

2021/22
Annual Report

MAINTAINING THE SERVICE
OUR CUSTOMERS EXPECT



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MESSAGE FROM THE CHAIR OF THE BOARD



03

As Chair of the Bermuda Civil Aviation Authority Board of Directors, it is both a pleasure and a privilege to have this opportunity to reflect on the organisation's accomplishments – and challenges – through the 1st April 2021 to 31st March 2022 fiscal year.

This 12-month period was a difficult one on several fronts – the ongoing COVID-19 pandemic and the Russian invasion of Ukraine both had a significant impact on the Authority. Yet, despite these unprecedented conditions, our attention remained unwaveringly focused on our primary mandate of regulating and providing safety oversight for Bermuda's aviation sector. BCAA's outstanding team maintained our business operations and continued to adjust to the shifting industry landscape.

Throughout the COVID lockdowns, staff and management successfully navigated the ongoing uncertainty surrounding the pandemic. The organisation's work-from-home strategy proved remarkably effective and the Board was pleased to support these efforts.

During these challenging times, it has been critical for the Board and management to work together to meet the needs of the organisation and our customers. In his message in this report, Director General Thomas Dunstan describes the human resources and succession planning initiatives undertaken by the Authority during this period. The Board lent its support to these initiatives without reservation as the organisation instituted these necessary structural changes.

The Russian invasion of Ukraine in February 2022 was horrific and had tragic consequences for the Ukrainian people. This attack brought a new set of challenges to the Authority as international sanctions forced the grounding of the majority of aircraft on the Bermuda Registry. The subsequent lost revenues resulted in our having to contend with cost reductions, redundancies and negotiations with the government regarding the organisation's budget. The Board provided critical support to the Authority throughout this process, endorsing the revised budget before it was presented to the Ministry of Finance for review.

As I have commented in past reports, continuity and cohesiveness are key to the effective functioning of Boards in the public realm. At BCAA, we have been fortunate to have the same core group of directors for the past several years, but were very pleased to have Lloyd Holder join the Board in November 2021. Lloyd brings a wealth of experience and expertise to this role, providing solid guidance and valuable insight. Welcome, Lloyd!

In closing, I would like to extend my appreciation to my fellow Board members – thank you for your unflagging dedication and hard work. I am also very grateful for the commitment and loyalty of the Authority's staff and management teams. You have succeeded in guiding the organisation through difficult times and ensuring our operations continue despite these challenges. I am proud of all we continue to accomplish, together.

A handwritten signature in blue ink, appearing to read 'Kim Wilkerson'.

Kim Wilkerson, Chair of the Board

MESSAGE FROM THE DIRECTOR GENERAL



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If the focus of the Bermuda Civil Aviation Authority (BCAA) through the 2020-2021 fiscal year was on adapting to the realities of COVID, our priority from 1st April 2021 to 31st March 2022 was to continue working through the pandemic and its associated challenges while finding ways to maintain our business operations. I am pleased to share that this is precisely what the organisation achieved through the 12-month period that is the subject of this report: The BCAA team worked tirelessly to meet this goal, exhibiting remarkable resilience through unprecedented conditions while doing so.

COVID-19 continued to figure front and centre throughout this time. At BCAA, we built on the foundation established in the first year of the pandemic: Our employees worked remotely unless they needed to use our offices and this work-from-home model remained successful for us. Not only did BCAA run very effectively, but we maintained our operations and did not lose any business. In fact, two new Air Operator Certificate (AOC) applications commenced during the year. As in the prior year, we made it a priority to keep a close eye on our employees' mental health and also focused on ensuring our team members were engaged and felt connected with one another and with the organisation as a whole – this is especially important in the work-from-home environment. BCAA measured employee engagement through an independent service provider. We were pleased to see that the results were very positive overall while also giving us a sense of areas for improvement, which we have since addressed through our human resources processes.

