

2023 / 24

ANNUAL REPORT

MESSAGE FROM THE CHAIR OF THE BOARD

Through the year ended 31st March 2024, the Bermuda Civil Aviation Authority ('BCAA' or 'the Authority') once again demonstrated its commitment to regulating and providing safety oversight for Bermuda's aviation industry. It is my privilege to report on the Authority's business operations and accomplishments from the past fiscal year.

During the time covered by this report, the BCAA continued to deal with the impact of the war in Ukraine and the imposition of international sanctions that resulted in the removal of more than 700 aircraft from the Bermuda Registry. As I've mentioned in previous reports, for the Authority's revenue, the consequences of these sanctions have been significant. Nevertheless, the team persevered and persisted with efforts to mitigate the effects of that lost income.

In particular – and as BCAA Director General Thomas Dunstan details in his message on page 3 – throughout the year, the Authority focused on the opportunities to get back to business development, an area of our operations that was severely hampered during the pandemic. This included attending a number of key industry events around the world where team members networked and spread the word about the BCAA's value proposition. The Board was encouraged by these initiatives; it has been exciting to see Business Development Manager Kyle James become the face of the BCAA globally and we look forward to following the trajectory of these endeavours.

Over the past year, the Board has also been active in working with the management team to explore cost-saving measures to help offset the losses associated with the grounding of Russian aircraft. For instance, we have reduced the Authority's office space and are diligently seeking out additional efficiencies.

We celebrated several positives during the past 12 months. For example, BCAA management successfully negotiated the renewal of the organisation's collective bargaining agreement. The Board supported those negotiations and, given the current economic climate in Bermuda, were particularly proud to support the cost-of-living increase included in the new agreement. We were also encouraged to see increased diversification on the Registry and were pleased to welcome BermudAir, who joined in August 2023.

We are a small, capable and stable Board that remains consistently focused on serving the best interests of the Authority. While recent years have been challenging, we are very grateful for the financial support of the Government of Bermuda that clearly recognises the important regulatory role the Authority plays as well as the benefits our business development efforts can bring to the jurisdiction.

In closing, I would like to extend my deep appreciation to my fellow Board members for their ongoing dedication – it is truly an honour to work with each and every one of you in furthering our mandate. And to the management and staff of the BCAA: thank you for bringing your best selves to the tasks at hand day in and day out. I am so proud of all the Authority has accomplished during these difficult years and looking forward to continuing our work together.



Kim Wilkerson
Chair of the Board



MESSAGE FROM THE DIRECTOR GENERAL

As Director General of the Bermuda Civil Aviation Authority ('BCAA' or 'the Authority'), I am very pleased to be addressing our stakeholders in this report highlighting the Authority's activities and achievements during the year ended 31st March 2024. The past couple of years have certainly been challenging, but our team has persevered, and over these 12 months once again demonstrated their resilience and steadfast commitment to both our organisation and our mandate of regulating and providing safety oversight of aviation in Bermuda and all aircraft on the Bermuda Registry.

There were many positives through the year and I would like to focus on a few of them now.

In August 2023, Bermuda-based BermudAir obtained an Air Operator's Certificate (AOC), becoming the first scheduled passenger operator to do so in more than 50 years. This was an extraordinary accomplishment requiring a significant amount of effort from technical support staff on all teams. I commend all the Authority's team members for their hard work and offer best wishes to BermudAir for a successful future as they increase accessibility to and from the island.

The BCAA's operations are guided in part by a three-year rolling business plan. Last year, the business development section of the plan was at the centre of our efforts, coinciding with the first full year of having the restrictions associated with the COVID-19 pandemic firmly in the rearview mirror. Throughout the year, our talented and tireless business development team attended several in-person conferences in a range of regions, including Corporate Jet Investor (CJI) Dubai in May 2023, European Business Aviation Conference & Exhibition in Geneva in May 2023, CJI Asia in Singapore in September 2023, the Dubai Airshow in November 2023, Airline Economics Growth Frontiers Global – Dublin in January 2024, CJI London in February 2024 and Airline Economics Growth Frontiers India in New Delhi in February 2024. BCAA representatives also participated in the Latin American Business Aviation Conference & Exhibition – our first conference in Brazil – in São Paulo in August 2023 as well as the National Business Aviation Association conference – the world's largest business aviation event – in Las Vegas in October 2023. At each of these conferences, BCAA's business development specialists took advantage of the chance to network with aviation leaders, lay the groundwork for new partnerships and explore innovations within the industry while leveraging every opportunity to share the benefits of the Bermuda Registry. Participation in these events is key to growing and diversifying our business, and our efforts are further enhanced by the adoption of various marketing tools and tactics.

