

2021/2022  
**Annual  
Report**



# About

- Vision** A trusted team, a safe, world class airport, connecting Bermuda to the world
- Mission** The Authority oversees the LF Wade International Airport to ensure safe, sustainable delivery of aviation and weather services that produce positive economic and social outcomes for Bermuda
- Core Values**
- Protect the public interest
  - Succeed as a team
  - Deliver results

## Who We Are

The Government of Bermuda established the Bermuda Airport Authority (the “Airport Authority” or the “Authority”) on 2 March 2017 as the owner of the LF Wade International Airport.

As a body corporate, quasi-autonomous non-governmental organisation (“QUANGO”), the Authority is governed by the Bermuda Airport Authority Act 2017. The Authority reports to a Board of Directors that is responsible for the actions and general administration of its affairs and business. The Minister of Transport may also give direction.

## What We Do

The Bermuda Airport Authority Act 2017 defines our mandate, which includes:

- Ensuring effective aerodrome management, safety, and security
- Oversight of aerodrome operations
- Provision of Retained Government Services and related operations
- Assist with aerodrome marketing, including air service development efforts
- Ensuring compliance with the Project Agreement, and aeronautical, meteorological, and related regulations



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## Message from the Minister of Transport The Hon. Wayne L. Furbert, JP MP



The Bermuda Airport Authority, after having successfully completed a key component of its mandate in 2020 to oversee the construction and opening of the new air passenger terminal building, has transitioned its focus in 2021/2022. This reporting period marked a milestone. On 2 March 2022 the Airport Authority also celebrated **Five Years of Connecting Bermuda to the World.**

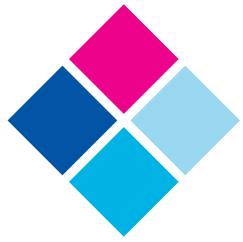
As the aviation industry continues to recover from the debilitating effects of the long COVID-19 Pandemic, the Airport Authority is working diligently with all relevant stakeholders to expand air services to Bermuda. These efforts include initiatives to revitalise air service through increased capacity and frequency of flights to and from both traditional and new destination airports. The immediate goal is to return air service to previous levels.

Given completion of the new air passenger terminal building, the Airport Authority has sharpened its focus on operational efficiency, increasing air passenger numbers and leveraging new opportunities for Bermuda to further benefit from airport and aerodrome services and facilities. The Airport Authority's revised strategic plan highlights public value, optimising operations, enabling infrastructure to increase potential benefits, and continuing to develop high-level performing teams within the Airport Authority's operating sections.

Since its establishment, the Bermuda Airport Authority has trained many Bermudians to achieve numerous international industry qualifications to build and sustain resources and opportunities in the air navigation services under its remit. The Authority is directly responsible for the provision of air traffic control, air traffic engineering, aerodrome maintenance, and Bermuda Weather Service. Three Bermudian air traffic control trainees recently completed overseas and local training to achieve industry certification. A Bermudian trainee Meteorological Forecaster, whose further studies included attending the U.K. Met Office College, became the first Bermudian to qualify as both a Forecaster and a Meteorological Technician, in over a decade. Recently, Bermuda Weather Service also welcomed another Bermudian who trained remotely with the Caribbean Institute of Meteorology and Hydrology in Barbados to achieve certification as a Meteorological Technician. These accomplishments bode well for the future.

As Bermuda and the world recover from difficult times in our recent past, we are confident in the quality and dedication of the Bermuda Airport Authority team to work with the Government of Bermuda and key stakeholders to move us forward. Collectively, we are driven to achieve pre-pandemic air travel levels and continue to build beyond.

The Hon. Wayne L. Furbert, JP MP



# Chair's Message

In this reporting period, 1 April 2021 – 31 March 2022, the Bermuda Airport Authority has successfully transitioned its focus from ensuring construction completion and opening of the new air passenger terminal building, to oversight of the operation of the aerodrome infrastructure and all airport facilities and assets.

The official opening of the new terminal building at the LF Wade International Airport in December 2020 was a milestone achievement for the Bermuda Airport Authority, as it marked the successful delivery of a major component of its mandate to oversee the public private partnership (PPP) Project Agreement with Bermuda Skyport Corporation Limited.

Since then, in support of the shift from construction to operational focus, the Airport Authority developed its second three-year strategic plan that was approved by the Board during this reporting year. The emphasis now is on maximising the value-added, safe, and efficient use of all the Airport Authority's properties, equipment and facilities.

Across the Bermuda Airport Authority organisation, attention is focused on the additional benefits the Authority's assets and resources can provide to enable further air traffic expansion, operational improvement, and revenue growth. The Board has established an energy sub-committee to consider ways that the Airport Authority can improve energy efficiency across the aerodrome property including the airfield, the Authority's facilities, and the new air passenger terminal building. The Airport Authority is also working with the Government of Bermuda and the Bermuda Tourism Authority on continued efforts to expand air service to the island. British Airways' shift of service from London, Gatwick to London, Heathrow Airport has proved to be a very positive move, with the airline planning to further increase the frequency of flights to Bermuda. The addition of the regular seasonal connection between Bermuda and the Azores has also proven to be a great success. As Bermuda and the world recover from the devastating effects of the prolonged pandemic, we will continue to seize opportunities to stimulate activity and revenue to benefit Bermuda.

I commend Bermuda Airport Authority management on having surveyed key stakeholders in preparation for the development of the Airport Authority's strategic plan. By being inclusive, the management team benefited from entering the strategic planning process broadly informed and able to consider both internal and external views in setting the Authority's priorities. I also extend my appreciation to our Board, management, and staff for their individual and collective efforts during this period as we continue building a more prosperous future.

**Lawrence Scott**, JP, MP

Chair

Bermuda Airport Authority



# Message from the Chief Executive Officer

In March 2022 the Airport Authority celebrated its fifth anniversary marking five successful years of **Connecting Bermuda to the World**. During this period our team successfully delivered significant results for Bermuda including oversight of the airport redevelopment project and delivery of a new air passenger terminal; delivery of air traffic management, weather and infrastructure services, and air service development. Looking forward to our next five years, we will continue to focus on safety and our people with an increased focus on efficiency and long-term sustainability.

