreign currency and unrealized gains and losses on financial instruments that are measured at fair value.

The RA does not intend to adopt these new standards prior to the effective dates.

19. CONTINGENT LIABILITIES

At March 31, 2021, the RA was subject to litigation from the Bermuda Telephone Company Ltd & Telecommunications (Bermuda & West Indies) (collectively, “Digicel”) and Logic Communications Ltd & Bermuda Digital Communications Ltd (both trading as One Communications, collectively “OneComm”) in relation to the Market remedies matter. At that time, the potential financial exposure could not be reliably estimated.

Subsequent to the reporting date, the litigation was settled in 2022 and was formally discontinued in 2024. Any litigation costs arising from these matters were recognized as expenses in the periods in which the related services were provided.

20. SEGMENT REPORTING

a) Basis of identification and nature of the segments

The Electronic communications and Electricity sector revenues are legislated as described in Note 14 and 15 above respectively.

Section 44(4) of the Regulatory Authority Act states that; "For each financial year, the general regulatory fees recommended by the Authority shall be designated to recover from all the sectoral providers within a regulated industry sector, in the aggregate, an amount equal to the estimated costs incurred by the Authority are directly related to the supervision of that regulated industry sector that are not recovered from service fees or other sources and a reasonable portion of the remaining operating costs of the Authority".

To this end, the RA has identified the Electronic Communications and Electricity Sectors as the operating segments.

b) Segment revenue by source and type.

Refer to Schedule 1 and 2, for the revenue by major category for the Electronic Communications and Electricity Sector segments respectively.

c) Segment expense by source and type.

Refer to Schedule 1 and 2, for the expense by major category for the Electronic Communications and Electricity Sector segments respectively.

Industry-specific costs, where identifiable, are allocated directly to the relevant regulated sector. Shared and common costs, including shared staffing, corporate overheads and general administrative expenses, are allocated evenly between the regulated sectors. This approach is applied consistently and is considered by management to fairly reflect the cost of regulatory activity across sectors.

d) Reconciliation of segment information

A reconciliation of the segment information to the consolidated information in the statement of operations and accumulated surplus and Note 5.

i) Revenue reconciliation

The table below shows the reconciliation of the revenue collected from the Electronic Communications and Electricity sector segments to the total revenue disclosed in the consolidated Statement of Operations.

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

20. SEGMENT REPORTING (Continued)

d) Reconciliation of segment information (continued)

i) Revenue reconciliation (continued)

	<u>2021</u>	<u>2021</u>	<u>2021</u>
	Electronic communication	Electricity	Total
	\$	\$	\$
REVENUES			
Fees from Integrated Communications Operating Licences (Note 14)	3,216,578	-	3,216,578
Fees from Transmission, Distribution Retail Licences (Note 15)	-	2,440,357	2,440,357
Fees from Bulk Generation Licences (Note 15)	-	198,163	198,163
Interest earned	9	-	9
Total	<u>3,216,587</u>	<u>2,638,520</u>	<u>5,855,107</u>

	<u>2020</u>	<u>2020</u>	<u>2020</u>
	Electronic communications	Electricity	Total
	\$	\$	\$
REVENUES			
Fees from Integrated Communications Operating Licences (Note 14)	3,457,778	-	3,457,778
Fees from Transmission, Distribution Retail Licences (Note 15)	-	2,624,476	2,624,476
Fees from Bulk Generation Licences (Note 15)	-	176,600	176,600
Service fees	-	25,000	25,000
Interest earned	10	-	10
Total	<u>3,457,788</u>	<u>2,826,076</u>	<u>6,283,864</u>