During the year, the BCAA also broadened our business development strategy by successfully negotiating and signing memoranda of understanding with Hadid International Services (HADID), a leading provider of aviation support and fixed-base operator services headquartered in Dubai, and Bureau Veritas, aerospace consultants that the Authority has relied on in the past to carry out safety inspections. We look forward to embarking on a valued relationship with HADID and extending our trusted partnership with Bureau Veritas as we look to expand into new markets.

From a human resources perspective, the BCAA had a busy and productive year. Our collective bargaining agreement was up for renewal and after a series of constructive discussions with the shop stewards and the Bermuda Public Services Union, we managed to finalise the terms of a new agreement in just three months – a very expedient process that led to a positive outcome. In addition, Chris Lennon, one of our Senior Airworthiness Inspectors, retired and our Safety Oversight Officer moved to Canada, but has remained with the Authority on a part-time, contract basis. We also hired an operations administrator from within the organisation and have started recruiting for a Flight Operations Inspector.

Despite the ongoing conflict in Ukraine continuing to have an impact on our revenues through this year, the BCAA recorded a favourable financial result. The loss was not as great as we had originally anticipated thanks to the extraordinary efforts our team made to implement cost-cutting measures while also seeking out alternative revenue sources. For instance, in April 2023, the Authority introduced a registry fee for aircraft without an active certificate of airworthiness – such as those that have been sitting in Russia. The income obtained through this initiative helped offset some of our losses from the year.

I would like to close by extending my deepest gratitude to all the stakeholders at the BCAA who contributed to another successful year for the organisation. The Authority's management and employees have shown remarkable resilience and diligence, while the Board of Directors has been unwavering in its support. In addition, I would like to recognise our customers for their ongoing loyalty. I look forward to continuing our journey together.



Thomas Dunstan
Director General



OUR DIRECTORS



Thomas Dunstan
Ex-Officio



Kim Wilkerson
Chairperson



Lynesha Lightbourne
Deputy Chairperson



Lloyd Holder



Kelly Francis



Michael-Jay Landy

OUR VISION AND MISSION

Our Vision

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

Our Mission

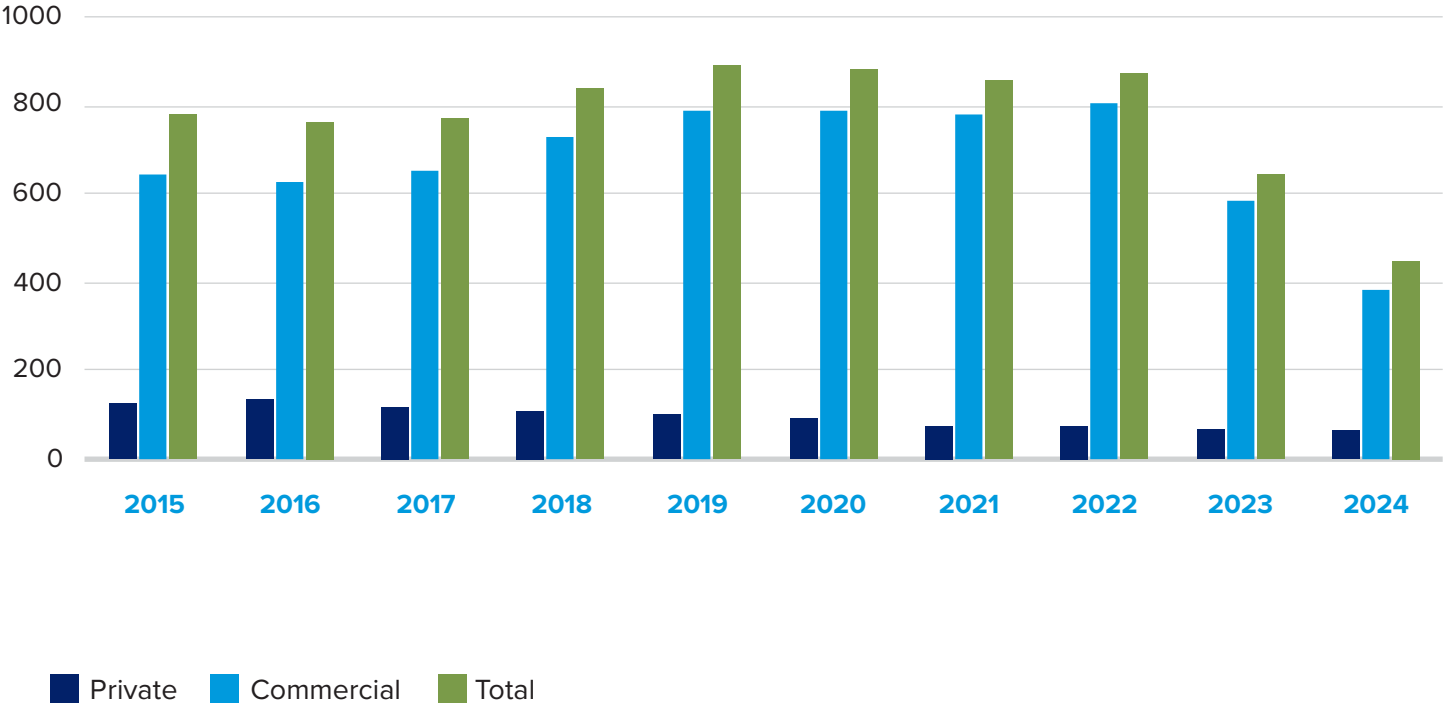
Collaboratively, with our industry partners, we develop and implement clear regulations, procedures and standards throughout the Bermuda civil aviation industry. Our approach is to be responsive, proactive and pragmatic to continuously improve safety.