Our team members have skills and experience that are essential to the safe and sustainable delivery of aviation, weather, infrastructure and oversight services. The LF Wade International Airport is Bermuda's gateway to the world, and the airport's operations rely on many disciplines to ensure it is operated safely. The Authority's team of air traffic controllers and air traffic engineering technicians collectively provide air traffic management services. Our meteorologists and meteorological technicians provide aviation and public weather services. Our contract specialists provide contract oversight of the project agreement with Skyport. Our finance and maintenance teams ensure we have the funds and infrastructure and maintenance capacity to carry out our operations. Finally, a cross-functional team assists the Ministry of Transport with air service development initiatives, in coordination with strategic partners, with the aim of increasing and sustaining Bermuda's airline seat capacity.



During the reporting period, our leadership team developed the 2021-2024 Strategic Plan. We were guided by the belief that we can improve upon defining clear and shared goals; stimulating exchange of ideas from diverse perspectives, and reinforcing practices that increase productivity and create positive change. The future requires the Airport Authority to be creative in defining new operating models and to innovate our practises to deliver value in an environment that demands we do more with less.

#### **Our priorities**

- **Public value** – Authority activities that increase sustainable economic and social value for Bermuda.
- **Optimise operations** – Safety, quality, and excellence across all Authority products and services.
- **Enable Infrastructure** – Physical and technological assets that support current operations and enable future objectives.
- **One Authority** – A healthy culture that empowers a talented, aligned and high-performing team.

In addition to the new strategic plan, our team successfully completed several important initiatives. This included our new Human Resources Information System that was installed in 2021 for implementation in early 2022. Also, three Bermudian air traffic control trainees successfully completed course and practical work experience to achieve industry certification. We also acknowledged two senior air traffic controllers who achieved over a quarter of a century of service at the airport tower in Bermuda. Patricia Peets and Burton Cox were the first local air traffic controllers appointed when the Government of Bermuda took over airport operations from the U.S. Navy in 1995. They were congratulated for their long service, and we are proud of their commitment including their on-going mentoring of other air traffic controllers, specifically the most recent trainees.

In closing, I would like to take this opportunity to thank the Airport Authority's Board, leadership team and staff for their outstanding efforts, as we recover from the effects of the COVID-19 pandemic. Individually and collectively, our team members are the critical partners that enable us to progress towards our shared vision: A trusted team, a safe, world class airport, **Connecting Bermuda to the World**. Thank you for your commitment as we continue to build on our achievements and enable a bright future.

A handwritten signature in black ink, appearing to read "Lester Nelson".

**Lester Nelson**

Chief Executive Officer  
Bermuda Airport Authority

# Airport Development and Project Oversight



In this financial reporting year 2021-2022, we moved into post-construction operations at the new air passenger terminal building. The building phase ended, allowing for a substantive shift in focus by the Authority's team, from oversight of terminal construction (aided by our consultants, Stantec) and redevelopment, to greater attention on our operational oversight of the management of the airport and aerodrome properties and equipment. Our interest is in protecting the assets, and maximising the potential and benefits of our airport facilities for growth in opportunity and revenue.

Reflecting these changes, the Aerodrome Development and Technical Services (ADTS) Unit was formed in March 2022, about four months after the new terminal opened. This operational phase of delivering the project takes a great degree of oversight of the activities conducted by the concessionaire and its contractors. This oversight and management work is ably led by a team of PPP, airport development and technical services professionals within the Authority.

## **Further redevelopment of our infrastructure continued, even after the new terminal was opened. For example:**

- A brand-new fuel farm was completed and commissioned in June 2021.
- Upgrades to the airfield lighting system were undertaken and completed in October 2021, to maintain the compliance of our regulated service provision.
- Extensive interior refurbishment to the Bermuda Weather Service and Air Traffic Engineering sections' building were undertaken to bring them up to a more modern functionality, and building code compliance.

The Authority is responsible for overseeing the cross-organisational technical and engineering activities of the leased airport lands (the airport is over 500+ acres in land area), including the new passenger terminal building; landside and airside areas- runways and taxiways; and Authority controlled sites (Air Traffic Control compound, Doppler Weather Radar and Radio Communications Air to Ground facility). The ADTS team provides technical oversight of the airport operator's performance, including ongoing capital development projects, infrastructure enhancements and technical aspects of aviation activities that are not part of the suite of retained government services. This unit also provides enhanced technical support for airport operations and development impacting Government Stakeholders, including subject matter consultations for off-site developments.

As the financial year began, the Government responded decisively to an uptick in COVID-19 cases on the island by imposing pandemic protocols. Despite the potential to disrupt operations at the airport, this was effectively managed with no interruption to air operations or ancillary aviation activities.

## Energy usage

In this fiscal year, an Energy Sub-Committee (ESC) of the Authority's Board was formed to review our energy usage and reduction initiatives and develop plans for greater deployment of renewable energy sources.

The ESC began their work by touring the airport facilities, meeting with key stakeholders, and learning about strategic plans for the development of renewable energy across Bermuda. Plans to reduce the ongoing energy burden benefitted from attention by the ESC's partners within the Regulatory Authority, the Department of Energy and the Rocky Mountain Institute. These bodies were consulted to determine alternative/renewable energy options to reduce the overall energy costs to the Authority.

Through the diligent efforts of ESC and the Authority's technical officers, some energy saving initiatives were implemented, such as vacating and mothballing the east wing of the old terminal building and identifying sites for potential development of solar photo-voltaic bulk generation. Energy costs at the Old Terminal Building were reduced by 24%, and the NATO Hangar reduced costs by 16% compared to the previous fiscal year. However, greater activity at the new Airport Terminal Building increased energy costs by 66%. Energy consumption at LF Wade International Airport (LFWIA) ramped up throughout the fiscal year, resulting from increasing passenger loads and flight activity. It is also worth noting that the cost of oil globally, reflected in the local Fuel Adjustment Rates, were higher compared to the previous period. In this reporting period, financial year 2021-22, there was an overall net increase of 41% in energy costs at LFWIA compared with the previous fiscal year.

