

Fiscal year : April 1, 2020 to March 31, 2021

Re: The Regulatory Authority Unaudited Condensed Financial Statements for the quarter ended June 30, 2020

In the interest of openness, good governance, transparency and pursuant to the Public Access to Information Act 2010 (hereinafter referred to as "PATI"), the Regulatory Authority of Bermuda (the RA) provides the enclosed unaudited condensed financial statements for the quarter ended June 30, 2020.

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



Denton Williams
Chief Executive

Date : 27 October 2020



Mark Fields
Chairman

Date : 2020.10.27

EXECUTIVE SUMMARY

FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDED JUNE 30, 2020 FISCAL YEAR 2020-2021

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 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 unaudited condensed financial statements for the quarter ended June 30, 2020.

Shared expenses such as rent, advertising and other office services were allocated amongst 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 Chief Executive with approval from the Board of Commissioners.

Impact of the COVID- 19 Pandemic.

Due to the anticipated impact on the regulated entities which would directly affect the RA’s revenues for the fiscal year 2020-2021, the following measures were adopted to ensure that the costs are effectively managed:

- a) Projects re-prioritization which involved shifting some initially planned projects for fiscal year 20-21 to the next fiscal year.
- b) Employee cost savings such as suspension of pension and social insurance contributions, a voluntary 5% reduction in employee salaries, suspension of employee professional subscriptions etc. These measures were affected July 1, 2020 with projected annual savings of \$626k.
- c) A consolidated 24% reduction in the Commissioners honoraria effective June 1, 2020 which will result in annual savings of \$120k.
- d) Reduction in all other planned expenditures as per the work plan by 20% which resulted in projected annual savings of \$461k.

Consolidated results for the quarter ended June 30, 2020.

Overall, the consolidated results for the quarter ended June 30, 2020 included actual revenues of \$1.373 million, comprising of Integrated Communications Operating Licence (“ICOL”) fees of \$793k, Bulk generation (“BG”) and Transmission, Distribution and Retail (“TD&R”) fees of \$580k. The total budgeted revenues for the quarter ended June 30, 2020 were \$1.580 million with actual revenues being below the budget by \$208k (13%). The revenue shortfall is mainly due to the impact of the COVID -19 Pandemic on the regulated entities.

Overall expenses for the quarter ended June 30, 2020 were budgeted at \$1.585 million however, the actual total expenses amounted to \$1.536 million, resulting in an underspend of \$48k (3%). This led to a consolidated deficit of \$164k for the quarter ended June 30, 2020. The accumulated carried forward deficit as of June 30, 2020 was \$434k.

ELECTRONIC COMMUNICATIONS:

In relation to the Electronic Communications, the RA incurred a total expenditure of \$806k against a corresponding budget of \$866k for the quarter ended June 30, 2020. This resulted in an underspend of \$60k (7%). Salaries, employee benefits & Commissioners' honoraria, administrative expenses, and Professional services amounted to \$778k which constituted 97% of the total expenditure.

Fees received from the Electronic Communications sector in relation to Integrated Communications Operating Licence holders, totaled \$793k, which was below the budgeted revenues of \$865k by \$72k (8%). The revenue shortfall was attributed to the drop in turnover by the sector largely due to the COVID-19 Pandemic effect on consumption of their services.

ELECTRICITY:

With respect to the Electricity sector, the RA incurred a total expenditure of \$731k against a corresponding budget of \$718k for the quarter ended June 30, 2020. This resulted in an overspend of \$13k (2%). Salaries, employee benefits & Commissioners' honoraria, administrative expenses, and Professional services amounted to \$703k which constituted 96% of the total expenditure.

The BG and TD&R electricity fees for the quarter ended June 30, 2020 amounted to \$580k, as compared to budgeted revenues of \$715k which resulted in a revenue shortfall of \$135k (19%). The decline was largely attributed to the drop in the electricity sales by Bermuda Electric Light Company Ltd (“BELCO”) due to the COVID -19 Pandemic business interruptions.