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

20. SEGMENT REPORTING (Continued)

d) Reconciliation of segment information (continued)

ii) Expense reconciliation

	2021	2021	2021
	Electronic communications \$	Electricity \$	Total \$
EXPENSES			
General Administration			
Salaries, employee benefits and Commissioners' honoraria	1,499,766	1,498,247	2,998,013
Rent and utilities	170,932	170,931	341,863
Information technology	50,561	50,562	101,123
Bank charges and lease interest	31,952	39,632	71,584
Office Services	34,002	34,591	68,593
Advertising and public relations	9,831	9,830	19,661
Communication and meetings	9,225	7,150	16,375
Membership fees	6,812	6,812	13,624
Subscriptions	5,897	5,898	11,795
Other personnel costs	1,351	1,350	2,701
Repairs and maintenance	1,227	1,228	2,455
Training and travel	1,001	1,002	2,003
Staff recruitment	559	558	1,117
Miscellaneous	1,880	1,879	3,759
	<u>1,824,996</u>	<u>1,829,670</u>	<u>3,654,666</u>
Professional Services			
Technical consultancy	644,347	390,913	1,035,260
Non-technical consultancy	186,316	18,990	205,306
Accounting fees	76,721	76,722	153,443
Audit fees	24,500	24,500	49,000
	<u>931,884</u>	<u>511,125</u>	<u>1,443,009</u>
Amortization of tangible capital assets	131,312	85,532	216,844
Accounts receivable impairment loss	24,075	-	24,075
	<u>2,912,267</u>	<u>2,426,327</u>	<u>5,338,594</u>

REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

20. SEGMENT REPORTING (Continued)

d) Reconciliation of segment information (continued)

ii) Expense reconciliation (continued)

	2020	2020	2020
	Electronic communications \$	Electricity \$	Total \$
EXPENSES			
General Administration			
Salaries, employee benefits and Commissioners' honoraria	1,876,724	1,568,731	3,445,455
Training and travel	217,824	254,005	471,829
Rent and utilities	157,029	157,030	314,059
Information technology	64,342	64,342	128,684
Advertising and public relations	60,191	60,191	120,382
Office Services	43,532	46,174	89,706
Bank charges and lease interest	20,349	36,034	56,383
Communication and meetings	17,179	17,179	34,358
Other personnel costs	8,684	8,684	17,368
Membership fees	5,577	5,578	11,155
Subscriptions	4,700	4,700	9,400
Staff recruitment	3,664	3,664	7,328
Repairs and maintenance	1,742	1,742	3,484
Miscellaneous	1,638	1,636	3,274
	<u>2,483,175</u>	<u>2,229,690</u>	<u>4,712,865</u>
Professional Services			
Technical consultancy	612,015	794,072	1,406,087
Non-technical consultancy	177,018	102,881	279,899
Accounting fees	44,460	44,460	88,920
Audit fees	15,000	15,000	30,000
	<u>848,493</u>	<u>956,413</u>	<u>1,804,906</u>
Amortization of tangible capital assets	80,550	34,770	115,320
Accounts receivable impairment loss	23,073	-	23,073
Loss on disposal of tangible capital assets	3,899	3,899	7,798
	<u>3,439,190</u>	<u>3,224,772</u>	<u>6,663,962</u>

21. COVID 19 - PANDEMIC

During the financial year ended March 31, 2021, the COVID-19 pandemic resulted in certain operational impacts and cost-management measures being implemented by the RA. These measures primarily related to staff-related cost reductions and the utilization of available government relief programs.

The COVID-19 pandemic also had an impact on the RA's operations during the year, including impacts to activity levels and revenue generation. The financial effects of these matters are reflected in the results for the year ended March 31, 2021.

Further details regarding the cost-management measures implemented and their financial impact are disclosed in Note 6.

22. SUBSEQUENT EVENTS

- a) Handset fees payment plan from Telecommunications (Bermuda & West Indies) Limited ("Digicel") (Note 10 (b))

On May 14, 2020, the RA received the handset fees payment plan from Digicel regarding the withheld \$614,921 ("the fee") owed to the RA from the fee filing submitted on the February 28, 2017. The amount was outstanding due to a legacy dispute case which was subsequently resolved since Digicel is statutorily required to pay the fee pursuant to section 11 of the Electronic Communications Act 2011 (the "ECA") and section 44 of the Regulatory Authority Act 2011 (the "RAA").