Throughout much of the year, our human resources professionals were also busy with hiring and succession planning initiatives; they were looking forward to the end of the pandemic and constantly anticipating the organisation's needs upon the return to more "normal" business operations. Several new posts were approved and our team again showed remarkable resilience in carrying out the recruitment and onboarding processes remotely. Kyle James joined the BCAA team as Business Development Manager in May 2021 while Tariq Lynch-Wade took on the role of Director of Operations on 1st January 2022 after Peter Adhemar's retirement. Senior Airworthiness Inspector Denis Glasford and Chris Pearce, Director of Registration, also retired during this period. Despite the challenges COVID presented, BCAA continued restructuring to meet the organisation's evolving needs.

BCAA's business development efforts were ongoing as well, though the return to in-person meetings, events and industry conferences did not start up until midway through the fiscal year. In the interim, we took the time to focus on strategic planning while networking with prospective customers. To that end, throughout the year, BCAA participated in a number of virtual events, including EBACE Connect in May 2021, Corporate Jet Investor Global in June 2021 and Corporate Jet Investor Asia in November 2021. In January 2022, we were pleased to become a member of the Middle East and North Africa Business Aviation Association (MEBAA) as part of our bid to expand into new regions.

In February 2022, the world witnessed Russia's unprovoked invasion of Ukraine; the resulting loss of life and damage to property have been devastating. Soon afterwards, international sanctions were imposed on Russia, which affected the aviation sector. These sanctions had a catastrophic impact on our organisation as the Authority became unable to sustain safety oversight on Russian-operated aircraft on the Bermuda Registry. Consequently, on 12th March 2022, BCAA suspended the airworthiness certificates of Bermuda-registered aircraft operating with Russian airlines. As a result of the sanctions, BCAA's revenue decreased significantly.

This decrease in revenues led to a need to reduce our expenses where possible. Our ongoing COVID-related work-from-home arrangements meant that BCAA needed less office space, so we downsized both the Bermuda and UK offices. In a similar vein, because of the sanctions, a few of the positions at the Authority were unfortunately made redundant. We have, however, succeeded in maintaining a strong team to continue to meet customers' needs.

Despite these challenges, the organisation remains committed to growth and diversification and is seeking new avenues to accomplish those goals. I am extremely proud of our team's resilience and proven ability to succeed, even in the face of adversity and unprecedented industry conditions. I would like to thank BCAA's Board for their unwavering support, our customers for their steadfast loyalty, and our management and staff teams for going above and beyond every day to ensure BCAA's ongoing business operations and success.

Thomas Dunstan, Director General

OUR DIRECTORS

05



Thomas Dunstan
Ex-Officio



Lynesha Lightbourne
Deputy Chair



Kelly Francis



Lloyd Holder



Clive Langley



Kim Wilkerson
Chair



James Dockeray



Julie Grant



Michael-Jay Landy



Anthony Whaley

OUR VISION & MISSION

Our Vision

To attain the highest international standards of civil aviation whilst maintaining a sustainable aircraft register.

Our Mission

Collaboratively, with our industry partners, we develop and implement clear regulations, procedures and standards throughout the Bermuda civil aviation industry. Our approach is to be responsive, proactive and pragmatic to continuously improve safety.

OUR PHILOSOPHY

Putting you at the centre of everything we do

This statement is at the core of our business philosophy across the entire organisation. We are committed to being the best choice for offshore aircraft registration, and it's our belief that this endeavour begins with a customer-centric model, focused on the customer.

With a wealth of experience and credibility in the global aviation industry, BCAA provides you with the solution you desire, delivered with a personalised touch.

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SHOWING RESILIENCE IN UNPRECEDENTED CONDITIONS

Despite the challenges presented through the year by Russian sanctions and the COVID-19 pandemic, BCAA remained committed to ongoing regulatory oversight, growth and diversification.

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SUMMARY OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31ST MARCH 2022

Operational Results

For the fiscal year ended 31st March 2022, the BCAA recorded the best operational results in its history, with record revenues and net surplus, resulting from an average of 900 aircraft on the Bermuda Aircraft Registry.

