

# It's business as (un)usual

Annual Report 2020-21



# Message from the Director General



The theme of this year's Annual Report is *"It's business as (un)usual"* and there truly could not be a more apt description of the operations of the Bermuda Civil Aviation Authority for the period of 1st April 2020 to 31st March 2021. As everyone knows, the COVID-19 pandemic was quickly becoming a global health crisis at the beginning of this fiscal year and much of the world – including Bermuda – went into lockdown in March 2020. Like many organisations, BCAA pivoted to a work-from-home model, assuming – again, like many organisations – that the lockdown would only last a few weeks and that operations would then revert to business as usual. As it turns out, that timeline was extremely optimistic: the BCAA team continued to work from home for the duration of the time covered by this report.

The work-from-home pivot didn't pose much of a logistical challenge for BCAA: the nature of our business actually lends itself to working remotely. We had already made updating our technology a priority and were moving towards virtual servers and cloud-based computing; as a result, we were able to mobilize all of our organisation's functions, making the shift to a remote environment straightforward and relatively seamless.

That said, we realised early on that the impact on our employees of the uncertainty and upheaval that accompanied the pandemic was less than straightforward. While some people thrived in our work-from-home model, others felt isolated and disconnected from the team. Everyone's circumstances were different; for many, balancing work and family life was challenging and pressure-filled – especially when having to share space with partners also working from home and children learning remotely. I am proud to report that these issues were acknowledged and addressed with an accommodating approach. Employees were encouraged to communicate their concerns to their managers so that everyone's individual needs were met while the organisation's operations continued, uninterrupted. As a group, we adapted quickly; staff succeeded in being productive and efficient while having the flexibility to deal with their home life. This was, of course, made even easier by video conferencing

technologies that facilitated remote working, meeting and collaboration.

While the industry was in turmoil during this time, BCAA was fortunate in that our business continued comparatively unscathed: our workload didn't decrease much at all as we lost very few registered aircraft to the pandemic. Bermuda-based Longtail Aviation added two new aircraft, including a Boeing 747-400F Cargo Plane – a particularly timely acquisition given the increased demand for large capacity freight aircraft during the early days of the pandemic. The cargo plane provided long-range heavy-lift capacity to move medical supplies from China to countries in North America, South America and Europe. Longtail's expanded fleet translated into unexpected but welcome new business for BCAA.

Despite the uncertainty of the pandemic, BCAA managed to move forward with a number of initiatives. Internally, we continued our plans for growth and expansion by hiring several new team members. Though it was challenging to bring on new people while working in a remote environment, we succeeded in attracting and onboarding new employees in a variety of positions, including airworthiness inspector, business development specialists and safety oversight officer. We had to rethink some of our hiring and training processes, but the BCAA team showed remarkable agility in ensuring the organisation's human resources needs were met.

Another initiative that came to fruition was the launch of the new BCAA website ([www.bcaa.bm](http://www.bcaa.bm)) in February 2021. Our revamped site is more robust and user-friendly – it gives both clients and the BCAA team a better tool for moving forward with an improved interface and intuitive wayfinding. Since its launch, the site has proven to be a very effective, expanded marketing tool and has provided an excellent platform for enhanced communications with clients and the general public.

It's a testament to the resilience and tenacity of the BCAA team that we accomplished so much through the year ending 31st March 2021. I would like to take this opportunity to acknowledge the hard work and dedication of all the staff at BCAA through these challenging times. Thanks to their commitment, perseverance and fortitude, BCAA continues to meet its goal of maintaining high standards of safety oversight while providing timely regulatory services. I also want to extend my personal gratitude to each of our clients and business partners for their support throughout the pandemic. Together, we have succeeded in weathering this storm and we will continue to adapt as the environment evolves while keeping our clients at the centre of all our efforts.

Thomas Dunstan Director General

# Our Directors



	James Dockeray	Clive Langley
Thomas Dunstan Ex-Officio	Kim Wilkerson Chairperson	Lynessa Lightbourne Deputy Chairman
	Anthony Whaley	Julie Grant

# Financial Section

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# Summary of Financial Performance

For the year ended 31<sup>st</sup> March 2021

## Operational Results

Operating revenue consists primarily of income from the issuance of Certificates of Airworthiness. Other operating revenues are from Registrations, Flight Operations licenses and the issuance of other Airworthiness certificates. Total revenues were 6% lower than the previous year due to a reduction in the number of aircraft on the Bermuda Registry.

General Administration expenses were lower than the previous year's and consist of salaries and employee benefits for thirty-five employees (a decrease of one employee from last fiscal year), travel, advertising and promotion, rent and miscellaneous other administrative expenses. The reduced expenditure in this category is due mainly to a reduction in travel and training costs due to travel restrictions from the Covid-19 pandemic, plus reductions in materials and supplies, bank charges and foreign exchange expenses.

Professional Services consist primarily of consulting costs for the provision of airworthiness inspection services by consultant airworthiness inspectors and travel, accommodation and other incidental costs, the majority of which are reimbursable. Also included are legal, human resource and information technology consulting services to support operations.

The operating surplus was \$17.8 million for the fiscal year, 3% above budget and just under 9% lower than the operating surplus of the previous fiscal year.

In accordance with the BCAA Act 2016 the Authority is required to transfer its Net Surplus to the Consolidated Fund as agreed between the Board and the Minister of Tourism & Transport. To date, \$12 million (67%) of the 2020/21 Net Surplus has been paid to the Consolidated Fund.