## Guaranteed Minimum Regulated Revenue (GMRR) payments

Part of the 30-year concession agreement is the requirement for the Government to guarantee a minimum revenue, should there be a shortfall in airport fees collected from airlines and other airport operational entities. As a result of the pandemic's impact on air service, this provision was enacted. Accordingly, in 2021/22, the Bermuda Airport Authority (BAA) (on behalf of the Government of Bermuda) made the following payments to Skyport:

It should be noted that \$963,793.58 was returned to the GMRR account by Skyport in December 2021, representing the excess over the senior debt service for the forthcoming 12 months (2022). More detail is available in the Financial Statements included in this report.

### GMRR Payments from BAA to Skyport

During FY 2021 – 2022

April 2021	\$ 3,929,850
July 2021	\$ 7,838,813
October 2021	\$ 8,451,054
<b>Total FY 2021-22</b>	<b>\$ 20,219,717</b>



# Airport Service Delivery, Air Navigation & Regulated Activities

In this report we look behind the scenes of the Bermuda Airport Authority and see what it takes to support and manage the safe transport of air passengers and cargo. There is a vast array of processes, activities and equipment, provided and delivered to exacting standards that must always be in place to ensure safe air navigation, all of which is underpinned by our greatest asset – *Our People*.

## Airport Maintenance Services

Our Airport Maintenance Services team is a small group that cover a lot of ground. The Authority's campus comprises over 500 acres, and the LF Wade International Airport spans from Cooper's Island in the east to the west side of St. David's Island. Airport Maintenance Services is collectively responsible for maintaining gates, fences and signage at all Airport Authority sites together with general facilities management. The team also manage vegetation and pest control, and ensure HVAC is kept running at all our sites – critical for some of our systems to remain operational. The Airport Maintenance Services team additionally maintains infrastructure plant and equipment, as well as the Airport Authority's vehicle fleet. The provision of back-up electrical power systems is regulated for some of the aerodrome's air navigation systems and it is Airport Maintenance Services that maintain and regularly test our inventory of fixed and portable electrical generators.



## Kimberley Wade tribute

We take this opportunity to remember Kimberley 'Kim' Wade, a long-serving member of the local aviation community. Kim began working at the airport in 2007 and has worked alongside the



crew at Airport Maintenance Services since the Authority's inception in 2017. Kim was a Grounds Maintenance Technician and had been a part of the Authority since it in-sourced Retained Government Services (RGS) employees in 2019. He is greatly missed by his friends and colleagues at the Bermuda Airport Authority. We pay tribute to Kim for his hard work, dedication to safe operations and friendly demeanor that always brightened up the workplace.

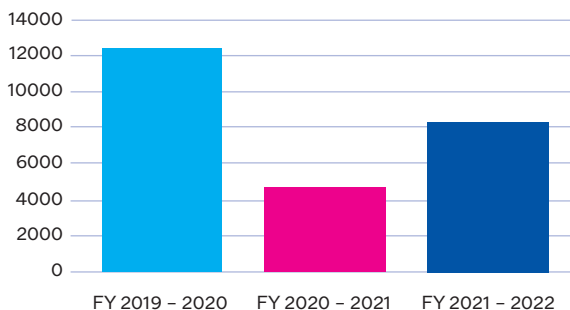
During fiscal 2021-22, the Airport Maintenance Services team responded quickly to a number of severe weather threats, water leaks, security fence deteriorations, and requirements for external contractors. They also often work closely with the Aerodrome Development and Technical Services team on capital projects and critical needs. A recent example was an upgrade to the security fence at the Air Traffic Control, Air Traffic Engineering and Bermuda Weather Service compound.

A welcomed addition to the fleet of vehicles and equipment at the disposal of the Airport Maintenance Services team is a new telehandler unit procured during this fiscal year. It is an extremely versatile piece of equipment that can be used as a forklift, earth mover, and manlift.

### Air Traffic Control Services

The Bermuda Airport Authority is committed to Bermudianisation, and we are particularly proud of our three most recent recruits who successfully stayed on course throughout the COVID-19 Pandemic to complete international training and attain certification and licencing as qualified air traffic controllers. We are also grateful to our two most senior air traffic controllers who played a major role in mentoring and guiding them.

#### Total Aircraft Traffic Counts at LFWIA



The three air traffic control trainees attended a 14-week overseas programme at Global ATS in Gloucestershire England, a U.K. Civil Aviation Authority approved training centre. The campus is located at the Gloucestershire Airport, which provides an immersive airside environment for classroom and hands-on learning. The syllabus included both theoretical and simulator-based practical training. Following completion of the U.K. curriculum, the trainees returned to Bermuda to begin seven months of on-the-job training at the air traffic control tower under the guidance of our most senior air traffic controllers. During this training each candidate was assessed to meet the requirements for licencing by the Bermuda Civil Aviation



Authority, including theoretical and practical examinations relevant to Bermuda's airspace and local air traffic control procedures. The three new air traffic controllers were recruited from a pool of over 100 applicants. They were 'cleared for takeoff' in their top-flight careers with Bermuda Airport Authority in July 2021, joining our five existing air traffic controllers.

### **Air Traffic Engineering**

The Air Traffic Engineering team operates and maintains many critical systems at the LF Wade International Airport (LFWIA) in support of air navigation and airport ground operations. These include ground-based radio telecommunications systems, air navigation equipment, and meteorological sensors, such as:

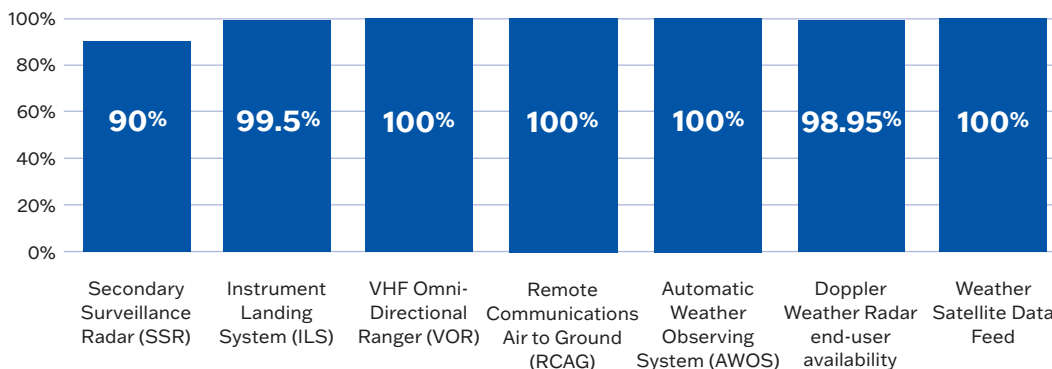
- Instrument landing system (ILS) which, together with on-board aircraft systems, help provide aircraft with a safe and stable approach to the LFWIA.
- U.S. Federal Aviation Administration (FAA) air traffic surveillance radar facilitates the detection and control of aircraft flying through Bermuda's airspace.
- Equipment that enables secure and stable communications via voice, text and imagery between a variety of aviation users including air traffic controllers, pilots, flight planners and ground-base operations.
- A major achievement in 2021/2022 was the extensive upgrade to radio telecommunications systems, in collaboration with technicians from the FAA.