The RA has recorded the balance of \$409,921 as an accounts receivable and balance due to Government on the Statement of Financial Position for the year ended March 31, 2021. The full amount was remitted to the Government by December 31, 2021.

- b) GlobeNet Cobas Submarinos Bermuda Ltd. ("GlobeNet") Deed of Settlement (Note 10 (c))

On June 22, 2020, GlobeNet and the RA signed a deed of settlement of the amount equal to \$135,605 stemming from several Indefeasible Right of Use ("IRU") agreements held between TeleBermuda International Limited ("TBI") and GlobeNet for which GlobeNet did not declare the revenue since the RA's inception. Consequently, GlobeNet's revenues were understated for the period effective April 1, 2013 to December 31, 2017 when the IRU was terminated.

22. SUBSEQUENT EVENTS (continued)

- b) GlobeNet Cobos Submarinos Bermuda Ltd. ("GlobeNet") Deed of Settlement (Note 10 (c)) (continued)

To this end the RA has recorded this balance as an accounts receivable and balance due to Government of Bermuda on the Statement of Financial Position for the year ended March 31, 2021.

The corresponding total ICOL fees amounting to \$135,605 (\$77,410 for Government Authorization fees and \$58,195 for RA fees) were paid by GlobeNet on July 13, 2020. This balance was remitted to the Government in August 2021.

- c) On August 24, 2021, the RA remitted \$29,096 to settle the distribution payable to the Consolidated Fund of the Government of Bermuda owed for the period April 1, 2018, to March 31, 2019 (Note 10 (d)).
- d) Balance due from the Government of Bermuda, Department of Environment and Natural Resources. ("DENR") (Note 10 (e)).

This receivable balance stems from the "Review of Environmental Impacts from Bermuda Electric Light Company's ("BELCO") Generating Engines and Mitigation Advice" engagement where the RA acted as an intermediary between DENR and the independent consultants, Ricardo Energy and Environment ("Ricardo"). The total project cost was \$11,331 and it was due for reimbursement by the DENR. The receivable as recorded in the Statement of Financial Position as at March 31, 2021 amounted to \$7,730. The full amount was settled by the DENR on March 31, 2022.

- e) World on Wireless Limited went into liquidation in December 2021 and therefore all the outstanding receivables due from them have been deemed impaired and written off (Note 9).
- f) On November 25, 2019, The RA established a two-year revolving Line of Credit with Clarien Bank Limited in the amount of \$1,500,000 at an interest rate of 5.0% per annum. This facility expired on December 20, 2021 and was renewed for another two years.
- g) On May 19, 2022, the Minister of Home Affairs approved to carry forward the realized deficit as at March 31, 2020 which amounted to \$349,097 net of the Reserve Fund of \$31,001. The accumulated deficit as at March 31, 2021 was \$Nil.

22. SUBSEQUENT EVENTS (continued)

- h) On February 29, 2024, the RA sought approval from the Minister of Home Affairs to spend up to \$560,000 to fund the RA's investigation into Bermuda Electric Light Company's North Power Station. On the same day, the Minister granted approval of an overspend and deficit carry-forward in relation to this matter.
- i) Horizon Communications Limited was issued an ICOL licence in September 2020 and a spectrum licence was later issued June 2021. The licensee did not commence operations prior to the reporting date and ceased operations in June 2023. The licences were formally surrendered to the RA in February 2024.
- j) As the licences were issued after the reporting date, any related amounts arise in periods subsequent to March 31, 2021 and therefore, there is no impact on the RA's financial position for the year ended March 31, 2021.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

REGULATORY AUTHORITY

SCHEDULE 1:

REVENUE AND EXPENSES BY SECTOR - ELECTRONIC COMMUNICATIONS

MARCH 31, 2021

	2021	2021	2020
	Budget	Actual	Actual
	\$	\$	\$
REVENUES			
Fees from Integrated Communications			
Operating Licences	3,460,000	3,216,578	3,457,778
Interest	-	9	10
	<u>3,460,000</u>	<u>3,216,587</u>	<u>3,457,788</u>
EXPENSES			
General Administration			
Salaries, employee benefits and commissioners' honoraria	1,907,055	1,499,766	1,876,724
Training and Travel	35,250	1,001	217,824
Rent and utilities	163,170	170,932	157,029
Information technology	26,920	50,561	64,342
Advertising and public relations	4,900	9,831	60,191
Office services	59,945	34,002	43,532
Bank charges and lease interest	46,250	31,952	20,349
Communication and meetings	43,616	9,225	17,179
Other personnel costs	3,440	1,351	8,684
Membership fees	6,517	6,812	5,577
Subscriptions	2,483	5,897	4,700
Staff recruitment	7,140	559	3,664
Repairs and maintenance	1,772	1,227	1,742
Miscellaneous	2,007	1,880	1,637
	<u>2,307,465</u>	<u>1,824,996</u>	<u>2,483,174</u>
Professional Services			
Technical consultancy*	863,727	644,347	612,015
Non-technical consultancy	246,700	186,316	177,018
Accounting fees	29,958	76,721	44,460
Audit fees	17,500	24,500	15,000
	<u>1,157,885</u>	<u>931,884</u>	<u>848,493</u>
Loss on disposal of tangible capital assets	-	-	3,899
Amortization of tangible capital assets	-	131,312	80,550
Accounts receivable impairment loss	-	24,075	23,073
	<u>3,465,350</u>	<u>2,912,267</u>	<u>3,439,189</u>
ANNUAL SURPLUS (DEFICIT)	<u>(5,350)</u>	<u>304,320</u>	<u>18,599</u>

* Includes a portion of the extraordinary projects budget of \$80,000 approved on March 30, 2020

REGULATORY AUTHORITY

SCHEDULE 2:

REVENUE AND EXPENSES BY SECTOR - ELECTRICITY

MARCH 31, 2021

	2021	2021	2020
	Budget	Actual	Actual
	\$	\$	\$
REVENUES			
Fees from Electricity Licences	2,861,000	2,638,520	2,801,076
Service fees	-	-	25,000
	<u>2,861,000</u>	<u>2,638,520</u>	<u>2,826,076</u>
EXPENSES			
General Administration			
Salaries, employee benefits and commissioners' honoraria	1,973,555	1,498,247	1,568,731
Training and Travel	35,250	1,002	254,005
Rent and utilities	160,170	170,931	157,030
Information technology	26,920	50,562	64,342
Advertising and public relations	4,900	9,830	60,191
Bank charges and lease interest	46,250	39,632	46,174
Office services	59,945	34,501	36,034
Communication and meetings	71,084	7,150	17,179
Membership fees	6,517	6,812	5,578
Subscriptions	2,483	5,898	4,700
Other personnel costs	3,440	1,350	8,684
Repairs and maintenance	1,772	1,228	1,741
Staff recruitment	7,140	558	3,664
Miscellaneous	1,693	1,879	1,637
	<u>2,401,119</u>	<u>1,829,670</u>	<u>2,229,690</u>
Professional Services			
Technical consultancy	234,873	390,913	794,072
Non-technical consultancy	189,300	18,990	102,881
Accounting fees	29,958	76,722	44,460
Audit fees	17,500	24,500	15,000
	<u>471,631</u>	<u>511,125</u>	<u>956,413</u>
Loss on disposal of tangible capital assets	-	-	3,899
Amortization of tangible capital assets	-	85,532	34,770
	<u>2,872,750</u>	<u>2,426,327</u>	<u>3,224,772</u>
ANNUAL SURPLUS (DEFICIT)	<u>(11,750)</u>	<u>212,193</u>	<u>(398,696)</u>