## Financial Position

Cash balances increased from \$16.5 million on 31st March 2020 to \$27 million on 31st March 2021. The increase in Cash corresponds to the increase in the balance Due to the Consolidated Fund of the Government of Bermuda which increased from \$7 million to \$19.8 million at the end of March 2021, with \$12 million of Net Surplus being paid to the Consolidated Fund during fiscal year 2020/21. Trade Accounts Receivable decreased slightly from the previous year.

# Statement of Management's Responsibility

## Management's Responsibility for the Financial Statements

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

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

The Bermuda Civil Aviation Authority's Board of Directors through the Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Finance Committee meets periodically with management to discuss matters relating to financial reporting, internal control and the audit. The Finance Committee also reviews the financial statements before recommending approval by the Board of Directors. The financial statements have been approved by the Board of Directors and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.



**Thomas Dunstan**

*Director General*

Date: 21<sup>st</sup> November 2022



**Delia Basden**

*Director of Finance*

# Auditor General's report



## Office of the Auditor General

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## INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

### Opinion

I have audited the financial statements of the Bermuda Civil Aviation Authority, which comprise the statement of financial position as at March 31, 2021, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### 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 Bermuda Civil Aviation 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.

### Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 18 to the financial statements, the Authority's loss of revenues as a result of Russian sanctions imposed during March 2022 raise substantial doubt about the Authority's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans to alleviate the going concern doubt are also described in Note 18. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. My opinion is not modified with respect to this matter.

### 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 Bermuda Civil Aviation 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 Bermuda Civil Aviation Authority or to cease operations, or has no realistic alternative but to do so.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Bermuda Civil Aviation 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 Bermuda Civil Aviation 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 Bermuda Civil Aviation Authority's 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](http://www.oagbermuda.bm). This description forms part of our auditor's report.

Hamilton, Bermuda  
November 21, 2022

  
Heather Thomas, CPA, CFE, CGMA  
Auditor General

# Statement of Financial Position

as at 31<sup>st</sup> March 2021

	2021	2020
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 3)	26,989,186	16,515,790
Accounts receivable (Note 4)	595,460	627,858
Accrued interest	11,498	32,431
	<b>27,596,144</b>	<b>17,176,079</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	1,502,378	1,622,576
Due to the Government of Bermuda (Note 5)	56,022	48,534
Deferred revenue	3,992,968	5,834,624
Distribution to the Consolidated Fund of the Government of Bermuda (Notes 5 and 10)	19,767,860	6,951,262
Post-employment benefits and compensated absences (Note 7)	954,996	771,366
Life and disability benefits (Note 8)	41,166	244,253
	<b>26,315,390</b>	<b>15,472,615</b>
<b>NET FINANCIAL ASSETS</b>	<b>1,280,754</b>	<b>1,703,464</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 9)	1,897,671	1,659,421
Prepaid expenses	321,575	137,115
	<b>2,219,246</b>	<b>1,796,536</b>
<b>ACCUMULATED SURPLUS (Note 10)</b>	<b>3,500,000</b>	<b>3,500,000</b>
<b>CONTRACTUAL OBLIGATIONS (Note 14)</b>		

*The accompanying notes are an integral part of these financial statements.*



# Statement of Operations and Accumulated Surplus

For the year ended 31<sup>st</sup> March 2021

	2021 Budget (Note 17) \$	2021 \$	2020 \$
<b>REVENUE (Note 11)</b>			
Gross Airworthiness	33,599,000	30,015,817	32,051,587
Discounts on Airworthiness	(900,000)	(1,056,569)	(916,013)
Net Airworthiness	32,699,000	28,959,248	31,135,574
Flight operations	190,000	260,870	242,140
Registrations	95,000	39,850	94,880
Reimbursements	—	14,882	503
Other income	150,000	241,693	359,156
	33,134,000	29,516,543	31,832,253
<b>EXPENSES</b>			
General administration (Note 12)	10,303,000	7,430,963	7,817,743
Professional services (Note 13)	5,187,000	4,136,871	4,344,722
Amortization of tangible capital assets (Note 9)	295,000	102,831	101,502
Bad debts (Note 4)	75,000	29,280	19,040
	15,860,000	11,699,945	12,283,007
<b>ANNUAL SURPLUS</b>	<b>17,274,000</b>	<b>17,816,598</b>	<b>19,549,246</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>			
		3,500,000	3,500,000
Less: Distribution to the Consolidated Fund of the			
Government of Bermuda (Notes 5 and 10)		(17,816,598)	(19,549,246)
<b>ACCUMULATED SURPLUS, END OF YEAR</b>		<b>3,500,000</b>	<b>3,500,000</b>

The accompanying notes are an integral part of these financial statements.