Air Traffic Engineering also supports the installation, preventative and corrective maintenance of a number of aviation meteorological systems. These include airfield instruments and sensors that measure wind speed and direction, atmospheric pressure, air temperature,



horizontal visibility, cloud coverage, and precipitation. Bermuda Weather Service uses these systems to prepare accurate and timely observations of current weather conditions, which are then transmitted locally and internationally to airspace users and their support teams for planning and real-time aviation operations. Key Performance Indicators (KPIs) for these activities include availability or 'up time' of the systems which Air Traffic Engineering operates and maintains. Some KPIs worth noting for the calendar year 2021, which exclude 'down time' due to planned maintenance, include the availability of the following systems:

- Secondary Surveillance Radar (SSR): 90%
- Instrument Landing System (ILS): 99.5%
- VHF Omni-Directional Range (VOR): 100%
- Remote Communications Air to Ground (RCAG) Radio Site: 100%
- Automatic Weather Observing System (AWOS): 100%
- Doppler Weather Radar data availability: 99.13% (website imagery availability: 98.95%)
- Weather Satellite Data Feed: 100%



FAA-owned systems and equipment based in Bermuda are maintained by our Air Traffic Engineering team in partnership with the FAA. The pandemic presented challenges in coordinating planned quarterly visits by the FAA, but through the consistent monitoring of the Bermuda Government's COVID-19 restrictions and a detailed development of 'safe systems of work', our team was able to successfully host the FAA visits on a regular basis.

### *Secondary Surveillance Radar*

The Secondary Surveillance Radar (SSR) is an FAA-owned system operated and maintained locally by our Air Traffic Engineering (ATE) team. The SSR enables en-route radar control to be provided by the FAA within the Bermuda Oceanic Terminal Control Area and enables the provision of an approach and departure control service to the LF Wade International Airport. Through this system our local Air Traffic Controllers can detect, identify, and support aircraft in the local vicinity with information and movement guidance.

Our team of Air Traffic Engineers (ATE) work closely with FAA teams on a routine basis to conduct regular maintenance, upgrades, and periodic repairs to the SSR. During this fiscal year, routine scheduled work on the SSR was complicated by many COVID-19 related obstacles. Personnel arriving on the island were required to have been vaccinated and tested. Safe Systems of Work plans were developed and implemented, including physical distancing requirements (for the safety of ATE and FAA teams and other colleagues), and supply chain disruptions affected the availability of parts. The team also managed the process for unscheduled flights arriving in Bermuda to obtain the necessary prior permissions required from the Government of Bermuda. Despite the numerous challenges, FAA teams successfully visited Bermuda four times during this fiscal year to work with our ATE team in making minor upgrades and maintenance of the SSR.

The SSR was in service approximately 90% of the time during financial year 2021-2022, with robust risk assessments allowing for back-up contingency plans to accommodate planned maintenance outages. The Bermuda Airport Authority commends its ATE team and the wider Air Navigation Services management for their successful navigation through multiple challenges.

## Bermuda Weather Service

In line with our commitment to the training and development of Bermudians, we were pleased to welcome our newest certified Meteorological Technician to the Bermuda Weather Service in 2021. In a pilot training programme, our newest recruit was the first to be trained in observing theory virtually at the Caribbean Institute for Meteorology and Hydrology (a World Meteorological Organisation regional training centre). This training was augmented by on-the-job familiarisation under the watchful eye of our Deputy Director, and our Senior Meteorological Technician. The addition to our team enables us to maintain the required staffing levels for a 24/7 aeronautical meteorological observation programme.

During this reporting year, we were happy to see the completion of substantial renovations to the building which houses the Bermuda Weather Service and Air Traffic Engineering sections. Approximately 75% of the building's interior was refurbished to make way for the long-awaited replacement of flooring and renovations to restrooms, offices and meeting rooms. The primary weather balloon launch deck, damaged during Hurricane Humberto in 2019, was also reinstated. Bermuda Weather Services and Air Traffic Engineering staff,



together with critical equipment, were relocated during the renovations to available space in the Air Traffic Control tower building and other Airport Authority facilities. A huge thanks to our Air Traffic Engineering staff who capably managed the equipment relocation efforts, ensuring a seamless transition to operations.

## **Air Service Development**

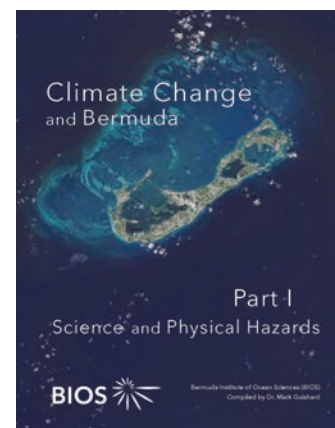
Restrictions stemming from the pandemic continued to hamper air service in 2021-22, but some green shoots of new air service activity began to grow. The partnership between the Authority, the Bermuda Tourism Authority, and Skyport continued, with valuable input and contributions from the Ministry of Transport. This stakeholder partnership created some new air route opportunities for Bermuda that set the scene for further positive growth.

In spring of 2021, British Airways began flying directly between Bermuda and London Heathrow, for the first time in more than 30 years. Previously, flights on British Airways had been to London Gatwick Airport. The new Heathrow service continued to utilise the Boeing 777-200 aircraft (as did the Gatwick service), representing significant airlift. Flights to Heathrow's Terminal 5 ramped up through the summer to five times per week service, providing a wider range of connections to Europe and farther afield. In a quote to the Authority's partner Air Service development agency, the BTA, British Airways' Director of Network and Alliances, Neil Chernoff, said: "We are delighted to launch flights from London Heathrow to Bermuda, and we look forward to welcoming customers to experience our world class facilities at Terminal 5. Whether our customers are travelling on business, visiting friends and family or taking a European holiday, London Heathrow is the UK's largest airport and a gateway for many of our destinations worldwide."

