

2024 / 25

ANNUAL REPORT

MESSAGE FROM THE CHAIR OF THE BOARD

I am extremely pleased to be addressing our stakeholders in my first Annual Report message as Chair of the Board of Directors of the Bermuda Civil Aviation Authority (BCAA or the Authority).

As many of you are aware, the Government of Bermuda merged the Boards of the BCAA and the Bermuda Shipping and Marine Authority (BSMA) effective 1st July 2024 and I was delighted to accept the request of the Minister of Transport to serve as Chair of the combined Boards. It should be noted that, although the Boards of the two Authorities have been merged, the BCAA and the BSMA continue to operate as independent entities.

I would like to thank my predecessor, Kim Wilkerson, for her many years of service as Chair of the BCAA Board and offer her my best wishes in her new position as Attorney General. I would also like to extend my gratitude to the other members of the Board who have not continued on. Your efforts and contributions were invaluable and very much appreciated.

Turning to the period covered by this report – 1st April 2024 to 31st March 2025 – the Authority continued to be steadfastly committed to regulating and providing safety oversight for the aviation industry in Bermuda as well as the aircraft on the Bermuda Registry.

As in past years, the war in Ukraine and subsequent sanctions against Russia had an impact on the Authority's earnings. However, our business development efforts remained strong as we strove to establish a presence and attract new registrants in other jurisdictions. In his message on page 03, BCAA Director General Thomas Dunstan provides further detail about the business development team's networking initiatives and participation in industry conferences and events worldwide.

The Board would like to acknowledge several Impressive feats that the Authority accomplished during the year ended 31st March 2025. First, Thomas Dunstan's leadership and vision were recognized and celebrated in *CIO Today* which named him the "Most Innovative Aviation Visionary of 2024."

Second, and even more notable, the Authority placed 9th in the *Royal Gazette* Top 10 Employer Awards for 2024. This was especially meaningful as the honour was voted on by the BCAA's employees and it was the Authority's first time participating. This recognition is a terrific achievement; it is both a reflection of the team's tremendous efforts during challenging times as well as the Authority's commitment to employee development, innovation and inclusivity.

In closing, I would like to thank my fellow Board members for their ongoing dedication and tireless efforts in serving the best interests of the Authority. I would also like to extend my appreciation to the management and staff of the BCAA who consistently go above and beyond while fulfilling the Authority's mandate. I look forward to continuing our important work in the years ahead.



Paul Scope
Chair of the Board



MESSAGE FROM THE DIRECTOR GENERAL

As I look back over the year ended 31st March 2025, I am struck by the tremendous dedication of the Bermuda Civil Aviation Authority (BCAA) staff as we worked together to deliver on our mandate of regulating and providing safety oversight of aviation in Bermuda and all aircraft on the Bermuda Registry. From business development and human resources, to operations, safety oversight and airworthiness, everyone's efforts to identify opportunities for growth and success for the Authority were nothing short of outstanding.

For instance, throughout the year, our business development team built on the progress made the year before by continuing to attend conferences where they had the chance to network with industry leaders and connect with potential new registrants. Kyle James, BCAA's Director of Business Development, moved to Dubai in the United Arab Emirates and is now strategically located to direct and support the Authority's diversification initiatives more effectively and efficiently. In particular, we're focused on developing a presence in certain regions – including Africa, the Asia-Pacific, the Middle East and China – and are using a more targeted approach to achieve that objective.

To that end, BCAA representatives attended a number of events throughout the year, including Corporate Jet Investor (CJI) Dubai in April, European Business Aviation Conference & Exhibition 2024 in May and the Asian Sky Group Conference in June. They also participated in the Aviation Africa Summit & Exhibition in South Africa and the Airline Economics Growth Frontiers Conference in Dubai – both in September. In November, BCAA attended the IBGAA Irish Business Aviation Conference and sponsored the opening reception at the Shannon International Leasing Conference. In addition, members of our team took in the MEBA Show in Dubai in December and CJI London in February, as well as the Business Aviation Asia Forum & Expo (BAAFEx) 2025 in March.