# Statement of Changes in Net Financial Assets

For the year ended 31<sup>st</sup> March 2021

	2021 Budget (Note 17) \$	2021 \$	2020 \$
NET FINANCIAL ASSETS, BEGINNING OF YEAR	—	1,703,464	2,833,277
Annual Surplus	17,274,000	17,816,598	19,549,246
Distribution to the Consolidated Fund of the Government of Bermuda	—	(17,816,598)	(19,549,246)
Acquisition of tangible capital assets (Note 9)	(1,020,350)	(341,081)	(1,287,149)
Amortization of tangible capital assets (Note 9)	—	102,831	101,502
Adjustment of tangible capital assets under development (Note 9)	—	—	31,425
Change in prepaid expenses	—	(184,460)	24,409
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	16,253,650	(422,710)	(1,129,813)
NET FINANCIAL ASSETS, END OF YEAR	16,253,650	1,280,754	1,703,464

*The accompanying notes are an integral part of these financial statements.*

# Statement of cash flows

For the year ended 31<sup>st</sup> March 2021

	2021	2020
	\$	\$
<b>Cash flows from Operating Activities</b>		
Annual Surplus	17,816,598	19,549,246
Adjustment for items not affecting cash:		
Amortization of tangible capital assets	102,831	101,502
Adjustment for tangible capital assets under development	—	31,425
Bad Debts	29,280	19,040
Actuarial loss	86,240	45,105
Changes in non-cash working capital:		
Decrease in accounts receivable	3,118	19,886
Decrease (Increase) in accrued interest	20,933	(287)
(Decrease) Increase in accounts payable and accrued liabilities	(120,198)	486,173
(Decrease) Increase in deferred revenues	(1,841,656)	1,495,151
Increase in post-employment benefits and compensated absences	97,390	194,135
Decrease in life and disability benefits	(203,087)	(118,104)
Increase in due to the Government of Bermuda	7,488	1,774
(Increase) Decrease in prepaid expenses	(184,460)	24,409
<b>Net Cash generated from Operating Activities</b>	<b>15,814,477</b>	<b>21,849,455</b>
<b>Cash flows from Capital Activities</b>		
Acquisition of tangible capital assets	(341,081)	(1,287,149)
<b>Net Cash used in Capital Activities</b>	<b>(341,081)</b>	<b>(1,287,149)</b>
<b>Cash flows from Financing Activities</b>		
Net distribution to the Consolidated Fund of the Government of Bermuda	(5,000,000)	(36,749,017)
<b>Net Cash used in Financing Activities</b>	<b>(5,000,000)</b>	<b>(36,749,017)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>10,473,396</b>	<b>(16,186,711)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>16,515,790</b>	<b>32,702,501</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>26,989,186</b>	<b>16,515,790</b>
<b>SUPPLEMENTARY INFORMATION:</b>		
Interest received	47,027	114,660

The accompanying notes are an integral part of these financial statements.

# Notes to the Financial Statements

31<sup>st</sup> March 2021

## 1. Authority

The Bermuda Civil Aviation Authority (the "Authority" or "BCAA"), was established by the Bermuda Civil Aviation Authority Act 2016 (the "Act"). The Authority is responsible for the regulation and safety oversight of aviation in Bermuda and all aircraft on the Bermuda Aircraft Registry. Previously known as the Department of Civil Aviation, the BCAA became an Authority on 1st October 2016.

Bermuda is a United Kingdom ("UK") Overseas Territory and although it is regulated by the UK Department for Transport, the safety oversight system is separate from that of the UK. The regulatory requirements are established as the Overseas Territories Aviation Requirements which are in full compliance with the standards and recommended practices of the International Civil Aviation Organization.

## 2. Significant Accounting Policies

### (a) Basis of preparation

Pursuant to standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, the Authority is classified as an Other Government Organization. These financial statements have been prepared by management in accordance with public sector accounting standards ("PSAS") generally accepted in Bermuda and Canada. The accounting policies considered particularly significant are set out below.

### (b) Functional and presentation currency

These financial statements are presented in Bermuda Dollars, which is the Authority's functional currency. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

### (c) Measurement uncertainty

These financial statements are prepared in accordance with PSAS 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 the estimated useful lives of tangible capital assets, bad debt allowance, tangible capital assets impairment, pension and other post-employment benefits costs.

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. Revisions to estimates are recognized prospectively.

### (d) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the Statement of Operations and Accumulated Surplus.

# Notes to the Financial Statements

31<sup>st</sup> March 2021

## (e) Tangible capital assets and amortization

Tangible capital assets are carried at cost less accumulated amortization and are classified according to their functional use. Tangible capital assets are amortized from the time an asset is substantially completed and ready for productive use. Tangible capital assets are not amortized while under development.

The cost of tangible capital assets under development includes materials, labor and other costs that are directly attributable to the development of an aviation management and administration software.

Tangible capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in the normal course of business.

Amortization of tangible capital assets is calculated on a straight-line basis using the following estimated useful lives:

	Years
Computer equipment	3
Vehicle	5
Capital lease	5 or lease-term, whichever is shorter
Furniture and office equipment	5-7
Software	10

A month's amortization is charged in the month the asset is brought into use.

## (f) Accounts receivable

Accounts receivable are initially recognized at cost and subsequently carried at amortized cost, less any impairment losses. A provision for impairment of accounts receivable is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables. Indicators that the accounts receivable is impaired are: significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 365 days overdue). The carrying amount of accounts receivable is reduced using a provision account, and the amount of the loss is recognized in the Statement of Operations and Accumulated Surplus. When a trade receivable is uncollectible, it is written off against the provision account for accounts receivable.

## (g) Cash and cash equivalents

Cash and cash equivalents include all cash held with financial institutions that can be withdrawn without prior notice or penalty, and call accounts with an original maturity of three months or less from the date of acquisition.

## (h) Financial instruments

The Authority classifies its financial instruments under cost or amortized cost category.

### i. Cash and cash equivalents

Cash and cash equivalents are recognized at cost.

### ii. Receivables

Accounts receivable and accrued interest are initially recognized at cost and subsequently carried at amortized cost, less any impairment losses.