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.

OUR REGISTERED AIRCRAFT



FINANCIAL SECTION

SUMMARY OF FINANCIAL PERFORMANCE

For the year ended 31st March 2024

Operational Results

For the fiscal year ended 31st March 2024, the BCAA continued to record operational results that reflect the significant loss of business due to the sanctions against Russia from its February 2022 invasion of the Ukraine.

Operating revenues consist primarily of income from the issuance of Certificates of Airworthiness. Other operating revenues are from Flight Operations licenses and permits, the issuance of other Airworthiness certificates and Registrations activities. Total revenues were 16.5% higher than the previous year due to the introduction of the new Use of Registry fee in April 2023 which is charged to certain customers with expired Certificates of Airworthiness so that BCAA can continue to fulfill its regulatory responsibility for these aircraft. This fee accounted for \$1m in new revenue.

General Administration expenses were lower than the previous year's and consist of salaries and employee benefits for twenty-nine employees (a decrease of two employees from last fiscal year), travel, advertising and promotion, rent and miscellaneous other administrative expenses. The main reason for the increase is due to the increase in Advertising and Promotion expenses as conference attendance and business development activities resumed.

Professional Services consist primarily of consulting costs for the provision of airworthiness inspection services by consultant airworthiness inspectors. Also included are legal, human resources, audit and information technology consulting services to support operations. The increase is due to a small increase in the use of consultants and an increase in legal fees.

The operating loss was \$2.6 million for the fiscal year, 15% below budget and higher than the operating loss of the previous fiscal year due to the Loss on Contract Termination from a \$1.87m write-off of an aviation management system that was under development.

In accordance with the BCAA Act 2016 the Authority is required to transfer its Net Surplus to the Consolidated Fund of the Government of Bermuda as agreed between the Board and the Minister of Tourism, Transport, Culture and Sports. Since the BCAA recorded a Net Deficit for the fiscal year, no transfer has been made to the Consolidated Fund of the Government of Bermuda.

Financial Position

Cash balances decreased from \$19.0 million on 31st March 2023 to \$17.4 million on 31st March 2024 as the BCAA is using its cash reserves to fund operations. The amount Due to the Consolidated Fund of the Government of Bermuda has been decreased by the annual deficits for 2023 and 2024.

BERMUDA CIVIL AVIATION AUTHORITY

FINANCIAL STATEMENTS

MARCH 31, 2024

Management's Responsibility for the Financial Statements

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

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

The 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 audits. 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



Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To the Minister of Tourism, Transport, Culture and Sport

Opinion

I have audited the financial statements of the Bermuda Civil Aviation Authority, which comprise the statement of financial position as at March 31, 2024, 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, 2024, 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

I draw attention to Note 16 of the accompanying financial statements, which describes the effects of the Russian-Ukraine war on the Bermuda Civil Aviation Authority and the management's continuing response to the uncertain environment. This has resulted in a considerable reduction in revenue as at March 31, 2023 as over 85% of the aircraft on the Bermuda Aircraft Registry were operated by Russian air operators. These sanctions are still in effect as at March 31, 2024. It is recognized that the short-term viability of the Bermuda Civil Aviation Authority is contingent on its ability to generate additional revenue and the continued financial support of the Government of Bermuda. 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 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.