Through their participation in these conferences, our business development specialists were able to expand their knowledge of various regions, meet with aviation leaders, deepen industry insights and build relationships – all essential to laying the foundation for growth. Through the year, the Authority continued to build on relationships with local law firms and other businesses to further our business development goals.

On the human resources front, we saw a few changes through the year. In addition to Kyle James relocating to Dubai, Tariq Lynch-Wade, our Director of Operations, transitioned to a part-time role so he could take advantage of the opportunity to fly with a local carrier. The BCAA is excited to support and enhance the capabilities of our staff and we are particularly pleased to be able to provide a Bermudian with additional experience that will benefit both Tariq and the Authority. We also maintained a close eye on succession planning and the BCAA's long-term human resources needs.

One of the highlights of the year was the Authority securing a spot in the *Royal Gazette* Top 10 Employers list. As Paul Scope, Chair of the BCAA Board, mentioned in his message, this accomplishment is a reflection of the tireless efforts and dedication of our staff. I am extremely proud of this recognition.

Our IT team was also hard at work through the year. We implemented the Salesforce CRM system and it has been instrumental to our business development efforts since April 2024. In addition, other software upgrades considered through the year included evaluating the options for replacing the outdated Aircraft Information and Records System (AIRS). Ultimately, Centrik Aviation Software was identified as the preferred replacement due to its cloud-based access, regulatory functionality and strong security features.

Another priority during this period was the development of the U.K.'s National Aviation Safety Plan (NASP), in collaboration with other Overseas Territories and Crown Dependencies. A NASP is essentially a country's master document for managing civil aviation safety and is an ICAO requirement.

In closing, I would like to thank all BCAA stakeholders for their steadfast support over the year. The dedication and resilience of the Authority's management and staff remained extraordinary, and the Board of Directors continued to provide unwavering guidance and encouragement. I also extend my gratitude to our customers for their ongoing loyalty.