### iii. Liabilities

Accounts payable and accrued liabilities, due to the Government of Bermuda, distribution to the Consolidated Fund of the Government of Bermuda, post-employment benefits and compensated absences and life and disability benefits, are initially recognized at cost and subsequently carried at amortized cost.

Transaction costs related to the financial instruments are added to the carrying value of financial instruments in the cost or amortized cost category when they are initially recognized.

Write-downs on financial assets are recognized when the amount of a loss is known with sufficient precision, and there is no realistic 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.

It is management's opinion that the Authority is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

# Notes to the Financial Statements

31<sup>st</sup> March 2021

## (i) Employee benefits

### *i. Short-term employee benefits*

The cost of short-term employee benefits (wages, salaries, social insurance contributions, annual leave, bonuses and non-monetary benefits) is recognized in the year in which the service is rendered and is not discounted. The expected cost of short-term accumulating compensated absences is recognized as an expense as the employees render service that increases their entitlement, or in the case of non-accumulating absences, when the absences occur.

### *ii. Post-employment benefits – pension obligations*

A defined contribution plan is a pension plan under which the Authority pays fixed contributions into a separate entity. With respect to the Authority's defined contribution plan, the Authority pays contributions into the plan and has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due.

### *iii. Other post-employment obligations*

In addition to pension benefits, the Authority provides post-retirement benefits for health care to qualified employees who have retired. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the years of employment using an accounting methodology similar to that for defined benefit pension plans. Independent qualified actuaries value this obligation annually.

The present value of the obligations depend on several factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the obligations for defined contribution pension and healthcare plans include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The Authority determines the appropriate discount rate at the end of each year in conjunction with the actuary. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the Authority, in conjunction with the actuary, considers the interest rates of high-quality corporate bonds that are denominated in the United States Dollar (USD), a currency pegged to the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 7.

## (j) Provisions

Provisions are recognized when the Authority has a present legal or constructive obligation because of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation. The movement in the provision is recognized within the Statement of Operations and Accumulated Surplus.

## (k) Revenue

Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the Authority's activities. The Authority recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the Authority. The amount of revenue is not considered to be reliably measurable until all relevant contingencies have been met for the Authority's activities described in Note 11. Amounts received prior to the end of the year, which relate to revenues that will be earned in the subsequent year, are reported as deferred revenue.

## (l) Expenses

Operating expenses are reported on the accrual basis. The cost of all goods consumed, and services received during the year are expensed. Advanced payments for goods or services to be received in the future are recognized as prepaid expenses.

## (m) Statement of remeasurement gains and losses

A statement of remeasurement gains and losses has not been presented as the Authority does not have any significant financial assets or liabilities that would give rise to remeasurement gains or losses.

# Notes to the Financial Statements

31<sup>st</sup> March 2021

## 3. Cash and Cash Equivalents

	2021	2020
	\$	\$
Cash in bank	18,989,186	3,515,790
Call accounts	8,000,000	13,000,000
Total cash and cash equivalents	26,989,186	16,515,790

Cash equivalents include two (2) interest-bearing call deposits with maturities of one (1) month and three (3) months. Upon maturity the accounts roll over. The two interest-bearing call deposits held as at 31st March 2021 have principal amounts of \$5,000,000 and \$3,000,000 with interest rates of 0.02% and 1.811% respectively.

The \$3,000,000 interest-bearing deposit represents the general reserve restricted to cover any immediate incident expenditures prior to insurance claims and to cover expenditures in case of loss of business per Section 16 of the Act.

## 4. Accounts Receivable

	2021	2020
	\$	\$
Accounts receivable	610,430	642,740
Allowance for doubtful accounts	(14,970)	(14,882)
Accounts receivable (net)	595,460	627,858

The carrying amounts of accounts receivable approximate their fair value. As at 31st March 2021, trade receivables of \$217,253 (2020: \$298,816) were past their due date but were not considered doubtful.

Bad debts expense for the year ended 31st March 2021 amounted to \$29,280 (2020: \$19,040) and is included in the Statement of Operations and Accumulated Surplus.

Accounts receivable balances amounting to \$29,992 (2020: \$21,125) were written-off in the year ended 31st March 2021.

# Notes to the Financial Statements

31<sup>st</sup> March 2021

## 5. Related Party Transactions

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

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

	2021	2020
	\$	\$
Transactions during the year:		
Transfer to the Consolidated Fund of the Government of Bermuda	5,000,000	36,749,017
Rent to Bermuda Land and Development Corporation*	316,986	324,904
Work permit fees*	5,660	20,085

	2021	2020
	\$	\$
Balances at the end of the year:		
Due to the Government of Bermuda	56,022	48,534
Distribution to the Consolidated Fund of the Government of Bermuda	19,767,860	6,951,262

\*Rent and work permit fees are included in General Administration expenses on the Statement of Operations and Accumulated Surplus.

Details of distribution to the Consolidated Fund of the Government of Bermuda:

	2021	2020
	\$	\$
Balance beginning of the year	6,951,262	24,151,033
Net surplus to be transferred to the Consolidated Fund of the Government of Bermuda	17,816,598	19,549,246
Transfer to the Consolidated Fund of the Government of Bermuda	(5,000,000)	(36,749,017)
	19,767,860	6,951,262



# Notes to the Financial Statements

31<sup>st</sup> March 2021

## 6. Accounts Payable and Accrued Liabilities

The account consists of:

	2021	2020
	\$	\$
Trade accounts payable	544,058	668,903
Accrued liabilities	614,029	333,430
Customer advance	322,334	599,974
Pension payable	20,247	15,269
Lease payable	1,710	5,000
	1,502,378	1,622,576

On 25th September 2018, the Authority entered into a capital lease for the use of office equipment. The lease period is for 36 months ending on 25th September 2021 with a monthly rental fee of \$285.