Operating revenue consists primarily of income from the issuance of Certificates of Airworthiness. Other operating revenues are from Registrations, Flight Operations licenses and permits and the issuance of other Airworthiness certificates. Total revenues were 13.9% higher than the previous year due to an increase in the number of aircraft on the Registry.

Because the war in the Ukraine started just one month before the end of the fiscal year, it did not dramatically impact on earned revenues however it did significantly increase Bad Debts expense for the year. In March 2022, Certificates of Airworthiness for Russian operators were provisionally suspended and revenues from these customers immediately stopped due to the sanctions against the Russian Federation and any unpaid invoices were recorded as bad debts.

General Administration expenses were higher than the previous year's and consist of salaries and employee benefits for thirty-eight employees (an increase of three employees from last fiscal year), travel, advertising and promotion, rent and miscellaneous other administrative expenses. The increased expenditure in this category is due mainly to an increase in the number of staff and a return to on-site inspections which in turn increased travel from the strict travel restrictions that were in place previously due to the Covid-19 pandemic. There was also an increase in foreign exchange losses due to the US Dollar to UK Pound conversion rates.

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

The operating surplus was \$20.7 million for the fiscal year, 24% above budget and 16% higher 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, \$9 million (43%) of the 2021/22 Net Surplus has been paid to the Consolidated Fund.

Financial Position

Cash balances decreased from \$26.9 million on 31st March 2021 to \$21.2 million on 31st March 2022. The decrease in cash corresponds in part to the decrease in the balance Due to the Consolidated Fund of the Government of Bermuda which decreased from \$19.7 million to \$17.6 million at the end of March 2022. Deferred Revenue reduced by nearly \$3.5 million due to the loss of revenue from the Russian Federation.

BERMUDA CIVIL AVIATION AUTHORITY
FINANCIAL STATEMENTS
MARCH 31, 2022

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.

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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




Delia Basden
Director of Finance

Date: 1st November 2023



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, 2022, 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, 2022, 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 the Authority will continue as a going concern. As more fully described in Note 16 due to the Russian-Ukraine war, a number of sanctions were imposed against Russia resulting in loss of revenues for the Authority. Given this economic impact and uncertainties caused by the war, the effect on future operating and financial performance of the Authority is not determinable at this time. 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. These conditions may give rise to a material uncertainty that could raise doubt about the Authority's ability to continue as a going concern. 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. This description forms part of our auditor's report.

Hamilton, Bermuda
November 16, 2023

A handwritten signature in black ink, appearing to read "Heather T.", with a stylized flourish at the end.

Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA CIVIL AVIATION AUTHORITY**Statement of Financial Position****As at 31st March 2022**

	2022	2021
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	21,201,579	26,989,186
Accounts receivable (net) (Note 4)	430,892	595,460
Accrued interest	194	11,498
	<u>21,632,665</u>	<u>27,596,144</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	1,307,312	1,502,378
Due to the Government of Bermuda (Note 5)	52,440	56,022
Deferred revenue	506,380	3,992,968
Distribution to the Consolidated Fund of the Government of Bermuda (Note 5)	17,553,095	19,767,860
Post-employment benefits and compensated absences (Note 7)	1,056,887	954,996
Life and disability benefits (Note 8)	41,577	41,166
	<u>20,517,691</u>	<u>26,315,390</u>
NET FINANCIAL ASSETS	<u>1,114,974</u>	<u>1,280,754</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	2,002,271	1,897,671
Prepaid expenses	382,755	321,575
	<u>2,385,026</u>	<u>2,219,246</u>
ACCUMULATED SURPLUS (Note 10)	<u>3,500,000</u>	<u>3,500,000</u>
CONTRACTUAL OBLIGATIONS (Note 14)		

The accompanying notes are an integral part of these financial statements

BERMUDA CIVIL AVIATION AUTHORITY
Statement of Operations and Accumulated Surplus
For the year ended 31st March 2022