2021 also saw the advent of a new carrier to Bermuda, SATA Azores Airlines, which began charter services between LF Wade and Ponta Delgada in the Azores in June. The route between Bermuda and the Azores facilitates the first ability to directly travel between two countries with longstanding cultural ties.

## **Community Support**

The Authority established a formal relationship with the Bermuda Institute of Ocean Sciences to support the development of a climate change report through 2022. This novel arrangement leverages the adjunct scientist status of our BWS Director, and facilitates in-kind support of a community project worthy of exploration. The project underway is to write a synthesis report on what is known about the impacts of climate change on Bermuda historically, presently and in the future. This effort aligns with the Authority's strategic objectives to develop more climate-related services within BWS for the benefit of the public.



Bermuda Airport Authority

# Financial Statements

MARCH 31, 2022



## **Management's Responsibility for the Financial Statements**

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


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

The Bermuda Airport 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.



Mr. Lester Nelson  
Chief Executive Officer



Mrs. Julie Grant  
Chief Financial Officer

Date 19 October 2023



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### **INDEPENDENT AUDITOR'S REPORT**

#### **To the Minister of Transport**

#### **Opinion**

I have audited the financial statements of the Bermuda Airport Authority, which comprise the statement of financial position as at March 31, 2022, and the statements of operations and accumulated surplus, change in net debt 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 Airport Authority as at March 31, 2022, and the results of its operations, changes in its net debt 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 Airport 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.

#### **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 Airport 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 Airport Authority or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibility 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 Airport 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 Airport 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 Airport 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](http://www.oagbermuda.bm). This description forms part of our auditor's report.



Hamilton, Bermuda  
October 19, 2023

Heather Thomas, CPA, CFE, CGMA  
Auditor General

BERMUDA AIRPORT AUTHORITY

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2022

(Expressed in Bermuda dollars)

	2022 \$	2021 \$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 4)	12,642,145	14,094,160
Accounts receivable (Note 5)	144,800	216,671
Due from the Government of Bermuda (Notes 5 and 10)	3,200,507	19,926
Contractual recoveries (Notes 5 and 8)	<u>766,443</u>	<u>598,365</u>
<b>TOTAL FINANCIAL ASSETS</b>	<u>16,753,895</u>	<u>14,929,122</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	6,802,783	6,919,304
Due to the Government of Bermuda (Note 10)	1,074,692	366,939
Deferred revenues (Notes 7 and 10)	731,475	936,853
Other non-current liability (Note 9)	<u>403,362,127</u>	<u>388,060,844</u>
<b>TOTAL LIABILITIES</b>	<u>411,971,077</u>	<u>396,283,940</u>
<b>NET DEBT</b>	<u>(395,217,182)</u>	<u>(381,354,818)</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses and other assets	339,878	358,555
Tangible capital assets (Note 6)	<u>422,816,741</u>	<u>430,302,776</u>
<b>TOTAL NON-FINANCIAL ASSETS</b>	<u>423,156,619</u>	<u>430,661,331</u>
<b>ACCUMULATED SURPLUS</b>	<u>27,939,437</u>	<u>49,306,513</u>
<b>CONTRACTUAL OBLIGATIONS, RECOVERIES AND CONTINGENCIES (Note 8)</b>		



Chairman of the Board



Chief Executive Officer

19 October 2023

Date

19<sup>th</sup> October 2023

Date

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

BERMUDA AIRPORT AUTHORITY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2022

*(Expressed in Bermuda dollars)*

	Budget 2022 \$ (Note 15)	Actual 2022 \$	Actual 2021 \$
REVENUES			
Government of Bermuda grants (Notes 7 and 10)	16,700,000	33,404,911	36,564,244
Foregone revenues (Note 3)	49,794,557	18,812,140	10,272,869
Other revenues	<u>600,033</u>	<u>583,769</u>	<u>584,960</u>
TOTAL REVENUES	<u>67,094,590</u>	<u>52,800,820</u>	<u>47,422,073</u>
EXPENSES			
Terminal operating cost contribution (Note 3)	33,026,845	33,026,845	33,026,845
Minimum regulated revenue guarantee (Notes 3 and 8)	-	18,506,654	20,647,311
Amortisation of tangible capital assets (Note 6)	-	8,933,978	4,133,855
Retained services (Note 3)	5,908,257	5,438,997	5,516,653
General and administrative (Note 13)	3,538,901	3,398,513	3,412,549
Energy subsidy (Note 3)	2,435,500	3,068,633	2,147,636
Air service development (Notes 8 and 16)	2,500,000	1,422,110	803,000
Redevelopment consultants	<u>899,593</u>	<u>372,166</u>	<u>1,384,392</u>
TOTAL EXPENSES	<u>48,309,096</u>	<u>74,167,896</u>	<u>71,072,241</u>
(DEFICIT) OPERATING SURPLUS	<u>18,785,494</u>	(21,367,076)	(23,650,168)
ACCUMULATED SURPLUS, BEGINNING OF YEAR		<u>49,306,513</u>	<u>72,956,681</u>
ACCUMULATED SURPLUS, END OF YEAR		<u>27,939,437</u>	<u>49,306,513</u>

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

BERMUDA AIRPORT AUTHORITY

STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2022

*(Expressed in Bermuda dollars)*

	<b>Budget 2022 \$ (Note 15)</b>	<b>Actual 2022 \$</b>	<b>Actual 2021 \$</b>
(Deficit) operating surplus	18,785,494	(21,367,076)	(23,650,168)
Net additions to tangible capital assets (Note 6)	(2,500,578)	(1,447,943)	(78,572,348)
Amortisation of tangible capital assets (Note 6)	-	8,933,978	4,133,855
Change in prepaid expenses and other assets	-	18,677	(101,565)
Disposal of tangible capital assets	-	-	590
Change in net debt	<u>16,284,916</u>	(13,862,364)	(98,189,636)
NET DEBT, BEGINNING OF YEAR		<u>(381,354,818)</u>	<u>(283,165,182)</u>
NET DEBT, END OF YEAR		<u>(395,217,182)</u>	<u>(381,354,818)</u>