The lease payable amounting to \$1,710 represents the remaining balance for the obligation. In calculating the value of the lease payable, the minimum lease payments have not been discounted to its present value as the interest expense is not deemed to be significant.

On 5th April 2017, the Authority entered into a capital lease for the use of an office equipment. The lease period is for 36 months ending on 31st March 2020 with a monthly rental fee of \$440.

## 7. Post-Employment Benefits and Compensated Absences

### (a) Pension plans

#### Defined contribution

The Authority has three different pension plans which are defined contribution plans. The Registered Plan is for Bermudian employees and members of staff that are the spouse of a Bermudian, and is in accordance with the National Pensions Scheme (Occupational Pensions) Act 1998. The Non-Registered pension plan which is for non-Bermudian employees and spouses mirrors the Registered Plan in all ways except that vested contributions can be withdrawn at the end of employment with the Authority. The plans are administered by a local pension provider.

On 1st February 2018, the Authority commenced an automatic enrollment defined contribution pension plan for its UK-based employees. The plan is administered by a UK pension provider. The Authority contributes 5% of the employee's salary and the employee contributes a percentage of their salary that satisfies UK Government pension regulations. For the year ended 31st March 2021, the amount of \$33,678 (2020: \$18,127) was contributed by the Authority.

The Authority has an enhanced pension plan for employees that transferred from Government to compensate for the change from a Defined Benefit Plan to a Defined Contribution Plan. The employee's contribution is 5% however the Authority's contribution is 8%, 12.5% or 19% depending on the age and length of service of the employee. Employees hired since 1st October 2016 have employee contributions of 5% and this is matched by the Authority. For the year ended 31st March 2021, the amount of \$328,783 (2020: \$300,811) was contributed by the Authority.

# Notes to the Financial Statements

31<sup>st</sup> March 2021

## (b) Post-employment healthcare

The Authority operates an unfunded post-employment healthcare benefit scheme. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes with the addition of actuarial assumptions relating to long-term increases in healthcare costs.

The principal actuarial assumptions at the date of valuation:

	2021	2020
1. Discount Rate	5%	5%
2. Medical trend rate	7% decreasing by 1% per annum to an ultimate rate of 3% after 5 years	7% decreasing by 1% per annum to an ultimate rate of 3% after 5 years
3. Expected Average Remaining Service Lifetime (EARSL)	9.4 years	11.1 years

The probability of various employees remaining employed and becoming eligible for post-employment medical benefits for both males and females:

Age	2021 %	2020 %
25 and under	5	5
26-30	10	10
31-35	15	15
36-40	30	30
41-45	50	50
46-50	70	70
51-55	90	90
56-60	95	95
61 and over	100	100

The amount of \$923,257 (2020: \$743,056) is recognized in the Statement of Financial Position upon the advice of a professionally qualified actuary. Further details of the valuation are presented below:

	2021 \$	2020 \$
Present value of obligation:		
Balance, beginning of year	743,056	446,014
Current service cost	96,708	85,805
Interest cost	37,153	22,301
Plan amendment*	—	163,735
Actuarial loss	86,746	34,746
Benefits paid	(40,406)	(9,545)
Balance, end of year	923,257	743,056

\*The plan amendment in the prior fiscal year relates to the amendment in retirement age of 68 from 65.

# Notes to the Financial Statements

31<sup>st</sup> March 2021

## (c) Special retirement benefit

Employees are entitled to retirement leave benefit based upon their years of service at the time of retirement. The retirement leave accumulates and is vested. A liability is accrued each year. During the year, no retirement leave benefits were paid. Further details are presented below.

The principal actuarial assumptions at the date of valuation:

	2021	2020
1. Discount Rate	5%	5%
2. Rate of Salary Increase	2.50%	2.50%

Employees may leave prior to completing a sufficient number of years of service and hence forfeit their benefit. Assumed rates of termination prior to age 70 are indicated in the following table:

2021			2020		
Age Nearest	Males	Females	Age Nearest	Males	Females
	%	%		%	%
25 and under	5	5	25 and under	5	5
26-30	10	10	26-30	10	10
31-35	15	15	31-35	15	15
36-40	30	30	36-40	30	30
41-45	50	50	41-45	50	50
46-50	70	70	46-50	70	70
51-55	90	90	51-55	90	90
56-60	95	95	56-60	95	95
61 and over	100	100	61 and over	100	100

A conservative approach is to assume all employees age 68 and over will retire immediately.

The amount of \$31,740 (2020: \$28,310) is recognized in the Statement of Financial Position with the advice of a professionally qualified actuary. Further details of the valuation are presented below:

	2021	2020
	\$	\$
Accrued benefit obligation		
Balance – beginning of year	28,310	86,112
Current service cost	1,152	1,014
Interest cost	1,416	1,247
Actuarial loss	862	10,359
Benefits paid	—	(9,247)
Adjustment*	—	(61,175)
Balance – end of year	31,740	28,310

\*Adjustment relates to a Special Retirement benefit that was paid by the Government in October 2016 for three employees. This had not been factored in by the Actuary in prior years.