Thomas Dunstan
Director General



OUR DIRECTORS



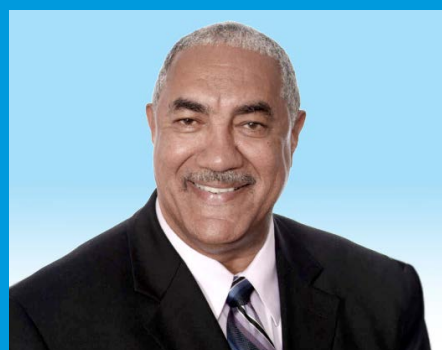
Paul Scope
Chair



Kelly Francis



Lynesha Lightbourne



Philip Perinchief



Jamahl Simmons
JP, MP



Lloyd Holder



Thomas Dunstan
Ex-Officio

OUR VISION AND MISSION

Our Vision

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

Our Mission

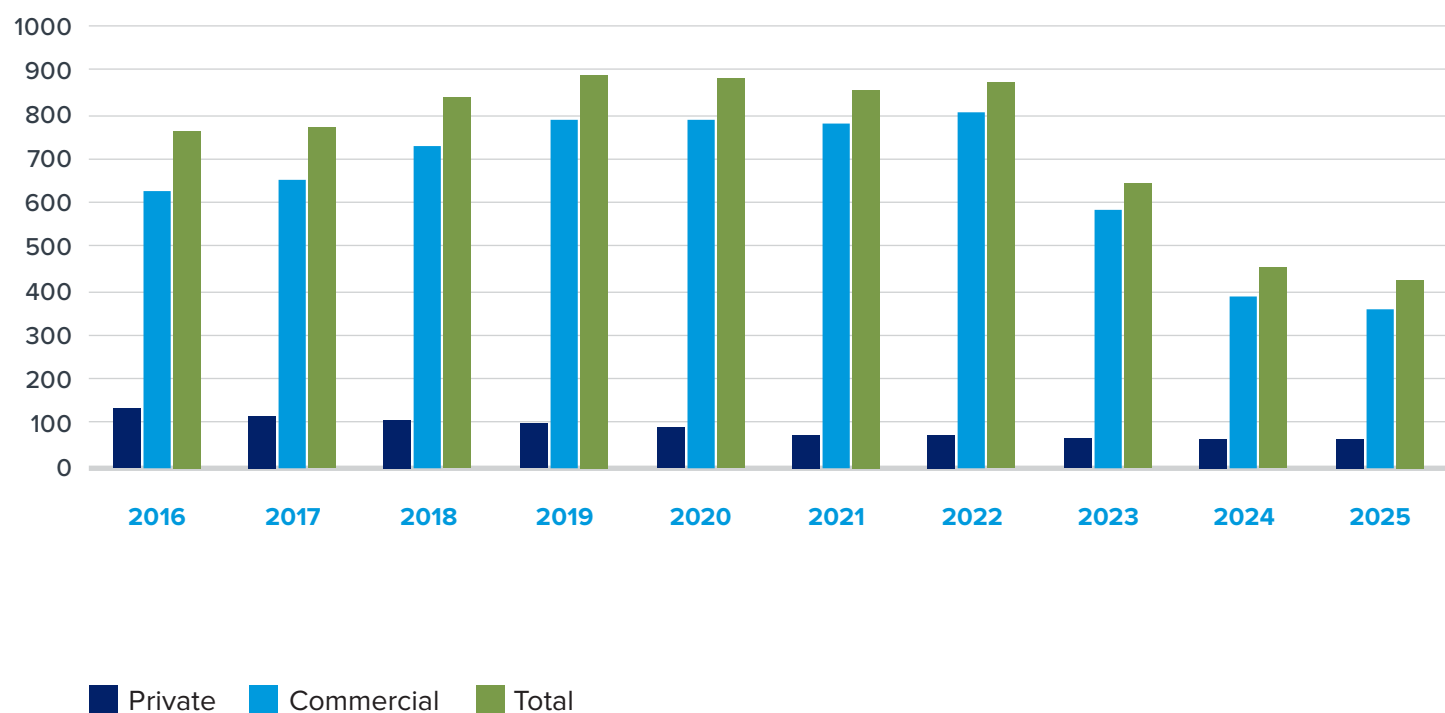
Collaboratively, with our industry partners, we develop and implement clear regulations, procedures and standards throughout the Bermuda civil aviation industry. Our approach is to be responsive, proactive and pragmatic to continuously improve safety.

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 2025

Operational Results

For the fiscal year ended 31st March 2025, the BCAA continued to experience declining revenues 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 with other operating revenues from Flight Operations licenses and permits, the issuance of other Airworthiness certificates and Registrations activities.

Total revenues were 20.2% lower than that of the previous year due to the reduction in the number of aircraft on the Bermuda Aircraft Registry as leasing companies are receiving insurance proceeds and deregistering their aircraft which also reduced the Use of Registry fee revenue. Operations revenue was also lower due to lower reimbursable costs from Air Operator Certificate activities.

General Administration expenses were slightly lower than the previous year's and consist of salaries and employee benefits for twenty-seven employees (a decrease of two employees from last fiscal year), travel, advertising and promotion, communications, insurance and other administrative expenses. Several expenses were lower than in the previous year, including salaries & employee benefits, advertising & promotion, communications, training and foreign exchange losses, offset by an increase in Board member fees and rent.

Professional Services consist primarily of costs for the provision of airworthiness and flight operations inspection services by consultant inspectors, supplementing the staff inspectorate. Also included in professional services are legal, audit and information technology consulting services. The decrease in professional services fees is due to a decrease in the use of consultant inspectors due to the decreasing number of registered aircraft and lower legal fees.

The operating loss was \$1.95 million for the fiscal year, 17.7% below budget and 25.4% lower 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 2023/24.

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 Ministry of Tourism & Transport, Culture & Sport. Since the BCAA has recorded another Net Deficit for the 2024/25 fiscal year, no transfer has been made to the Consolidated Fund.

Financial Position

Cash balances decreased from \$17.4 million as at 31st March 2024 to \$15.9 million as at 31st March 2025 as the BCAA continues to use 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 2022/23, 2023/24 and 2024/25.

BERMUDA CIVIL AVIATION AUTHORITY

FINANCIAL STATEMENTS

MARCH 31, 2025

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.