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

BERMUDA AIRPORT AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2022

*(Expressed in Bermuda dollars)*

	2022 \$	2021 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Deficit) operating surplus	(21,367,076)	(23,650,168)
Adjustments made for:		
Amortisation of tangible capital assets	8,933,978	4,133,855
Gain on disposal of tangible capital assets	-	(160)
Changes in non-cash working capital:		
Decrease in accounts receivable	71,871	81,469
(Increase) decrease in due from the Government of Bermuda	(3,180,581)	3,000,000
Increase in contractual recoveries	(168,078)	(598,365)
Decrease (increase) in prepaid expenses and other assets	18,677	(101,565)
(Decrease) increase in accounts payable and accrued liabilities	(116,521)	2,107,830
Increase in due to the Government of Bermuda	707,753	264,347
Decrease in deferred revenues	(205,378)	(1,310,954)
Increase in other non-current liability	<u>15,301,283</u>	<u>100,557,465</u>
Net cash (used for) provided by operating activities	<u>(4,072)</u>	<u>84,483,754</u>
<b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>		
Proceeds on disposal of tangible capital assets	-	750
Net additions to tangible capital assets	<u>(1,447,943)</u>	<u>(78,572,348)</u>
Net cash used for capital activities	<u>(1,447,943)</u>	<u>(78,571,598)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,452,015)</b>	<b>5,912,156</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u><b>14,094,160</b></u>	<u><b>8,182,004</b></u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u><b>12,642,145</b></u></u>	<u><u><b>14,094,160</b></u></u>

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

1. OPERATIONS

The Bermuda Airport Authority (the “Authority”) was established as an authority under the Bermuda Airport Authority Act 2017 (the “Act”) on March 2, 2017. The principal functions and powers of the Authority, as set out in Part 2, Section 4 of the Act, are to oversee the administration, maintenance, management, operations and redevelopment of the L.F. Wade International Airport (the “Airport”; Note 3).

The Authority has direct responsibility for Retained Services at the Airport, which include air traffic control, airspace communications, navigation and surveillance, meteorological services, ground electronics and airport rescue and firefighting services. The Authority is also responsible for ensuring compliance with international aviation safety and regulatory requirements and for regulating passenger fees, aircraft servicing fees and other ancillary service fees associated with Airport operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pursuant to standards established by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada, the Authority is classified as an “other government organisation” and has adopted policies appropriate for the classification. The accounting policies considered particularly significant are set out as follows:

(a) Basis of accounting

These financial statements have been prepared by management in accordance with Public Sector Accounting Standards generally accepted in Bermuda and Canada and reflect the results of operations for the years ended March 31, 2022 and 2021. These financial statements have been prepared on a going concern basis.

(b) Measurement uncertainty

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the statement of financial position, and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of management estimates and assumptions include (i) determining the appropriate inputs to the financial model used to derive the imputed liabilities incurred and revenues foregone under the terms of a multi-year public private partnership agreement (Note 3); (ii) evaluating the useful life of tangible capital assets; and (iii) estimating the allowance for the provision of doubtful accounts receivable. Actual amounts could differ from these estimates.

(c) Cash and cash equivalents

Cash includes cash on hand and held in banks. The Authority considers all time deposits with an original maturity of 90 days or less and short-term securities readily convertible to known amounts of cash as equivalent to cash.

(d) Financial instruments

The Authority’s financial instruments consist of cash and cash equivalents, accounts receivable, contractual recoveries, accounts payable and accrued liabilities, and amounts due from and to the Government of Bermuda. All financial instruments are measured at cost or amortised cost using the effective interest method, less any impairment losses on financial assets.

Management assesses impairment of accounts receivable balances, based on historical collection experience with each customer (Note 5), and makes an allowance for impairment when necessary.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## (e) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. Prepaid expenses and other assets relate primarily to deferred costs for contracts which extend beyond the current year. Tangible capital assets have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

*Tangible capital assets and amortisation*

Tangible capital assets are recorded at cost which represents fair value, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at an estimated fair value. Fair value is interpreted to mean the price a willing market participant would pay for an equivalent infrastructure asset with the same service potential and risk profile.

Costs include amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets are amortised on a straight-line basis over their estimated useful lives as follows:

New airport terminal	50 years
Other buildings and structures	10-20 years
Leasehold improvements	20-40 years
Leasehold improvements – old terminal	up to 3 years
Furniture and fixtures	7 years
Vehicles, machinery and equipment	5 years
Computer equipment and software	3 years

Assets under development are included in tangible capital assets as construction in progress and are not amortised until the asset is available for productive use. Amortisation of tangible capital assets is charged from the first day of the month following the date of acquisition, completion or placement into service of the asset.

*Contributions of tangible capital assets*

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

*Methods used for determining the cost of each major category of tangible capital assets*

The financial information recorded includes actual or estimated historical cost of the tangible capital assets. Tangible capital assets are carried at the lower of cost less accumulated amortisation and estimated net recoverable value. If cost is greater than the estimated net recoverable value, an impairment provision is recorded. Impairment provisions are determined on a specific asset basis and are recognised in the statement of operations in the year they become known.

## (f) Government of Bermuda grants

Government contributions are the major source of operating revenue for the Authority. Restricted contributions are deferred and recognised as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognised as revenue when received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue recognition

Revenue is recorded when the services are performed, the airport facilities are utilised or the amounts are earned pursuant to the related agreements, and collection is reasonably assured.

Foregone revenues represent all collected revenues generated by operations at the existing and new Airport terminals, which are surrendered to Skyport in accordance with the Project Agreement as consideration for costs incurred by Skyport to design, build, finance, operate and maintain the Airport over the term of the Project Agreement (Note 3).

Terminal fee revenue is recognised as income in the year that passengers depart from the Airport. Landing fees are generated principally from scheduled flights and non-scheduled commercial aviation and are recognised when the airport facilities are utilised. Rentals and fees, vehicle parking revenue, aircraft and apron equipment parking and other revenue are recognised when the airport facilities are utilised.

Other revenues are recorded on an accrual basis and recognised when earned.

(h) Statement of re-measurement gains and losses

A statement of re-measurement gains and losses has not been presented as there were no re-measurement gains or losses arising during the year.