# Notes to the Financial Statements

31<sup>st</sup> March 2021

## (d) Compensated absences

Full-time regular employees are eligible for a variety of benefits including Long-Term Disability coverage, Life insurance and Accidental Death and Dismemberment insurance (Note 8), and Medical insurance. Compensated absences include maternity leave, paternity leave, sick leave and vacation days. These benefits are unfunded.

Maternity and paternity leave does not accumulate nor vest and therefore an expense and liability are only recognized when extended leave is applied for and approved. There were no maternity benefits and paternity benefits applied for nor approved during the year and therefore, no liability has been accrued in the accounts.

Sick leave does not accumulate nor 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 nor approved during the 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 as of 31st March 2021 is \$206,541 (2020: \$153,009) and is included in accounts payable and accrued liabilities.

## 8. Life and Disability Benefits

The Authority maintains a Group Life benefit plan with a local provider. The plan provides 100% salary to an employee's beneficiaries up to the age of 65. After age 65 the benefit reduces to 50%, after age 70 the benefit is \$50,000 and after age 75 the benefit terminates. The plan is supplemented for employees transferred from the Department of Civil Aviation that are over the age of 65. The Authority accrues the difference between the employee's salary and the benefit the Group Life provider will pay to covered employees over the age of 65. As at 31st March 2021, this benefit was \$41,166 (2020: \$244,253).

# Notes to the Financial Statements

31<sup>st</sup> March 2021

## 9. Tangible Capital Assets

	Capital lease	Furniture, office equipment	Computer equipment	Software	Vehicle	Capital assets under development**	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
At 1st April 2019	49,624	163,674	183,703	856,949	42,812	78,174	1,374,936
Additions	—	18,822	31,022	—	—	1,237,305	1,287,149
Transfers	—	—	—	41,154	—	(41,154)	—
Adjustment*	—	—	—	—	—	(31,425)	(31,425)
At 31st March 2020	49,624	182,496	214,725	898,103	42,812	1,242,900	2,630,660
Additions	—	—	24,538	87,054	—	229,489	341,081
Transfers	—	—	—	6,180	—	(6,180)	—
At 31st March 2021	49,624	182,496	239,263	991,337	42,812	1,466,209	2,971,741
<b>Accumulated amortization</b>							
At 1st April 2019	31,096	115,660	124,039	586,099	12,843	—	869,737
Amortization	5,220	11,248	37,706	38,766	8,562	—	101,502
At 31st March 2020	36,316	126,908	161,745	624,865	21,405	—	971,239
Amortization	5,220	11,977	35,328	41,744	8,562	—	102,831
At 31st March 2021	41,536	138,885	197,073	666,609	29,967	—	1,074,070
<b>Net Book Value</b>							
31st March 2020	13,308	55,588	52,980	273,238	21,407	1,242,900	1,659,421
<b>Net Book Value</b>							
31st March 2021	8,088	43,611	42,190	324,728	12,845	1,466,209	1,897,671

\*The cost of the Authority's aircraft registry logo amounting to \$31,425 previously reported under capital assets under development was charged to expense in the prior fiscal year.

\*\*Capital assets under development consist of costs directly attributable to the development of an aviation management system.

## 10. Accumulated Surplus

Section 12 of the Act states that the funds of the Authority shall consist of: (a) the authorized and paid-up capital, (b) the operating fund and (c) the reserve fund.

The paid-up capital together with the reserve fund is not to exceed the Authority's authorized capital of \$3,500,000. Any excess surplus must be paid to the Consolidated Fund of the Government of Bermuda.

The movements in the operating fund, paid-up capital and reserve fund were as follows:

	Operating Fund	Paid-up capital	Reserve Fund	Total
	\$	\$	\$	\$
ACCUMULATED SURPLUS, BEGINNING OF THE YEAR	—	500,000	3,000,000	3,500,000
Operating surplus for the year	17,816,598	—	—	17,816,598
Distribution to the Consolidated Fund of the Government of Bermuda (Note 5)	(17,816,598)	—	—	(17,816,598)
ACCUMULATED SURPLUS, END OF THE YEAR	—	500,000	3,000,000	3,500,000

# Notes to the Financial Statements

31<sup>st</sup> March 2021

## 11. Revenue

### (a) Airworthiness

These fees represent the main operational revenue of the Authority, which is generated from all aircraft on the Bermuda Aircraft Register. Each certificate that is issued by the Airworthiness section is associated with a fee which is governed by Air Navigation (Fees for Certificates and Services) Regulation 2012 effective on 1st October 2012.

### (b) Flight operations

This source of revenue is derived from the issuance of Air Operator's Certificates, Private Aircraft Operating Approvals, Aerial Work Permissions and certain Flight Operational approvals. The single certified Air Operator conducts ad hoc VIP charter flights on demand.

### (c) Registrations

These fees are derived from aircraft mortgage transcripts and registrations.

### (d) Reimbursements

For the year ended 31st March 2021, this relates to a reimbursement of conference costs.

For the year ended 31st March 2020, this relates to a reimbursement from a staff member for union savings and donations collected for a local charity.

### (e) Other Income

Other income resulted from the following:

	2021	2020
	\$	\$
Unclaimed credit balances	85,665	—
Discount received from insurance policy	84,000	120,000
Interest income	58,525	147,091
VAT Recovered	11,199	—
Bad debt recoveries	2,258	7,065
Recoveries from service provider	46	85,000
	<b>241,693</b>	<b>359,156</b>

Recoveries from service provider relates to a final settlement received by the Authority from terminated Master Services & Hosting Agreement with a third-party service provider.