	2022 Budget (Note 18) \$	2022 \$	2021 \$
REVENUE (Note 11)			
Gross Airworthiness	31,515,900	34,167,493	30,015,817
Discounts on Airworthiness	<u>(1,000,000)</u>	<u>(1,180,535)</u>	<u>(1,056,569)</u>
Net Airworthiness	30,515,900	32,986,958	28,959,248
Flight operations	600,000	1,029,852	260,870
Other income	10,100	67,583	241,693
Registrations	72,000	56,830	39,850
Reimbursements	<u>48,000</u>	<u>422</u>	<u>14,882</u>
	<u>31,246,000</u>	<u>34,141,645</u>	<u>29,516,543</u>
EXPENSES			
General administration (Note 12)	9,064,000	7,837,592	7,430,963
Professional services (Note 13)	5,047,000	4,559,985	4,136,871
Bad debts (Note 4)	75,000	901,069	29,280
Amortization of tangible capital assets (Note 9)	<u>325,000</u>	<u>106,502</u>	<u>102,831</u>
	<u>14,511,000</u>	<u>13,405,148</u>	<u>11,699,945</u>
ANNUAL SURPLUS	<u><u>16,735,000</u></u>	<u>20,736,497</u>	<u>17,816,598</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR		3,500,000	3,500,000
Less: Distribution to the Consolidated Fund of the Government of Bermuda (Note 5)		<u>(20,736,497)</u>	<u>(17,816,598)</u>
ACCUMULATED SURPLUS, END OF YEAR		<u><u>3,500,000</u></u>	<u><u>3,500,000</u></u>

The accompanying notes are an integral part of these financial statements

BERMUDA CIVIL AVIATION AUTHORITY
Statement of Changes in Net Financial Assets
For the year ended 31st March 2022

	2022 Budget (Note 18) \$	2022 \$	2021 \$
NET FINANCIAL ASSETS, BEGINNING OF YEAR	-	1,280,754	1,703,464
Annual Surplus	16,735,000	20,736,497	17,816,598
Distribution to the Consolidated Fund of the Government of Bermuda	-	(20,736,497)	(17,816,598)
Acquisition of tangible capital assets (Note 9)	(278,000)	(211,102)	(341,081)
Amortization of tangible capital assets (Note 9)	-	106,502	102,831
Change in prepaid expenses	-	(61,180)	(184,460)
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	16,457,000	(165,780)	(422,710)
NET FINANCIAL ASSETS, END OF YEAR	16,457,000	1,114,974	1,280,754

The accompanying notes are an integral part of these financial statements

BERMUDA CIVIL AVIATION AUTHORITY**Statement of Cash Flows****For the year ended 31st March 2022**

	2022	2021
	\$	\$
Cash flows from Operating Activities		
Annual Surplus	20,736,497	17,816,598
Adjustment for items not affecting cash:		
Amortization of tangible capital assets	106,502	102,831
Bad Debts	901,069	29,280
Actuarial (gain) loss	(10,389)	86,240
Changes in non-cash working capital:		
Change in accounts receivable	(736,501)	3,118
Decrease in accrued interest	11,304	20,933
Decrease in accounts payable and accrued liabilities	(195,066)	(120,198)
Decrease in deferred revenue	(3,486,588)	(1,841,656)
Increase in post-employment benefits and compensated absences	112,280	97,390
Increase (Decrease) in life and disability benefits	411	(203,087)
(Decrease) Increase in due to the Government of Bermuda	(3,582)	7,488
Increase in prepaid expenses	(61,180)	(184,460)
Net Cash generated from Operating Activities	<u>17,374,757</u>	<u>15,814,477</u>
Cash flows from Capital Activities		
Acquisition of tangible capital assets	<u>(211,102)</u>	<u>(341,081)</u>
Net Cash used in Capital Activities	<u>(211,102)</u>	<u>(341,081)</u>
Cash flows from Financing Activities		
Net distribution to the Consolidated Fund of the Government of Bermuda	<u>(22,951,262)</u>	<u>(5,000,000)</u>
Net Cash used in Financing Activities	<u>(22,951,262)</u>	<u>(5,000,000)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,787,607)	10,473,396
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>26,989,186</u>	<u>16,515,790</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>21,201,579</u></u>	<u><u>26,989,186</u></u>
SUPPLEMENTARY INFORMATION:		
Interest received	<u>29,144</u>	<u>47,027</u>

The accompanying notes are an integral part of these financial statements

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employee benefits (continued)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(n) Future Changes in Accounting Standards

A number of new standards and amendments to standards issued by the Public Sector Accounting Board are not yet effective and have not been applied in preparing these financial statements.