(i) Changes in accounting standards

Each year new standards and amendments to standards may be issued by the PSAB of the Chartered Professional Accountants of Canada.

The following standards are not yet effective and have not been applied in preparing these financial statements:

New standards effective for fiscal years beginning on or after April 1, 2022 include:

*PS 3450 Financial Instruments* – provides guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.

*PS 1201 Financial Statement Presentation* – replaces PS 1200 with revised general reporting principles and standards of presentation and disclosure in government financial statements.

*PS 2601 Foreign Currency Translation* – replaces PS 2600 and has revised standards on accounting for and reporting transactions denominated in a foreign currency.

*PS 3041 Portfolio Investments* – applicable when Sections PS 1201, PS 2601 and PS 3450 are adopted.

*PS 3280 Asset Retirement Obligations* – addresses the reporting of legal obligations associated with the retirement of tangible capital assets.

*PS 3400 Revenue* – addresses the recognition, measurement and presentation of revenues that are common in the public sector.

*PS 3400 Revenue* – addresses the recognition, measurement and presentation of revenues that are common in the public sector.

*PSG-8 Purchased Intangibles* – provides a definition of purchased intangible and provides guidance on the recognition of, accounting for, and classification of purchased intangible assets

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Changes in accounting standards (continued)

*The Conceptual Framework for Financial Reporting in the Public Sector* - replaces the conceptual aspects of Section PS 1000, Financial Statement Concepts, and Section PS 1100, Financial Statement Objective

The Authority does not intend to adopt these new standards prior to the effective dates. The impact that these standards will have on the financial statements is not deemed significant.

3. L.F. WADE INTERNATIONAL AIRPORT REDEVELOPMENT

On March 15, 2017 (the “effective date”), the Government of Bermuda (the “Government”) entered into a Public Private Partnership Agreement (the “Project Agreement” or the “Agreement”) with the Canadian Commercial Corporation (“CCC”) and affiliates of Aecon Group Inc. (collectively, the “Project Partner”) to redevelop the Airport, including the construction of a new airport terminal (the “Project”).

The Project Partner assigned its obligations under the Project Agreement to a special purpose vehicle, Bermuda Skyport Corporation Limited (“Skyport”), which has been established for the purposes of completion of the Project. The Government has assigned its responsibilities under the Agreement to the Authority. Under the terms of the Agreement, Skyport is to design, build, finance, operate and maintain the Airport for a period of 30 years from the date the concession commences.

On March 14, 2020, Skyport issued a Supervening Event Notice (“SEN”) to the Authority claiming that a Force Majeure Event (“FME”) had arisen from the outbreak of the novel coronavirus (“COVID-19”). The Authority has agreed that COVID-19 constitutes a FME under the terms of the Project Agreement (Note 8).

As a result of the impact of the COVID-19 pandemic, the operations and profitability of Skyport have been negatively impacted by the significantly reduced level of revenues from airport traffic. Schedules for the supply, delivery, installation, testing and commissioning of equipment, and the commencement of operations, at the new air terminal building had to be revised to reflect new timelines once the initial situation stabilised and commercial airline traffic at the Airport was again authorised in July 2020. As a result, substantial completion of the construction activities and the planned opening of the new air terminal building were delayed until September 25, 2020 and December 9, 2020 respectively.

Under the terms of the Project Agreement, the Authority retains ownership of the Airport, and the land and facilities are leased to Skyport for a 30-year term, commencing from the effective date of the Agreement. At the end of the lease term, the land, assets and operation of the Airport will transfer back to the Authority. The Airport’s new facilities will become the property of the Authority upon expiry or early termination of the lease, without any payment.

Skyport raised financing for the Project through a combination of senior debt and equity, with at least 35% of the latter being held by the Project Partner. If the new terminal was not completed by the agreed July 2020 completion date, the Project Partner would have been liable to pay damages of between \$5,000 and \$15,000 per day of delay. Although substantial completion of the new terminal was not achieved by the originally scheduled date, Skyport was entitled to claim relief by way of an extension of time due to the FME and no liability for damages was therefore attributed to the Project Partner for the delay.

## 3. L.F. WADE INTERNATIONAL AIRPORT REDEVELOPMENT (continued)

From the effective date of the Project Agreement through the end of the concession term, Skyport has sole entitlement to the “Regulated Fees and Charges” (“foregone revenues”) and all other revenues from the operation of the Airport, including terminal fees, landing fees and other Airport facilities utilisation and service fees. Skyport has responsibility for Airport operations and maintenance, from the effective date of the Agreement until the end of the concession term, in order to hand back the property in accordance with agreed standards.

Skyport receives all revenues, both regulated and unregulated, that are generated from the Airport operations during this time and is responsible for the majority of Airport related expenses during this period, including employee remuneration, debt service and maintenance costs. The excess of foregone revenues over capital expenditures, maintenance expenses and interest expense incurred by Skyport is recognised in the statement of operations as an operating cost contribution. The expense for the current year represents the annual amortisation on a straight-line basis of the estimated total operating costs to be incurred over the remaining life of the contract. These estimates and the resulting operating cost contribution are reassessed on an annual basis.

The Authority pays an “Energy Subsidy” to Skyport for electricity costs at the Airport and remains responsible for certain Retained Services operating expenses and any related capital expenditure that previously fell under the remit of the Government Department of Airport Operations (the “DAO”); including air traffic control operations, meteorological services, airport fire and rescue services and ground electronics.

*Minimum regulated revenue guarantee*

The Authority guarantees certain minimum levels of revenue to ensure sufficient liquidity is maintained by Skyport on a quarterly basis to repay the Senior Debt incurred by Skyport to fund the project. As defined in the Project Agreement, if the “Actual Regulated Revenues” (“ARR”) generated in any quarter are less than the Guaranteed Minimum Regulated Revenue (“GMRR”) minimum guaranteed amount, the Authority is required to transfer an amount equal to the difference into the Guaranteed Revenue Reserve Account (“GRRR”), a Skyport bank account which has been opened for this purpose at Bank of New York Mellon (Notes 8 and 17).

Funds deposited into this account remain the property of the Authority until drawn by Skyport in accordance with the Agreement. At the end of the “Revenue Guarantee Term”, which starts on the effective date and continues until the final repayment of the Senior Debt, the balance of funds remaining in this account will be returned to the Authority.