**REGULATORY AUTHORITY
UNAUDITED
CONDENSED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED
JUNE 30, 2020**

REGULATORY AUTHORITY

STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

(Expressed in Bermuda dollars)

	Unaudited June 30, 2020 \$	Unaudited March 31, 2020 \$
FINANCIAL ASSETS		
Cash	5,537,191	6,442,927
Accounts receivable	6,369,076	6,632,452
	<u>11,906,267</u>	<u>13,075,379</u>
LIABILITIES		
Accounts payable and accrued liabilities	393,609	510,808
Bank borrowing (Note 6)	1,016,472	1,016,063
Due to the Government of Bermuda (Note 5)	9,841,130	10,097,832
Obligation under capital lease	12,596	13,847
Distribution payable to the Consolidated Fund of the Government of Bermuda (Note 5)	29,056	722,950
	<u>11,292,863</u>	<u>12,361,500</u>
NET FINANCIAL ASSETS	<u>613,404</u>	<u>713,879</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 3)	828,733	876,422
Prepaid expenses	62,552	78,189
	<u>891,285</u>	<u>954,611</u>
ACCUMULATED SURPLUS (Note 4)	<u><u>1,504,689</u></u>	<u><u>1,668,490</u></u>

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

REGULATORY AUTHORITY

STATEMENT OF OPERATIONS

For the quarter ended June 30, 2020
 (Expressed in Bermuda dollars)

	2020	Unaudited June 30, 2020	Unaudited June 30, 2019
	Budget (Note 9)	Actual	Actual
	\$	\$	\$
REVENUES			
Fees from Integrated Communications Operating Licences (Note 7)	865,000	792,550	878,059
Fees from Transmission, Distribution and Retail, and Bulk Generation Licences (Note 8)	715,250	580,116	672,919
Interest earned	-	6	-
	<u>1,580,250</u>	<u>1,372,672</u>	<u>1,550,978</u>
EXPENSES			
Salaries, employee benefits & Comissioners' honoraria		775,924	767,561
Professional services		532,513	536,812
Adminstrative expenses		172,916	261,447
Amortization of tangible capital assets		55,120	31,462
	<u>1,584,525</u>	<u>1,536,473</u>	<u>1,597,283</u>
DEFICIT FOR THE PERIOD	<u>(4,275)</u>	<u>(163,801)</u>	<u>(46,305)</u>

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

REGULATORY AUTHORITY

STATEMENT OF CASH FLOWS

For the quarter ended June 30, 2020
 (Expressed in Bermuda dollars)

	Unaudited June 30, 2020 \$	Unaudited March 31, 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficit for the period	(163,801)	(300,810)
Adjustment for items not affecting cash:		
Amortization of tangible capital assets	55,120	116,438
	<u>(108,681)</u>	<u>(184,372)</u>
Changes in non-cash working capital:		
Decrease (Increase) in accounts receivable	263,376	(101,543)
Decrease (Increase) in prepaid expenses	15,637	(14,594)
Decrease in Project Fund (Note 4)	-	(229,941)
(Decrease) Increase in accounts payable and accrued liabilities	(117,199)	124,641
Increase in Bank borrowing	409	1,016,063
Decrease (Increase) in due to the Government of Bermuda	(950,596)	4,762,441
(Decrease) Increase in obligation under capital lease	(1,251)	13,272
	<u>(898,305)</u>	<u>5,385,967</u>
CASH FLOWS FROM CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(7,431)	(706,232)
	<u>(7,431)</u>	<u>(706,232)</u>
NET (DECREASE) INCREASE IN CASH	(905,736)	4,679,735
CASH, BEGINNING OF YEAR	6,442,927	1,763,192
	<u>6,442,927</u>	<u>1,763,192</u>
CASH AT END OF PERIOD	5,537,191	6,442,927
	<u>5,537,191</u>	<u>6,442,927</u>

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

REGULATORY AUTHORITY

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

For the quarter ended June 30, 2020

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 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.

REGULATORY AUTHORITY

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS`

For the quarter ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Revenue recognition (continued)

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 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.

REGULATORY AUTHORITY

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS`

For the quarter ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

(f) 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.

(g) 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.

REGULATORY AUTHORITY

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS`

For the quarter ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(i) 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 or amortized cost.

(j) 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.

(k) 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.

REGULATORY AUTHORITY

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS`

For the quarter ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

(m) Changes in accounting standards

On April 1, 2018, the following new standards was adopted:

Restructuring Transactions, PS 3430 – Establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction

The adoption of the above accounting standard had no impact on the financial statements.