# Notes to the Financial Statements

31<sup>st</sup> March 2021

## 12. General Administration

	2021	2020
	\$	\$
Salaries and employee benefits	5,250,918	4,572,762
Advertising & promotion	782,119	878,251
Rent	385,698	384,438
Communications	310,586	312,072
Insurance	288,147	273,810
Repairs and maintenance	111,482	54,956
Travel	68,179	813,166
Materials and supplies	61,650	161,312
Office equipment	56,816	40,580
Training	50,533	149,803
Board member fees	41,000	41,000
Bank charges and commissions	19,179	30,821
Miscellaneous	17,614	29,112
Hospitality	—	43,828
Foreign exchange (gain) losses	(12,958)	31,832
	7,430,963	7,817,743

## 13. Professional Services

	2021	2020
	\$	\$
Consulting fees	3,991,771	4,198,251
Information technology support	71,375	65,193
Audit fees	40,000	67,000
Legal fees	33,725	14,278
	4,136,871	4,344,722

## 14. Contractual Obligations

The Authority has entered into various contracts relating to supporting services and information technology. These contracts have commencement terms prior to 31st March 2021 and the latest contract termination date is 26th August 2029. The contractual obligations will become liabilities in the future when the terms of the contracts are met. The remaining obligation of the contracts are as follows:

	2022	2023	2024 to 2029
	\$	\$	\$
Supporting services	3,760,283	287,008	217,823
Information technology	297,728	474,119	24,496
	4,058,011	761,127	242,319

# Notes to the Financial Statements

31<sup>st</sup> March 2021

## 15. Financial Risk Management

The Authority has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors (the "Board") have overall responsibility for the establishment and oversight of the Authority's risk management framework. The Board has established the Finance Committee which is responsible for developing and monitoring the Authority's compliance with risk management policies and procedures. The Finance Committee regularly reports to the Board on its activities. The Authority's risk management program seeks to minimize potential adverse effects on the Authority's financial performance. The Authority manages its risks and risk exposures through a combination of insurance and sound business practices. The following analysis provides a measure of the risks at the reporting date, 31st March 2021.

### (a) Credit risk

Credit risk arises from cash and cash equivalents held with banks and receivables. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Authority assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. It is management's opinion that the Authority is not exposed to significant credit risk.

#### i. Cash and cash equivalents

Credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are invested with highly rated financial institutions.

#### ii. Receivables

Receivables consist primarily of trade accounts receivable from billings of services provided. The Authority's credit risk arises from the possibility that a counterparty which owes the Authority money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Authority, which would result in a financial loss for the Authority. This risk is mitigated through established credit management techniques, including monitoring counterparty's creditworthiness and obtaining references. As at 31st March 2021, the maximum credit risk to which the Authority is exposed represents the carrying value of its accounts receivable.

The amounts outstanding at the year-end were as follows:

	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
	\$	\$	\$	\$	\$	\$
Accounts receivable	378,207	40,155	79,553	22,829	89,686	610,430
Less: provision for bad debts	—	—	—	—	(14,970)	(14,970)
Net receivables	378,207	40,155	79,553	22,829	74,716	595,460

#### iii. Accrued interest

Credit risk associated with accrued interest is minimized substantially by ensuring that the two call accounts are invested with a highly rated financial institution.



# Notes to the Financial Statements

31<sup>st</sup> March 2021

## (b) Liquidity risk

Liquidity risk is the risk the Authority will not be able to meet its financial obligations as they fall due. The Authority's objective in managing liquidity is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the Authority's reputation. The Authority manages exposure to liquidity risk by closely monitoring supplier and other liabilities, focusing on generating positive cash flows from operations and establishing and maintaining good relationships with various financial institutions.

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

	Within 1 year	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
<b>Expected cash outflows</b>				
Accounts payable and accrued liabilities	1,502,378	—	—	1,502,378
Due to the Government of Bermuda	56,022	—	—	56,022
Distribution to the Consolidated Fund of the Government of Bermuda	19,767,860	—	—	19,767,860
Retirement leave benefits payable	—	9,101	22,639	31,740
Post-employment healthcare payable	41,000	150,125	732,131	923,256
Life and disability benefits	—	41,166	—	41,166
<b>Total expected cash outflows</b>	<b>21,367,260</b>	<b>200,392</b>	<b>754,770</b>	<b>22,322,422</b>

## (c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the fair value of recognized assets and liabilities or future cash flows of the Authority's results of operations.

### (i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority's business transactions are mainly conducted in United States and Bermuda dollars. However, operating expenses for the UK office resulted in exposure to currency risk. As at 31st March 2021, the Authority held approximately 0.62% (2020 – 0.4%) of its cash and cash equivalents in British pounds and Euros.

The Authority is exposed to currency risk from accounts payable denominated in foreign currency. At the statement of financial position date, accounts payable denominated in GBP were £17,435 (2020 – £49,998). A 1% increase in the value of the GBP would result in an increase in the value of accounts payable of approximately \$240.

The Authority has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant.

### (ii) Interest rate risk

Interest rate risk arises from changes in prevailing levels of market interest rates. At year end, the Authority had no significant interest rate risk exposure.