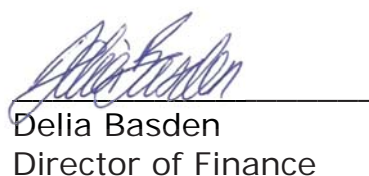
Management is responsible for maintaining a comprehensive system of financial management and internal controls to provide reasonable assurance that transactions are properly authorized and recorded in compliance with legislation, assets are safeguarded, and reliable financial records are properly maintained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

The Bermuda Civil Aviation Authority's Board of Directors through the Finance Committee, are 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.

A blue ink signature of Thomas Dunstan is written over a circular official stamp of the Bermuda Civil Aviation Authority. The stamp contains the text 'BERMUDA CIVIL AVIATION AUTHORITY' and 'BERMUDA' around a central emblem.

Thomas Dunstan
Director General

A blue ink signature of Delia Basden is written over a horizontal line.

Delia Basden
Director of Finance



Office of the Auditor General

Reid Hall, Penthouse
3 Reid Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148
Fax: (441) 295-3849
Email: oag@oagbermuda.bm
Website: www.oagbermuda.bm

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, 2025 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, 2025, 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 of 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 of March 31, 2025. 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.

Other Information

Management is responsible for the other information. The other information comprises the Bermuda Civil Aviation Authority's Annual Report but does not include the financial statements and my auditor's report thereon. The Bermuda Civil Aviation Authority's Annual Report is expected to be made available to me after the date of this auditor's report. My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the Bermuda Civil Aviation Authority's Annual Report, if I conclude that there is a material misstatement therein, I am required to report that fact.

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 my auditor's report.

Hamilton, Bermuda
December 19, 2025



Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA CIVIL AVIATION AUTHORITY**Statement of Financial Position****As at March 31, 2025**

	2025	2024
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	15,916,155	17,436,273
Accounts receivable (Note 4)	1,272,739	1,115,874
Accrued interest	45,396	48,128
	<u>17,234,290</u>	<u>18,600,275</u>
LIABILITIES		
Accounts payable and accrued liabilities (Notes 6 and 7)	897,878	843,195
Due to the Government of Bermuda (Note 5)	46,264	49,209
Deferred revenue	6,200	74,400
Distribution to the Consolidated Fund of the Government of Bermuda (Notes 5 and 10)	11,125,281	13,079,482
Post-employment benefits and compensated absences (Note 7)	1,922,828	1,508,185
Life and disability benefits (Note 8)	44,321	43,282
	<u>14,042,772</u>	<u>15,597,753</u>
NET FINANCIAL ASSETS	<u>3,191,518</u>	<u>3,002,522</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	165,354	226,698
Prepaid expenses	143,128	270,780
	<u>308,482</u>	<u>497,478</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, 2025

	2025 Budget (Note 18) \$	2025 \$	2024 \$
REVENUE (Note 11)			
Airworthiness	4,750,000	4,013,069	5,473,614
Flight operations	1,800,000	1,482,034	1,621,614
Other income	548,000	657,974	510,377
Registrations	120,000	53,800	166,780
Safety oversight	-	5,025	9,600
	<u>7,218,000</u>	<u>6,211,902</u>	<u>7,781,985</u>
EXPENSES			
General administration (Note 12)	7,557,700	6,507,703	6,595,488
Loss on contract termination (Note 9)	-	-	1,872,529
Professional services (Note 13)	1,906,000	1,541,335	1,831,463
Amortization of tangible capital assets (Note 9)	115,000	71,488	85,958
Bad debts (Note 4)	15,000	45,577	16,222
	<u>9,593,700</u>	<u>8,166,103</u>	<u>10,401,660</u>
ANNUAL DEFICIT	<u>(2,375,700)</u>	<u>(1,954,201)</u>	<u>(2,619,675)</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>1,954,201</u>	<u>2,619,675</u>
ACCUMULATED SURPLUS, END OF YEAR		<u>3,500,000</u>	<u>3,500,000</u>

The accompanying notes are an integral part of these financial statements

BERMUDA CIVIL AVIATION AUTHORITY
Statement of Change in Net Financial Assets
For the year ended March 31, 2025