3. TANGIBLE CAPITAL ASSETS

	Furniture and fittings	Office equipment	Electronic communica- equipment	Computers and software	Office equipment under capital lease	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$	\$
Opening cost - April 1, 2020	175,519	25,673	228,898	146,458	28,278	647,032	1,251,858
Additions	-	-	-	4,414	-	3,017	7,431
Closing cost - June 30, 2020	175,519	25,673	228,898	150,872	28,278	650,049	1,259,289
Opening accumulated amortization - April 1, 2020	55,882	8,415	120,404	112,645	13,263	64,827	375,436
Amortization	4,388	968	11,445	4,635	1,182	32,502	55,120
Closing accumulated amortization - June 30, 2020	60,270	9,383	131,849	117,280	14,445	97,329	430,556
Net book value - June 30, 2020	115,249	16,290	97,049	33,592	13,833	552,720	828,733

REGULATORY AUTHORITY

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS`

For the quarter ended June 30, 2020

3. TANGIBLE CAPITAL ASSETS (continued)

	Furniture and fittings	Office equipment	Electronic communica- tions equipment	Computers and software	Office equipment under capital lease	Leasehold improvements	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	587,974	706,232
Closing cost - March 31, 2020	175,519	25,673	228,898	146,458	28,278	647,032	1,251,858
Opening accumulated amortization - April 1, 2019	43,340	6,324	74,624	97,382	7,763	29,565	258,998
Amortization	12,542	2,091	45,780	15,263	5,500	35,262	116,438
Closing accumulated amortization - March 31, 2020	55,882	8,415	120,404	112,645	13,263	64,827	375,436
Net book value - March 31, 2020	119,637	17,258	108,494	33,813	15,015	582,205	876,422

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.

REGULATORY AUTHORITY

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS`

For the quarter ended June 30, 2020

4. ACCUMULATED SURPLUS (continued)

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 June 30, 2020 was \$1,361,474. (March 31, 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. The accumulated deficit as at June 30, 2020 was \$433,610 (March 31, 2020 :\$269,809).

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 June 30, 2020 amounted to \$263,341 (March 31, 2020: \$263,341) and \$313,814 (March 31, 2020: \$313,814) respectively.

The movements in Operating Fund, Initial paid-up capital, Paid-up capital, Reserve Fund, Litigation Reserve Fund, Project Fund and Accumulated annual deficit balances as at June 30, 2020 were as follows:

	Operating Fund	Initial paid-up capital	Paid-up capital	Reserve Fund	Deficit carry-forward Special Fund	Litigation Reserve Fund	Project Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$
ACCUMULATED SURPLUS, BEGINNING OF PERIOD	-	1,000,000	361,474	-	(269,809)	263,341	313,484	1,668,490
Deficit for the quarter	(163,801)	-	-	-	-	-	-	(163,801)
Intra-fund transfers	163,801	-	-	-	(163,801)	-	-	-
ACCUMULATED SURPLUS, AT JUNE 30, 2020	-	1,000,000	361,474	-	(433,610)	263,341	313,484	1,504,689

REGULATORY AUTHORITY

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS`

For the quarter ended June 30, 2020

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

	Due to the Government of Bermuda as at June 30, 2020	Due to the Government of Bermuda as at March 31, 2020
	\$	\$
GEHI and PSSF	757	11
Payroll tax	101,884	139,004
Social insurance	1,413	5,101
ICOLs, handset and spectrum fees	8,446,608	8,753,971
TD&R and bulk generation fees	189,438	143,033
Class licenses	408,699	364,381
	<u>9,148,799</u>	<u>9,405,501</u>

The balance due to government as at June 30, 2020 includes quarter 1 (April to June 2020) ICOLs, handset and spectrum fees of \$3,788,041 and TD&R and bulk generation fees of \$46,405 which were due from the license holders on August 31, 2020.

REGULATORY AUTHORITY

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS`

For the quarter ended June 30, 2020

5. RELATED PARTY TRANSACTIONS (continued)

b) Balance due from Telecommunications (Bermuda & West Indies) Limited (“Digicel”)

	Balance at beginning of the period April 1, 2020	Receipts during the quarter ended June 30, 2020	Payments/ Remittance made during the quarter ended June 30, 2020	Balance at end of quarter June 30, 2020
	\$	\$	\$	\$
Handset fees due from Digicel and due to the Government of Bermuda	614,921	-	-	614,921

On May 14, 2020, the RA received the payment plan from Digicel regarding the withheld handset fees of \$614,921 from the fee filing submitted on the 28 February 2017. This balance is entirely due to government and will be remitted accordingly upon receipt.

The amount is outstanding due to a legacy dispute case which was subsequently resolved.