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

Hamilton, Bermuda
May 12, 2025

Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA CIVIL AVIATION AUTHORITY**Statement of Financial Position****As at March 31, 2024**

| | 2024 | 2023 |
|--|-------------------|-------------------|
| | \$ | \$ |
| FINANCIAL ASSETS | | |
| Cash and cash equivalents (Note 3) | 17,436,273 | 19,005,422 |
| Accounts receivable (Note 4) | 1,115,874 | 639,661 |
| Accrued interest | 48,128 | 232 |
| | <u>18,600,275</u> | <u>19,645,315</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 6) | 843,195 | 1,068,240 |
| Due to the Government of Bermuda (Note 5) | 49,209 | 47,037 |
| Deferred revenue | 74,400 | 133,040 |
| Distribution to the Consolidated Fund of the Government of Bermuda (Notes 5 and 10) | 13,079,482 | 15,699,157 |
| Post-employment benefits and compensated absences (Note 7) | 1,508,185 | 1,359,479 |
| Life and disability benefits (Note 8) | 43,282 | 41,577 |
| | <u>15,597,753</u> | <u>18,348,530</u> |
| NET FINANCIAL ASSETS | <u>3,002,522</u> | <u>1,296,785</u> |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 9) | 226,698 | 2,075,220 |
| Prepaid expenses | 270,780 | 127,995 |
| | <u>497,478</u> | <u>2,203,215</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 March 31, 2024

| | 2024 Budget (Note 18) \$ | 2024 \$ | 2023 \$ |
|---|---|-------------------------|-------------------------|
| REVENUE (Note 11) | | | |
| Airworthiness | 4,605,000 | 5,473,614 | 4,627,298 |
| Flight operations | 1,450,000 | 1,621,614 | 1,841,901 |
| Other income | - | 510,377 | 68,271 |
| Registrations | 100,000 | 166,780 | 140,840 |
| Safety oversight | - | 9,600 | - |
| Reimbursements | - | - | 2,554 |
| | <u>6,155,000</u> | <u>7,781,985</u> | <u>6,680,864</u> |
| EXPENSES | | | |
| General administration (Note 12) | 6,972,800 | 6,595,488 | 6,809,110 |
| Loss on contract termination (Note 9) | - | 1,872,529 | - |
| Professional services (Note 13) | 1,940,000 | 1,831,463 | 1,609,441 |
| Amortization of tangible capital assets (Note 9) | 315,000 | 85,958 | 102,812 |
| Bad debts (Note 4) | 10,000 | 16,222 | 13,439 |
| | <u>9,237,800</u> | <u>10,401,660</u> | <u>8,534,802</u> |
| ANNUAL DEFICIT | <u><u>(3,082,800)</u></u> | <u>(2,619,675)</u> | <u>(1,853,938)</u> |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | | 3,500,000 | 3,500,000 |
| Less: Funds distributable to the Consolidated Fund of the Government of Bermuda (Note 5) | | <u>2,619,675</u> | <u>1,853,938</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 March 31, 2024

| | 2024 Budget (Note 18) \$ | 2024 \$ | 2023 \$ |
|--|---|--------------------|--------------------|
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | - | 1,296,785 | 1,114,974 |
| Annual Deficit | (3,082,800) | (2,619,675) | (1,853,938) |
| Due to the Consolidated Fund of the Government of Bermuda | - | 2,619,675 | 1,853,938 |
| Acquisition of tangible capital assets (Note 9) | (480,000) | (110,880) | (177,187) |
| Loss on disposal of tangible capital assets (Note 9) | - | 915 | 1,426 |
| Amortization of tangible capital assets (Note 9) | - | 85,958 | 102,812 |
| Loss on contract termination (Note 9) | - | 1,872,529 | - |
| Change in prepaid expenses | - | (142,785) | 254,760 |
| (DECREASE) INCREASE IN NET FINANCIAL ASSETS | (3,562,800) | 1,705,737 | 181,811 |
| NET FINANCIAL ASSETS, END OF YEAR | (3,562,800) | 3,002,522 | 1,296,785 |