	2025 Budget (Note 18) \$	2025 \$	2024 \$
NET FINANCIAL ASSETS, BEGINNING OF YEAR	-	3,002,522	1,296,785
Annual Deficit	(2,375,700)	(1,954,201)	(2,619,675)
Due to the Consolidated Fund of the Government of Bermuda	-	1,954,201	2,619,675
Acquisition of tangible capital assets (Note 9)	(127,000)	(10,144)	(110,880)
Loss on disposal of tangible capital assets (Note 9)	-	-	915
Amortization of tangible capital assets (Note 9)	-	71,488	85,958
Loss on contract termination (Note 9)	-	-	1,872,529
Change in prepaid expenses	-	127,652	(142,785)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(2,502,700)	188,996	1,705,737
NET FINANCIAL ASSETS, END OF YEAR	(2,502,700)	3,191,518	3,002,522

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, 2025**

	2025	2024
	\$	\$
Cash flows from Operating Activities		
Annual Deficit	(1,954,201)	(2,619,675)
Adjustment for items not affecting cash:		
Amortization of tangible capital assets	71,488	85,958
Loss on contract termination	-	1,872,529
Bad debts	45,577	16,222
Actuarial loss	257,282	11,772
Loss on disposal of tangible capital assets	-	915
Changes in non-cash working capital:		
Increase in accounts receivable	(202,442)	(492,435)
Decrease (Increase) in accrued interest	2,732	(47,896)
Decrease (Increase) in prepaid expenses	127,652	(142,785)
Increase (Decrease) in accounts payable and accrued liabilities	54,683	(225,045)
Decrease in deferred revenue	(68,200)	(58,640)
Increase in post-employment benefits and compensated absences	157,361	136,934
Increase in life and disability benefits	1,039	1,705
(Decrease) Increase in due to the Government of Bermuda	(2,945)	2,172
Net Cash used in Operating Activities	<u>(1,509,974)</u>	<u>(1,458,269)</u>
Cash flows from Capital Activities		
Acquisition of tangible capital assets	<u>(10,144)</u>	<u>(110,880)</u>
Net Cash used in Capital Activities	<u>(10,144)</u>	<u>(110,880)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,520,118)	(1,569,149)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>17,436,273</u>	<u>19,005,422</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>15,916,155</u></u>	<u><u>17,436,273</u></u>
SUPPLEMENTARY INFORMATION:		
Interest received	<u><u>561,844</u></u>	<u><u>401,887</u></u>

The accompanying notes are an integral part of these financial statements

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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.

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) Asset Retirement Obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The estimate of a liability would include costs directly attributable to asset retirement activities. Costs would include post-retirement operation, maintenance and monitoring that are an integral part of the retirement of the tangible capital asset. The estimate would include costs of tangible capital assets acquired as part of asset retirement activities to the extent those assets have no alternative use.

The carrying amount of the liability for asset retirement obligations is remeasured at each financial reporting date and any changes to the liability are recognized at the time of remeasurement. As at March 31, 2025 and 2024, the Authority's has determined liability is \$nil.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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.

(h) 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.

(i) 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, deferred revenue, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Employee benefits

i. Short-term employee benefits

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

ii. Post-employment benefits - pension obligations

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

iii. Other post-employment obligations

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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3. CASH AND CASH EQUIVALENTS

	2025	2024
	\$	\$
Cash in bank	2,916,155	4,436,273
Call accounts	13,000,000	13,000,000
Total cash and cash equivalents	<u>15,916,155</u>	<u>17,436,273</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, 2025 have principal amounts of \$10,000,000 and \$3,000,000 with interest rates of 4.290% and 3.492%, respectively.

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

4. ACCOUNTS RECEIVABLE

	2025	2024
	\$	\$
Accounts receivable	1,337,108	1,143,063
Allowance for impairment	(64,369)	(27,189)
Accounts receivable (net)	<u>1,272,739</u>	<u>1,115,874</u>

The carrying amounts of accounts receivable approximate their fair value. As at March 31, 2025, trade receivables of \$435,540 (2024: \$291,282) were past their due date but were not considered doubtful.

Bad debts expense for the year ended March 31, 2025 amounted to \$45,577 (2024: \$16,222) and is included in the Statement of Operations and Accumulated Surplus.

Accounts receivable balances amounting to \$8,397 (2024: \$8,785) were written-off in the year ended March 31, 2025.