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. The corresponding total ICOL fees amounting to \$135,603 were paid by GlobeNet on July 13, 2020.

	Balance at beginning of the period April 1, 2020	Receipts during the quarter ended June 30, 2020	Payments/ Remittance made during the quarter ended June 30, 2020	Balance at end of quarter June 30, 2020
	\$	\$	\$	\$
ICOL fees due to government in relation to the GlobeNet IRU with TBI	77,410	-	-	77,410

REGULATORY AUTHORITY

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS`

For the quarter ended June 30, 2020

5. RELATED PARTY TRANSACTIONS (continued)

d) Distribution payable to the Consolidated Fund of the Government of Bermuda:

	Balance at beginning of the period April 1, 2020	Distribution to the Consolidated Fund as at June 30, 2020	Remittance made during the quarter ended June 30, 2020	Balance at quarter ended June 30, 2020
	\$	\$	\$	\$
Distribution payable to the Consolidated Fund of the Government of Bermuda	(29,056)	-	-	(29,056)

The RA remitted \$693,854 to the Consolidated Fund on April 1, 2020, being the amount owed for the period April 1, 2013 to March 31, 2018.

6. BANK BORROWING

Bank borrowing consists of the following:

	<u>June 30, 2020</u>	<u>March 31, 2020</u>
	\$	\$
Clarien Bank Limited Revolving Line of Credit Facility	1,016,472	1,016,063

On October 24, 2019, the Ministry of Finance issued a letter of comfort to Clarien Bank Limited approving the borrowing of \$1,500,000 by the RA 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 June 30, 2020, the RA had a drawdown of \$1,015,081 and interest due of \$1,391 (March 31, 2020: \$1,015,081 and interest due of \$982).

7. 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.

REGULATORY AUTHORITY

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS`

For the quarter ended June 30, 2020

8. 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 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.

9. BUDGET

The budgeted expenditures for the fiscal year April 1, 2020 to March 31, 2021 were \$3,465,350 (Prorated for the quarter ended June 30, 2020 in Schedule 1: \$866,337) for the electronic communications sector and \$2,872,750 (Prorated for the quarter ended June 30, 2020 in Schedule 2: \$718,188) for the electricity sector. This budget was approved by the Minister of Economic Development on March 27, 2020.

10. CONTIGENT LIABILITIES

The RA is involved in litigation due to alleged breach of contract by the former Interim Chief Executive with an estimated exposure of \$74,405.

REGULATORY AUTHORITY
SCHEDULE 1
STATEMENT OF OPERATIONS: ELECTRONIC COMMUNICATIONS SECTOR

For the quarter ended June 30, 2020
(Expressed in Bermuda dollars)

	2020	Unaudited June 30, 2020	Unaudited June 30, 2019
	Prorated Budget (Note 9)	Actual	Actual
	\$	\$	\$
REVENUES			
Fees from Integrated Communications			
Operating Licences (Note 7)	865,000	792,550	878,059
Interest earned	-	6	-
	<u>865,000</u>	<u>792,556</u>	<u>878,059</u>
EXPENSES			
Salaries, employee benefits & Commissioners' honoraria		377,693	373,463
Professional services		315,233	274,878
Administrative expenses		85,058	128,772
Amortization of tangible capital assets		27,560	15,731
		<u>866,337</u>	<u>792,844</u>
(DEFICIT) SURPLUS FOR THE PERIOD	<u>(1,337)</u>	<u>(12,988)</u>	<u>85,215</u>

REGULATORY AUTHORITY
SCHEDULE 2
STATEMENT OF OPERATIONS : ELECTRICITY SECTOR

For the quarter ended June 30, 2020
(Expressed in Bermuda dollars)

	2020	Unaudited June 30, 2020	Unaudited June 30, 2019
	Prorated Budget (Note 9)	Actual	Actual
	\$	\$	\$
REVENUES			
Fees from Transmission, Distribution and Retail, and Bulk Generation Licences (Note 8)	715,250	580,116	672,919
	<u>715,250</u>	<u>580,116</u>	<u>672,919</u>
EXPENSES			
Salaries, employee benefits & Commissioners' honoraria		398,231	394,098
Professional services		217,280	261,934
Administrative expenses		87,858	132,675
Amortization of tangible capital assets		27,560	15,731
		<u>718,188</u>	<u>804,438</u>
DEFICIT FOR THE PERIOD	<u>(2,938)</u>	<u>(150,813)</u>	<u>(131,519)</u>