The accompanying notes are an integral part of these financial statements

BERMUDA CIVIL AVIATION AUTHORITY**Statement of Cash Flows****For the year ended March 31, 2024**

| | 2024 | 2023 |
|---|--------------------------|--------------------------|
| | \$ | \$ |
| Cash flows from Operating Activities | | |
| Annual Deficit | (2,619,675) | (1,853,938) |
| Adjustment for items not affecting cash: | | |
| Amortization of tangible capital assets | 85,958 | 102,812 |
| Loss on contract termination | 1,872,529 | - |
| Bad debts | 16,222 | 13,439 |
| Actuarial loss | 11,772 | 171,933 |
| Loss on disposal of tangible capital assets | 915 | 1,426 |
| Changes in non-cash working capital: | | |
| Increase in accounts receivable | (492,435) | (222,208) |
| Increase in accrued interest | (47,896) | (38) |
| (Increase) Decrease in prepaid expenses | (142,785) | 254,760 |
| Decrease in accounts payable and accrued liabilities | (225,045) | (239,072) |
| Decrease in deferred revenue | (58,640) | (373,340) |
| Increase in post-employment benefits and compensated absences | 136,934 | 130,659 |
| Increase in life and disability benefits | 1,705 | - |
| Increase (Decrease) in due to the Government of Bermuda | 2,172 | (5,403) |
| Net Cash used in Operating Activities | <u>(1,458,269)</u> | <u>(2,018,970)</u> |
| Cash flows from Capital Activities | | |
| Acquisition of tangible capital assets | <u>(110,880)</u> | <u>(177,187)</u> |
| Net Cash used in Capital Activities | <u>(110,880)</u> | <u>(177,187)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,569,149) | (2,196,157) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>19,005,422</u> | <u>21,201,579</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>17,436,273</u></u> | <u><u>19,005,422</u></u> |
| SUPPLEMENTARY INFORMATION: | | |
| Interest received | <u><u>401,887</u></u> | <u><u>1,430</u></u> |

The accompanying notes are an integral part of these financial statements

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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 October 1, 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.

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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.

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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

Each year new standards and amendments to standards may be issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The following standards are not yet effective and have not been applied in preparing these financial statements. An assessment will be done to determine the impact that these standards will have on the financial statements.

In particular, the following accounting standards are effective for financial statements prepared on or after April 1, 2026:

The Conceptual Framework for Financial Reporting in the Public Sector
PS 1202 Financial statement presentation

3. CASH AND CASH EQUIVALENTS

| | 2024 | 2023 |
|---------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Cash in bank | 4,436,273 | 11,005,422 |
| Call accounts | 13,000,000 | 8,000,000 |
| Total cash and cash equivalents | <u>17,436,273</u> | <u>19,005,422</u> |

Cash equivalents include two (2) interest-bearing call deposits with maturities of three (3) months. Upon maturity the accounts roll over. The two interest-bearing call deposits held as at March 31, 2024 have principal amounts of \$10,000,000 and \$3,000,000 with interest rates of 4.54% and 3.51%, 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
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

4. ACCOUNTS RECEIVABLE

| | 2024 | 2023 |
|---------------------------|------------------|----------------|
| | \$ | \$ |
| Accounts receivable | 1,143,063 | 659,413 |
| Allowance for impairment | (27,189) | (19,752) |
| Accounts receivable (net) | <u>1,115,874</u> | <u>639,661</u> |

The carrying amounts of accounts receivable approximate their fair value. As at March 31, 2024, trade receivables of \$291,282 (2023: \$136,642) were past their due date but were not considered doubtful.

Bad debts expense for the year ended March 31, 2024 amounted to \$16,222 (2023: \$13,439) and is included in the Statement of Operations and Accumulated Surplus.

Accounts receivable balances amounting to \$8,785 (2023: \$nil) were written-off in the year ended March 31, 2024.

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:

| | 2024 | 2023 |
|--|-------------|-------------|
| | \$ | \$ |
| Transactions during the year: | | |
| Rent to Bermuda Land Development Company Limited* | 61,433 | 110,170 |
| Work permit fees* | 3,545 | 16,522 |
| | 2024 | 2023 |
| | \$ | \$ |
| Balances at the end of the year: | | |
| Due to the Government of Bermuda | 49,209 | 47,037 |
| Distribution to the Consolidated Fund of the Government of Bermuda | 13,079,482 | 15,699,157 |

* 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
MARCH 31, 2024

5. RELATED PARTY TRANSACTIONS (continued)

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

| | 2024 | 2023 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Balance beginning of the year | 15,699,157 | 17,553,095 |
| Net deficit to be transferred to the Consolidated Fund of the Government of Bermuda | (2,619,675) | (1,853,938) |
| | <u>13,079,482</u> | <u>15,699,157</u> |