In particular, the following accounting standards are effective for financial statements beginning on or after April 1, 2022:

PS 1201 Financial Statement Presentation

PS 2601 Foreign Currency Translation

PS 3041 Portfolio Investments

PS 3450 Financial Instruments

PS 3280 Asset Retirement Obligations

PS 3160 Public Private Partnership

PS 3400 Revenue

PS 1000 Financial Statements Concepts, and

PSG-8 Purchased Intangibles

3. CASH AND CASH EQUIVALENTS

	2022	2021
	\$	\$
Cash in bank	13,201,579	18,989,186
Call accounts	<u>8,000,000</u>	<u>8,000,000</u>
Total cash and cash equivalents	<u><u>21,201,579</u></u>	<u><u>26,989,186</u></u>

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 2022 have principal amounts of \$5,000,000 and \$3,000,000 with interest rates of 0.0099% and 0.031% 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.

BERMUDA CIVIL AVIATION AUTHORITY
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4. ACCOUNTS RECEIVABLE

	2022	2021
	\$	\$
Accounts receivable	438,205	610,430
Allowance for doubtful accounts	(7,313)	(14,970)
Accounts receivable (net)	<u>430,892</u>	<u>595,460</u>

The carrying amounts of accounts receivable approximate their fair value. As at 31st March 2022, trade receivables of \$183,871 (2021: \$217,253) were past their due date but were not considered doubtful.

Bad debts expense for the year ended March 31, 2022 amounted to \$901,069 (2021: \$29,280) and is included in the Statement of Operations and Accumulated Surplus.

Accounts receivable balances amounting to \$908,726 (2021: \$29,992) were written-off in the year ended March 31, 2022.

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:

	2022	2021
	\$	\$
Transactions during the year:		
Transfer to the Consolidated Fund of the Government of Bermuda	22,951,262	5,000,000
Rent to Bermuda Land and Development Corporation*	324,904	316,986
Work permit fees*	108	5,660
	2022	2021
	\$	\$
Balances at the end of year:		
Due to the Government of Bermuda	52,440	56,022
Distribution to the Consolidated Fund of the Government of Bermuda	17,553,095	19,767,860

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

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
31st MARCH 2022

5. RELATED PARTY TRANSACTIONS (continued)

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

	2022	2021
	\$	\$
Balance beginning of year	19,767,860	6,951,262
Net surplus to be transferred to the Consolidated Fund of the Government of Bermuda	20,736,497	17,816,598
Transfer to the Consolidated Fund of the Government of Bermuda	(22,951,262)	(5,000,000)
Balance end of year	<u>17,553,095</u>	<u>19,767,860</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The account consists of:

	2022	2021
	\$	\$
Trade accounts payable	475,643	544,058
Accrued liabilities	379,648	614,029
Customer advance	452,021	322,334
Pension payable	-	20,247
Lease payable	-	1,710
	<u>1,307,312</u>	<u>1,502,378</u>

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 enrolment 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 March 31, 2022, the amount of \$41,002 (2021: \$33,678) 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 March 31, 2022, the amount of \$380,846 (2021: \$328,783) was contributed by the Authority.

(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:

	2022	2021
1. Discount Rate	5%	5%
2. Medical trend rate	7% decreasing by 1% per annum to an ultimate rate	7% decreasing by 1% per annum to an ultimate rate
	of 3% after 5 years	of 3% after 5 years
3. Expected Average Remaining Service Lifetime (EARSL)	9.2 years	9.4 years

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued)

(b) Post-employment healthcare (continued)

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

	2022	2021
Age	%	%
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 \$1,021,294 (2021: \$923,257) is recognized in the Statement of Financial Position upon the advice of a professionally qualified actuary. Further details of the valuation are presented below:

	2022	2021
	\$	\$
Present value of obligation:		
Balance beginning of year	923,257	743,056
Current service cost	107,484	96,708
Interest cost	46,163	37,153
Actuarial (gain) loss	(11,365)	86,746
Benefits paid	(44,245)	(40,406)
Balance end of year	<u>1,021,294</u>	<u>923,257</u>

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued)

(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:

	2022	2021
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:

	2022			2021	
	Males	Females		Males	Females
Age Nearest	%	%	Age Nearest	%	%
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.