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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:

	2025	2024
	\$	\$
Transactions during the year:		
Rent to Bermuda Land Management Company Limited*	61,704	61,433
Work permit fees*	4,810	3,545
	2025	2024
	\$	\$
Balances at the end of the year:		
Due to the Government of Bermuda	46,264	49,209
Distribution to the Consolidated Fund of the Government of Bermuda	11,125,281	13,079,482

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

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

	2025	2024
	\$	\$
Balance beginning of the year	13,079,482	15,699,157
Net deficit to be transferred to the Consolidated Fund of the Government of Bermuda	(1,954,201)	(2,619,675)
	<u>11,125,281</u>	<u>13,079,482</u>

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The account consists of:

	2025	2024
	\$	\$
Trade accounts payable	148,351	106,313
Accrued liabilities	349,438	324,980
Customer advances	400,089	411,902
	<u>897,878</u>	<u>843,195</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, 2025, the amount of \$27,766 (2024: \$34,703) 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 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, 2025 the amount of \$313,812 (2024: \$334,079) was contributed by the Authority.

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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

(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:

	2025	2024
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)	8.6 years	8.8 years

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

	2025	2024
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

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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

(b) Post-employment healthcare (continued)

The amount of \$1,876,974 (2024: \$1,464,467) is recognized in the Statement of Financial Position upon the advice of a professionally qualified actuary. Further details of the valuation are presented below:

	2025	2024
	\$	\$
Present value of obligation:		
Balance, beginning of the year	1,464,467	1,321,982
Current service cost	141,634	118,014
Interest cost	73,223	66,099
Actuarial loss	258,996	8,990
Benefits paid	(61,346)	(50,618)
Balance, end of the year	<u>1,876,974</u>	<u>1,464,467</u>

(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:

	2025	2024
1. Discount Rate	5%	5%
2. Rate of Salary Increase	2.50%	2.50%

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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

(c) Special retirement benefit (continued)

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:

2025			2024		
	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.

The amount of \$45,854 (2024: \$43,718) is recognized in the Statement of Financial Position with the advice of a professionally qualified actuary. Further details of the valuation are presented below:

	2025	2024
	\$	\$
Accrued benefit obligation		
Balance, beginning of the year	43,718	37,497
Current service cost	1,664	1,564
Interest cost	2,186	1,875
Actuarial (gain) loss	(1,714)	2,782
Balance, end of the year	<u>45,854</u>	<u>43,718</u>

**BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

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

(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, 2025 is \$99,773 (2024: \$121,968) and is included in accounts payable and accrued liabilities.

8. LIFE AND DISABILITY BENEFITS

The Authority maintains a Group Life benefit plan with a local provider. The plan provides 100% salary to an employee's beneficiaries up to the age of 65. After age 65 the benefit reduces to 50%, after age 70 the benefit is \$50,000 and after age 75 the benefit terminates. The plan is supplemented for employees transferred from the Department of Civil Aviation that are over the age of 65. The Authority accrues the difference between the employee's salary and the benefit the Group Life provider will pay to covered employees over the age of 65. As at March 31, 2025, this benefit was \$44,321 (2024: \$43,282).

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

9. TANGIBLE CAPITAL ASSETS

	Capital lease	Furniture & office equipment	Computer equipment	Software	Vehicle	Capital assets under development**	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
At April 1, 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
Additions	-	-	10,144	-	-	-	10,144
Disposals*	-	-	(4,195)	-	-	-	(4,195)
At March 31, 2025	49,624	190,225	231,060	1,000,937	42,812	-	1,514,658
Accumulated amortization							
At April 1, 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
Amortization	-	9,622	12,817	49,049	-	-	71,488
Disposals*	-	-	(4,195)	-	-	-	(4,195)
At March 31, 2025	49,624	177,850	217,413	861,605	42,812	-	1,349,304
Net Book Value							
March 31, 2024	-	21,997	16,320	188,381	-	-	226,698
Net Book Value							
March 31, 2025	-	12,375	13,647	139,332	-	-	165,354

* During the year ended March 31, 2025, the Authority has written off tangible capital assets recognizing a loss on disposal of tangible capital assets of \$nil (2024: \$915).