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The account consists of:

| | 2024 | 2023 |
|------------------------|----------------|------------------|
| | \$ | \$ |
| Trade accounts payable | 106,313 | 325,501 |
| Accrued liabilities | 324,980 | 299,392 |
| Customer advances | 411,902 | 443,347 |
| | <u>843,195</u> | <u>1,068,240</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 February 1, 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, 2024, the amount of \$34,703 (2023: \$43,762) 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 11.7%, 12.4%, 12.5% or 19% depending on the age and length of service of the employee. Employees hired since October 1, 2016 have employee contributions of 5% and this is matched by the Authority. For the year ended March 31, 2024, the amount of \$334,079 (2023: \$324,365) 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:

| | 2024 | 2023 |
|---|---|---|
| 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 |
| Expected Average Remaining Service Lifetime (EARSL) | 8.8 years | 9.1 years |

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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:

| | 2024 | 2023 |
|--------------|-------------|-------------|
| 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 \$1,464,467 (2023: \$1,321,982) is recognized in the Statement of Financial Position upon the advice of a professionally qualified actuary. Further details of the valuation are presented below:

| | 2024 | 2023 |
|--------------------------------|------------------|------------------|
| | \$ | \$ |
| Present value of obligation: | | |
| Balance, beginning of the year | 1,321,982 | 1,021,294 |
| Current service cost | 118,014 | 122,492 |
| Interest cost | 66,099 | 51,065 |
| Actuarial loss | 8,990 | 173,147 |
| Benefits paid | (50,618) | (46,016) |
| Balance, end of the year | <u>1,464,467</u> | <u>1,321,982</u> |

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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:

| | 2024 | 2023 |
|----------------------------|-------------|-------------|
| 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:

| 2024 | | | 2023 | | |
|----------------|--------------|----------------|----------------|--------------|----------------|
| | Males | Females | | Males | Females |
| Age | % | % | Age | % | % |
| Nearest | | | Nearest | | |
| 25 and | | | 25 and | | |
| under | 5 | 5 | 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 | 100 | 100 | 61 and | 100 | 100 |
| over | | | over | | |

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

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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

(c) Special retirement benefit (continued)

The amount of \$43,718 (2023: \$37,497) is recognized in the Statement of Financial Position with the advice of a professionally qualified actuary. Further details of the valuation are presented below:

| | 2024 | 2023 |
|-----------------------------|---------------|---------------|
| | \$ | \$ |
| Accrued benefit obligation | | |
| Balance – beginning of year | 37,497 | 35,593 |
| Current service cost | 1,564 | 1,338 |
| Interest cost | 1,875 | 1,780 |
| Actuarial loss (gain) | 2,782 | (1,214) |
| Balance – end of year | <u>43,718</u> | <u>37,497</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 March 31, 2024 is \$121,968 (2023: \$123,664) and is included in accounts payable and accrued liabilities.

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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 March 31, 2024, this benefit was \$43,282 (2023: \$41,577).

9. TANGIBLE CAPITAL ASSETS

| | Capital lease | Furniture & office equipment | Computer equipment | Software | Vehicle | Capital assets under development** | Total |
|-------------------------------------|------------------|------------------------------------|-----------------------|-----------|---------|--|-------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | |
| At April 1, 2022 | 49,624 | 185,868 | 288,338 | 991,337 | 42,812 | 1,624,864 | 3,182,843 |
| Additions | - | 14,869 | 11,943 | 9,600 | - | 140,775 | 177,187 |
| Disposals* | - | (10,512) | (75,644) | - | - | - | (86,156) |
| At March 31, 2023 | 49,624 | 190,225 | 224,637 | 1,000,937 | 42,812 | 1,765,639 | 3,273,874 |
| Additions | - | - | 3,990 | - | - | 106,890 | 110,880 |
| Disposals* | - | - | (3,516) | - | - | - | (3,516) |
| Loss on contract termination | - | - | - | - | - | (1,872,529) | (1,872,529) |
| At March 31, 2024 | 49,624 | 190,225 | 225,111 | 1,000,937 | 42,812 | - | 1,508,709 |
| Accumulated amortization | | | | | | | |
| At April 1, 2022 | 46,756 | 151,424 | 229,165 | 714,698 | 38,529 | - | 1,180,572 |
| Amortization | 2,052 | 14,383 | 33,285 | 48,809 | 4,283 | - | 102,812 |
| Disposals* | - | (10,512) | (74,218) | - | - | - | (84,730) |
| At March 31, 2023 | 48,808 | 155,295 | 188,232 | 763,507 | 42,812 | - | 1,198,654 |
| Amortization | 816 | 12,933 | 23,160 | 49,049 | - | - | 85,958 |
| Disposals* | - | - | (2,601) | - | - | - | (2,601) |
| At March 31, 2024 | 49,624 | 168,228 | 208,791 | 812,556 | 42,812 | - | 1,282,011 |
| Net Book Value | | | | | | | |
| March 31, 2023 | 816 | 34,930 | 36,405 | 237,430 | - | 1,765,639 | 2,075,220 |
| Net Book Value | | | | | | | |
| March 31, 2024 | - | 21,997 | 16,320 | 188,381 | - | - | 226,698 |

* During the year ended March 31, 2024, the Authority has written off tangible capital assets recognizing a loss on disposal of tangible capital assets of \$915 (2023: \$1,426).