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued)

(c) Special retirement benefit (continued)

The amount of \$35,593 (2021: \$31,740) is recognized in the Statement of Financial Position with the advice of a professionally qualified actuary. Further details of the valuation are presented below:

	2022	2021
	\$	\$
Accrued benefit obligation		
Balance beginning of year	31,740	28,310
Current service cost	1,290	1,152
Interest cost	1,587	1,416
Actuarial loss	976	862
Balance end of year	<u>35,593</u>	<u>31,740</u>

(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 2022 is \$187,932 (2021: \$206,541) and is included in accounts payable and accrued liabilities.

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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 2022, this benefit was \$41,577 (2021: \$41,166).

9. TANGIBLE CAPITAL ASSETS

	Capital lease	Furniture & office equipment	Computer equipment	Software	Vehicle	Capital assets under development*	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
At 1st April 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
Additions	-	3,372	49,075	-	-	158,655	211,102
At 31st March 2022	49,624	185,868	288,338	991,337	42,812	1,624,864	3,182,843
Accumulated amortization							
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
Amortization	5,220	12,539	32,092	48,089	8,562	-	106,502
At 31st March 2022	46,756	151,424	229,165	714,698	38,529	-	1,180,572
Net Book Value 31st March 2021	8,088	43,611	42,190	324,728	12,845	1,466,209	1,897,671
Net Book Value 31st March 2022	2,868	34,444	59,173	276,639	4,283	1,624,864	2,002,271

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

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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10. ACCUMULATED SURPLUS

Section 12 of the Act states that the funds of the Authority shall consists 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 YEAR	-	500,000	3,000,000	3,500,000
Operating surplus for the year	20,736,497	-	-	20,736,497
Distribution to the Consolidated Fund of the Government of Bermuda (Note 5)	<u>(20,736,497)</u>	<u>-</u>	<u>-</u>	<u>(20,736,497)</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>-</u>	<u>500,000</u>	<u>3,000,000</u>	<u>3,500,000</u>

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, Foreign Operator Permits and other Flight Operational approvals. As at 31st March 2022, there were two certified Air Operators, one certified as a heavy lift global air cargo carrier and the other certified to carry out ad hoc VIP charter flights on demand.

(c) Registrations

These fees are derived from aircraft mortgage transcripts and registrations.

BERMUDA CIVIL AVIATION AUTHORITY
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11. REVENUE (continued)

(d) Reimbursements

For the year ended March 31, 2022, this relates to a reimbursement of human resources consulting costs.

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

(e) Other Income

Other income resulted from the following:

	2022	2021
	\$	\$
Discount received from insurance policy	48,000	84,000
Interest income	17,840	58,525
Bad debt recoveries	1,743	2,258
Unclaimed credit balances	-	85,665
VAT Recovered	-	11,199
Recoveries from service provider	-	46
	<u>67,583</u>	<u>241,693</u>

BERMUDA CIVIL AVIATION AUTHORITY
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31st MARCH 2022

12. GENERAL ADMINISTRATION

	2022	2021
	\$	\$
Salaries and employee benefits	5,503,902	5,250,918
Advertising & promotion	610,116	782,119
Rent	387,151	385,698
Communications	299,592	310,586
Travel	277,931	68,179
Insurance	274,406	288,147
Repairs and maintenance	132,727	111,482
Materials and supplies	88,780	61,650
Foreign exchange losses (gain)	67,970	(12,958)
Training	49,814	50,533
Office equipment	39,845	56,816
Board member fees	37,250	41,000
Miscellaneous	35,536	17,614
Bank charges and commissions	32,285	19,179
Hospitality	287	-
	7,837,592	7,430,963