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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, 2025, the total loss on contract termination amounting to \$nil (2024: \$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
	\$	\$	\$	\$
ACCUMULATED SURPLUS, BEGINNING OF THE YEAR	-	500,000	3,000,000	3,500,000
Operating deficit for the year	(1,954,201)	-	-	(1,954,201)
Deficit recoupment from the Consolidated Fund of the Government of Bermuda (Note 5)	1,954,201	-	-	1,954,201
ACCUMULATED SURPLUS, END OF THE YEAR	-	500,000	3,000,000	3,500,000

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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 superseded 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, 2025 amounted to \$920,000 (2024: \$1,000,000).

(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, 2025, 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) Other Income

Other income resulted from the following:

	2025	2024
	\$	\$
Interest income	559,112	449,783
Judgement awarded	50,000	-
Discount received from insurance policy	28,252	60,000
Refund from insurance policy	18,834	-
Sale of computer equipment	1,776	594
	<u>657,974</u>	<u>510,377</u>

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

12. GENERAL ADMINISTRATION

	2025	2024
	\$	\$
Salaries and employee benefits	4,855,159	4,885,180
Travel	488,797	487,775
Advertising & promotion	253,943	263,330
Communications	242,579	256,698
Insurance	224,667	228,744
Rent	97,362	95,048
Materials and supplies	86,193	90,561
Board member fees	59,250	31,000
Training	59,082	77,618
Repairs and maintenance	42,406	51,399
Office equipment	37,575	45,351
Bank charges and commissions	28,717	34,082
Miscellaneous	15,468	16,178
Foreign exchange losses	14,839	28,954
Hospitality	1,666	3,570
	<u>6,507,703</u>	<u>6,595,488</u>

13. PROFESSIONAL SERVICES

	2025	2024
	\$	\$
Consulting fees	1,243,572	1,439,643
Legal fees	146,697	255,892
Information technology support	89,266	75,928
Audit fees	61,800	60,000
	<u>1,541,335</u>	<u>1,831,463</u>

BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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, 2025 and the latest contract termination date is March 31, 2028. 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:

	2026	2027	2028
	\$	\$	\$
Supporting services	637,596	317,628	233,405
Information technology	201,999	40,060	-
	<u>839,595</u>	<u>357,688</u>	<u>233,405</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, 2025.

(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, 2025, 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, 2025

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	837,199	62,729	32,574	82,761	321,845	1,337,108
Less: provision for bad debts	-	-	-	-	(64,369)	(64,369)
Net receivables	837,199	62,729	32,574	82,761	257,476	1,272,739

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, 2025

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	897,878	-	-	897,878
Due to the Government of Bermuda	46,264	-	-	46,264
Distribution to the Consolidated Fund of the Government of Bermuda	-	11,125,281	-	11,125,281
Retirement leave benefits payable	-	12,920	32,934	45,854
Post-employment healthcare payable	64,741	231,428	1,580,805	1,876,974
Life and disability benefits	-	-	44,321	44,321
Total expected cash outflows	1,008,883	11,369,629	1,658,060	14,036,572

(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, 2025, the Authority held approximately 1.70% (2024: 1.14%) 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 £14,622 (2024: £42,404). A 1% increase in the value of the GBP would result in an increase in the value of accounts payable of approximately \$189.

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. These sanctions are still in place as at March 31, 2025.

As a result of the Russian invasion of the Ukraine and the resulting sanctions against Russia, BCAA was required to wind-down all of its business with Russian operators. During the year ended March 31, 2025, there was \$nil (2024: \$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.

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

- (i) Continued to look for ways to reduce expenses and increase revenues; and
- (ii) Retargeted business development activities.

**BERMUDA CIVIL AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

16. IMPACT OF RUSSIAN INVASION OF UKRAINE (continued)

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 three fiscal years and the limited development of new revenue streams, the Ministry of Finance has provided annual letters of support, with the latest dated November 13, 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 1, 2023.

19. SUBSEQUENT EVENTS

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

EXECUTIVE SALARIES

As at 31st March 2025

Director General	\$238,143
Director of Operations	\$185,404
Director of Airworthiness	£144,831
Director of Finance	\$185,404
Director of Human Resources	\$173,986
Director of Safety Oversight	\$173,986
Business Development Manager	\$161,498