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

9. TANGIBLE CAPITAL ASSETS (continued)

** Capital assets under development consist of costs directly attributable to the development of an aviation management system. On September 28, 2023, the Authority gave the aviation management system vendor a 180-day notice to terminate the contract to provide new aviation management aircraft registry system. For the year ended March 31, 2024, the total loss on contract termination amounting to \$1,872,529 related to this contract is recorded in the Statement of Operations and Accumulated Surplus.

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 |
|--|-------------------|--------------------|-----------------|-------------|
| | \$ | \$ | \$ | \$ |
| ACCMULATED SURPLUS, BEGINNING OF THE YEAR | - | 500,000 | 3,000,000 | 3,500,000 |
| Operating deficit for the year | (2,619,675) | - | - | (2,619,675) |
| Deficit recoupment from the Consolidated Fund of the Government of Bermuda (Note 5) | 2,619,675 | - | - | 2,619,675 |
| ACCMULATED SURPLUS, END OF THE YEAR | - | 500,000 | 3,000,000 | 3,500,000 |

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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) Regulations 2012, effective on October 1, 2012 and was subsequently superceded by Air Navigation (Fees for Certificates and Services) Regulations 2022, effective on May 1, 2022.

In April 2023, the Authority instituted a Use of Registry fee which is levied against certain aircraft that have expired Certificates of Airworthiness. This fee assures aircraft owners of their continued entitlement to be registered in Bermuda and reflects the effort required from the Authority to fulfill its regulatory accountability for those aircraft. Use of Registry fees for the year ended March 31, 2024 amounted to \$1,000,000 (2023: \$nil).

(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 March 31, 2024, 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.

(d) Safety oversight

These fees are derived from safety oversight services provided through a secondment contract.

(e) Reimbursements

For the year ended March 31, 2023, this relates to reimbursement of travel cost, human resources consulting cost and immigration costs.

(f) Other Income

Other income resulted from the following:

| | 2024 | 2023 |
|---|----------------|---------------|
| | \$ | \$ |
| Interest income | 449,783 | 1,700 |
| Discount received from insurance policy | 60,000 | 60,000 |
| Sale of computer equipment | 594 | - |
| Miscellaneous income | - | 6,175 |
| Unclaimed customer balances | - | 396 |
| | <u>510,377</u> | <u>68,271</u> |

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

12. GENERAL ADMINISTRATION

| | 2024 | 2023 |
|--------------------------------|------------------|------------------|
| | \$ | \$ |
| Salaries and employee benefits | 4,885,180 | 5,159,865 |
| Travel | 487,775 | 501,340 |
| Advertising & promotion | 263,330 | 92,741 |
| Communications | 256,698 | 270,148 |
| Insurance | 228,744 | 279,030 |
| Rent | 95,048 | 153,701 |
| Materials and supplies | 90,561 | 76,745 |
| Training | 77,618 | 45,049 |
| Repairs and maintenance | 51,399 | 83,078 |
| Office equipment | 45,351 | 28,655 |
| Bank charges and commissions | 34,082 | 29,290 |
| Board member fees | 31,000 | 31,650 |
| Foreign exchange losses | 28,954 | 37,647 |
| Miscellaneous | 16,178 | 19,636 |
| Hospitality | 3,570 | 535 |
| | <u>6,595,488</u> | <u>6,809,110</u> |

13. PROFESSIONAL SERVICES

| | 2024 | 2023 |
|--------------------------------|------------------|------------------|
| | \$ | \$ |
| Consulting fees | 1,439,643 | 1,353,182 |
| Legal fees | 255,892 | 118,669 |
| Information technology support | 75,928 | 77,590 |
| Audit fees | 60,000 | 60,000 |
| | <u>1,831,463</u> | <u>1,609,441</u> |

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

14. CONTRACTUAL OBLIGATIONS

The Authority has entered into various contracts relating to supporting services and information technology. These contracts have commencement terms prior to March 31, 2024 and the latest contract termination date is March 31, 2027. 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:

| | 2025 | 2026 | 2027 |
|------------------------|------------------|----------------|---------------|
| | \$ | \$ | \$ |
| Supporting services | 1,117,668 | 45,270 | 28,932 |
| Information technology | 229,649 | 151,344 | 21,796 |
| | <u>1,347,317</u> | <u>196,614</u> | <u>50,728</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, March 31, 2024.