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13. PROFESSIONAL SERVICES

	2022	2021
	\$	\$
Consulting fees	4,303,461	3,991,771
Legal fees	100,069	33,725
Audit fees	80,000	40,000
Information technology support	76,455	71,375
	4,559,985	4,136,871

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 2022 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:

	2023	2024	2025-2029
	\$	\$	\$
Supporting services	1,519,068	434,412	265,773
Information technology	478,241	279,496	-
	<u>1,997,309</u>	<u>713,908</u>	<u>265,773</u>

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 2022.

(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 2022, the maximum credit risk to which the Authority is exposed represents the carrying value of its accounts receivable.

15. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

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	247,020	145,218	9,150	250	36,567	438,205
Less: provision for bad debts	-	-	-	-	(7,313)	(7,313)
Net receivables	247,020	145,218	9,150	250	29,254	430,892

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.

(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.

15. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

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

	Within 1 year \$	1 to 5 Years \$	Over 5 years \$	Total \$
Expected cash outflows				
Accounts payable and accrued liabilities	1,307,312	-	-	1,307,312
Due to the Government of Bermuda	52,440	-	-	52,440
Distribution to the Consolidated Fund of the Government of Bermuda	-	17,553,095	-	17,553,095
Retirement leave benefits payable	-	9,939	25,654	35,593
Post-employment healthcare payable	37,977	150,126	833,191	1,021,294
Life and disability benefits	-	-	41,577	41,577
Total expected cash outflows	<u>1,397,729</u>	<u>17,713,160</u>	<u>900,422</u>	<u>20,011,311</u>

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(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 2022, the Authority held approximately 0.85% (2021 – 0.62%) 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 £20,076 (2021 - £17,435). A 1% increase in the value of the GBP would result in an increase in the value of accounts payable of approximately \$264.

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.

15. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(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.

16. IMPACT OF RUSSIAN INVASION OF UKRAINE

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.

Effective 12th March 2022, the BCAA 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.

As a result of the war and resulting sanctions, BCAA was required to wind-down all of its business with Russian operators. In March 2022, \$909,281 in receivables balances for services provided to Russian customers were written-off as uncollectible (\$24,535 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 voided.

Management has determined that the estimated loss of revenue associated with Russian air operators is approximately \$28 million based upon the Authority's revenue recognized for the year ended March 31, 2022.

For the year ended March 31, 2023, 249 aircrafts were deregistered, the majority of these are due to the financial sanctions against the Russian Federation.

16. IMPACT OF RUSSIAN INVASION OF UKRAINE (continued)

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 for fiscal year 2022/23 to the Government of Bermuda and has received a letter of comfort on 5th September 2023 from the Ministry of Finance confirming that the Government of Bermuda will provide financial and strategic support to the Authority for a period of at least twelve (12) months from the date of such letter.

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 as of financial statement sign-off date.

It is recognised 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.

17. 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.

18. BUDGET

The amounts represent the operating budget which was approved by the Board on 23rd December 2020.

19. SUBSEQUENT EVENTS

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 due to the uncertainty of the legal outcome.

On 28th September 2023, the Authority gave the aviation management system vendor 180-day notice to terminate the contract to provide a new aviation management aircraft registry system in accordance with the License Agreement dated 26th August 2019. The total cost of the development and implementation of the aviation management system amounted to \$1,624,864 as at 31st March 2022 and is recorded as capital assets under development (Note 9) and \$255,000 as contractual obligations (Note 14).

Other than the events described above and in Note 16, there have been no further significant subsequent events identified up to the date of issuance of these financial statements.

EXECUTIVE SALARIES

AS AT 31ST MARCH 2022

Director General	\$223,402
Director of Operations	\$173,927
Director of Airworthiness	£133,519
Director of Finance	\$173,927
Director of Human Resources	\$163,216
Safety Oversight Advisor	\$163,216
Director of Business Development	£133,519