### (iii) Price risk

Price risk arises from changes in market risks, other than interest rate risk and credit risk, causing fluctuations in the fair value of future cash flows of the financial instruments. At year-end, the Authority had no significant price risk exposure.

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

# Notes to the Financial Statements

31<sup>st</sup> March 2021

## 16. Capital Management

The Authority's objective when managing capital is to hold sufficient accumulated surplus to enable it to withstand negative unexpected financial events. The Authority seeks to achieve this objective by maintaining an operating surplus. The Authority maintains sufficient liquidity to meet its short-term obligations as they come due. The Authority is not subject to any externally imposed capital requirements.

## 17. Budget

The amounts represent the operating budget which was approved by the Board on 5th December 2019.

## 18. Subsequent Events

- (a) The Authority opened its permanent United Kingdom (UK) office on 1st December 2017 and had been advised by their UK Legal Counsel that the Authority is responsible for charging 20% VAT to customers based in the UK. The Authority completed the VAT registration process in 2021 and were subsequently advised in December 2021 that, as a public body, it is exempted from charging for VAT for goods or services that are supplied pursuant to a public statute which is unique to the Authority. The VAT registration was cancelled in January 2022.
- (b) In accordance with Section 18 (1a) of the Act, the Authority will transfer a percentage of its net surplus to the Consolidated Fund of the Government of Bermuda. Subsequent to the year end, the Authority has transferred net surplus of \$22,951,262 to the Consolidated Fund of the Government of Bermuda. The breakdown is as follows:

Date of transfer	Financial Year	\$
22nd June 2021	2021	12,000,000
23rd July 2021	2019	1,402,016
9th September 2021	2022	3,000,000
19th January 2022	2022	3,000,000
19th January 2022	2020	549,246
11th February 2022	2022	3,000,000

- (c) Over 85% of the aircraft on the Bermuda Aircraft Registry are operated by Russian air operators. Shortly after Russia invaded the Ukraine on 24th February 2022, a number of sanctions were levied against Russia including sanctions against individuals designated as Involved Persons and Russian banks. These sanctions have resulted in considerable harm to the financial well-being of the Authority. Russia has declared that on 1st January 2023 it will enact legislation that will make it illegal for aircraft to be registered outside of Russia. The Authority cannot confirm whether that legislation has been or will be enacted however the sanctions implemented by Bermuda and the United Kingdom prevent the Authority from conducting business with Russia.

Effective 12th March 2022, the Authority provisionally suspended all Russian Certificates of Airworthiness as the Authority could no longer be satisfied that the requirements with regard to the airworthiness of the aircraft have been or are being complied with, in accordance with the provision of Article 26 to the Air Navigation (Overseas Territories) Order 2013 and the Overseas Territories Aviation Requirements (OTAR) Parts 21, 39, 43 and 145. Approximately 500 aircraft owned by non-Russian entities remain on the Bermuda Registry and are currently trapped in Russia but must remain on the Bermuda Registry in order to protect the asset for the rightful owner.

As a result of the war and resulting sanctions, the Authority was required to wind-down all of its business with Russian operators. The financial impact of the sanctions on the financial performance and cash flows of the Authority cannot yet be fully assessed and estimated, as the effective impact will only become apparent as the situation evolves.

In March 2022, \$909,099 in receivables balances for services provided to Russian customers were written-off as uncollectible (\$24,353 against FY 2021 balances and \$884,746 against FY 2022 balances). A further \$1,614,297 in deferred revenue for services not yet provided was voided and an additional \$296,284 revenue for initial Certificates of Airworthiness was written-off relating to FY 2022 balances.

# Notes to the Financial Statements

31<sup>st</sup> March 2021

Management has determined that the estimated loss of revenue associated with Russian air operators is approximately \$26,248,120 based upon the Authority's revenue recognized for the year ended 31st March 2021.

It is management's responsibility to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern within one year after the date that these financial statements are issued. In response to the current uncertain environment, the Authority has:

- (i) Terminated its office lease at Channel House effective 31st July 2022 and entered a new lease with the Bermuda Land Development Company at Channel House effective 1st August 2022 to 31st July 2023, reducing its office size and annual rent;
- (ii) Terminated its office lease at the Farnborough Airport effective 31st July 2022 and entered a new lease effective 1st August 2022 at Farnborough Airport, reducing its office size and annual rent; and
- (iii) Reduced its workforce and all other possible variable costs.

The Authority has submitted a revised budget to the Government of Bermuda and is awaiting further clarification as to its financial support of the Authority.

It is recognized that the short-term viability of the Authority is contingent on its ability to generate additional revenue and the continued financial support of the Government of Bermuda.

In July 2022, the Ministry of Finance commissioned a Management Consulting Services feasibility study of a merger of the Bermuda Civil Aviation Authority and the Bermuda Shipping and Maritime Authority in order to explore options to reduce operating costs and increase operational efficiency. The report findings are currently under consideration.

- (d) The Authority was served a Writ of Summons in September 2022 as filed on behalf of a customer. The Writ alleges that the Plaintiff was prohibited from conducting business with the Authority. The cost to the Authority, if any, cannot be determined because the legal outcome is yet to be determined.

BERMUDA CIVIL AVIATION AUTHORITY

# Executive Salaries

as at 31<sup>st</sup> March 2021

Director General	\$221,190
Director of Operations	\$151,500
Director of Airworthiness	£132,197
Director of Finance	\$172,205
Director of Human Resources	\$161,600
Safety Oversight Advisor	\$161,600
Director of Business Development	£132,197