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 March 31, 2024, the maximum credit risk to which the Authority is exposed represents the carrying value of its accounts receivable.

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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 | 824,592 | 102,706 | 30,250 | 49,570 | 135,945 | 1,143,063 |
| Less: provision for bad debts | - | - | - | - | (27,189) | (27,189) |
| Net receivables | 824,592 | 102,706 | 30,250 | 49,570 | 108,756 | 1,115,874 |

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.

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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 | 843,195 | - | - | 843,195 |
| Due to the Government of Bermuda | 49,209 | - | - | 49,209 |
| Distribution to the Consolidated Fund of the Government of Bermuda | - | 13,079,482 | - | 13,079,482 |
| Retirement leave benefits payable | - | 12,609 | 31,109 | 43,718 |
| Post-employment healthcare payable | 53,098 | 189,808 | 1,221,561 | 1,464,467 |
| Life and disability benefits | - | - | 43,282 | 43,282 |
| Total expected cash outflows | 945,502 | 13,281,899 | 1,295,952 | 15,523,353 |

(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 March 31, 2024, the Authority held approximately 1.14% (2023: 0.42%) of its cash and cash equivalents in British pounds.

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 £42,404 (2023: £7,502). A 1% increase in the value of the GBP would result in an increase in the value of accounts payable of approximately \$535.

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

Russia invaded the Ukraine on February 24, 2022 and a number of sanctions were levied against Russia. As a result, the BCAA provisionally suspended all Russian Certificates of Airworthiness on March 12, 2022 because 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. All of these suspended Certificates of Airworthiness expired on or before March 12, 2023 and were not reinstated. This has resulted in a considerable reduction in revenue as at March 31, 2023 as over 85% of the aircraft on the Bermuda Aircraft Registry were operated by Russian air operators. These sanctions are still in place as at March 31, 2024.

As a result of the war and resulting sanctions, BCAA was required to wind-down all of its business with Russian operators. During the year ended March 31, 2024, there were \$nil (2023: \$nil) revenue recorded and included in the statement of operations and accumulated surplus related to the Russian air operators.

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.

**BERMUDA CIVIL AVIATION AUTHORITY
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MARCH 31, 2024**

16. IMPACT OF RUSSIAN INVASION OF UKRAINE (continued)

In response to the continuing uncertain environment, the Authority has:

- (i) Proactively optimized rental expenses by downsizing office space and negotiating reduced annual rents with Bermuda Land Development Company Limited for Channel House, effective from July 31, 2022 through July 31, 2025, and with Farnborough Airport, effective from August 1, 2022 through December 31, 2025; and
- (ii) Implemented cost-saving measures by reducing non-essential expenditures.

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 ("BSMA") in order to explore options to reduce operating costs and increase operational efficiency. As a result of the feasibility study, a new joint Board of Directors (the "Board") for both the Authority and BSMA was appointed effective July 1, 2024. The new Board has been tasked with identifying potential operational efficiencies between the two organizations.

Due to the Authority's cumulative net losses over the past two years and the limited development of new revenue streams, the Ministry of Finance has provided annual letters of support, with the latest dated January 30, 2025 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 the letter.

It is recognized that the short-term viability of the Authority is contingent on its ability to generate additional revenue and the continued financial backing 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. The Authority is not subject to any externally imposed capital requirements.

18. BUDGET

The amounts represent the operating budget which was approved by the Board on November 21, 2022.

19. SUBSEQUENT EVENTS

On March 13 2025, the Authority and Bermuda Land Development Company Limited agreed to terminate their lease agreement effective May 31, 2025 with the option for the Authority to continue renting the storage room only on a month-to-month basis for \$100 per month.

On April 8, 2025, the Authority entered into a new lease agreement with The Penny Farthing Trust to relocate its Bermuda Office effective June 1, 2025.

EXECUTIVE SALARIES

As at 31st March 2024

| | |
|------------------------------|-----------|
| Director General | \$232,561 |
| Director of Operations | \$181,058 |
| Director of Airworthiness | £138,993 |
| Director of Finance | \$181,058 |
| Director of Human Resources | \$169,908 |
| Director of Safety Oversight | \$169,908 |
| Business Development Manager | \$157,712 |