*Revenue sharing*

The Authority, subject to certain conditions precedent which must be satisfied, will be entitled to a portion of the amount by which ARR exceeds certain annual revenue sharing thresholds (Note 8).

The amounts recognised in these financial statements in connection with the Agreement are as follows:

	2022 \$	2021 \$
<b>STATEMENT OF OPERATIONS</b>		
Foregone revenues	18,812,140	10,272,869
Terminal operating cost contribution	(33,026,845)	(33,026,845)
Minimum regulated revenue guarantee (Note 8)	(18,506,654)	(20,647,311)
Amortisation of tangible capital assets	(8,451,973)	(3,645,810)
Retained services	(5,438,997)	(5,516,653)
Energy subsidy	(3,068,633)	(2,147,636)
<b>STATEMENT OF FINANCIAL POSITION</b>		
Contractual recoveries (Note 8)	766,443	598,365
Tangible capital assets (Note 6)	418,694,724	426,060,118
Accounts payable (Note 8)	(4,609,740)	(4,814,393)
Other non-current liability (Note 9)	(403,362,127)	(388,060,844)

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

4. CASH AND CASH EQUIVALENTS

	2022 \$	2021 \$
Cash at bank	9,989,917	9,845,674
Call account	2,648,728	4,244,986
Petty cash	<u>3,500</u>	<u>3,500</u>
Total cash and cash equivalents	<u>12,642,145</u>	<u>14,094,160</u>

The effective interest rate for Authority cash and cash equivalents was less than 0.01% at March 31, 2022 and 2021.

5. RECEIVABLES

	2022 \$	2021 \$
Accounts receivable – retained services	144,800	216,671
Due from the Government of Bermuda (Note 10)	3,200,507	19,926
Contractual recoveries (Note 8)	<u>766,443</u>	<u>598,365</u>
Total receivables	<u>4,111,750</u>	<u>834,962</u>

During the year, no bad debts were provided for and no specific accounts were written off (Note 12b).

6. TANGIBLE CAPITAL ASSETS

	Land \$	New terminal \$	Other buildings and structures \$	Leasehold improve- ments \$	Furniture and fixtures \$	Vehicles, machinery and equipment \$	Computer equipment and software \$	Total \$
<b>Year ended March 31, 2022</b>								
<u>Cost</u>								
Opening balance	1	418,111,712	4,109,826	17,050,579	186,814	198,556	433,687	440,091,175
Additions	-	85,633	140,831	1,869,988	-	99,384	121,148	2,316,984
Adjustments	-	(869,041)	-	-	-	-	-	(869,041)
Transfers	-	4,477,751	-	(4,477,751)	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Closing balance	1	<u>421,806,055</u>	<u>4,250,657</u>	<u>14,442,816</u>	<u>186,814</u>	<u>297,940</u>	<u>554,835</u>	<u>441,539,118</u>
<u>Accumulated amortisation</u>								
Opening balance	-	2,538,094	540,837	6,310,134	30,429	77,016	291,889	9,788,399
Amortisation	-	8,140,336	276,732	327,409	26,688	44,423	118,390	8,933,978
Disposals	-	-	-	-	-	-	-	-
Closing balance	-	<u>10,678,430</u>	<u>817,569</u>	<u>6,637,543</u>	<u>57,117</u>	<u>121,439</u>	<u>410,279</u>	<u>18,722,377</u>
Net book value	1	<u>411,127,625</u>	<u>3,433,088</u>	<u>7,805,273</u>	<u>129,697</u>	<u>176,501</u>	<u>144,556</u>	<u>422,816,741</u>

## 6. TANGIBLE CAPITAL ASSETS (continued)

	Land	New terminal	Other buildings and structures	Leasehold improvements	Furniture and fixtures	Vehicles, machinery and equipment	Computer equipment and software	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Year ended March 31, 2021</b>								
<u>Cost</u>								
Opening balance	1	347,546,738	3,622,568	9,754,675	66,318	151,536	378,921	361,520,757
Additions	-	52,799,912	487,258	7,295,904	120,496	47,020	56,696	60,807,286
Fair value adjustment	-	17,765,062	-	-	-	-	-	17,765,062
Disposals	-	-	-	-	-	-	(1,930)	(1,930)
Closing balance	1	418,111,712	4,109,826	17,050,579	186,814	198,556	433,687	440,091,175
<u>Accumulated amortisation</u>								
Opening balance	-	-	291,139	5,133,015	20,955	40,209	170,566	5,655,884
Amortisation	-	2,538,094	249,698	1,177,119	9,474	36,807	122,663	4,133,855
Disposals	-	-	-	-	-	-	(1,340)	(1,340)
Closing balance	-	2,538,094	540,837	6,310,134	30,429	77,016	291,889	9,788,399
Net book value	1	415,573,618	3,568,989	10,740,445	156,385	121,540	141,798	430,302,776

Land and other tangible capital assets transferred to the Authority from the DAO in 2018 were recorded on the books of the Authority at a nominal value of \$1.

Capital expenditure of \$85,633 (2021 – \$52,799,912) incurred by Skyport in relation to construction of the new airport terminal (Note 3), includes capitalised interest of \$nil (2021 – \$11,571,613) paid on the financing facility entered into by Skyport in support of the project, net of investment income of \$nil (2021 – \$552,546).

At March 31, 2022, the carrying cost of the new airport terminal asset has been increased by \$nil (2021 – \$17,765,062) to reflect fair value, determined using net present value methodology.

Leasehold improvements includes construction in progress at existing airport facilities of \$1,725,709 (2021 – \$5,264,070) incurred by Skyport. Other buildings and structures includes construction in progress comprising \$19,692 (2021 – \$17,745) incurred by the Authority.

The adjustments for the New Terminal of (\$869,041) resulted from (\$30,488) of reclassifications of Government Agency costs to other Skyport assets and (\$838,553) revised final Phase 1 construction change order costs resulting in credit notes received during the year from the contractors to Skyport.

## 7. GOVERNMENT OF BERMUDA GRANTS

The Government provides non-refundable annual grants to the Authority to meet its operating expenses and to purchase capital assets. The Authority is economically dependent on these contributions to enable it to fulfill its mandate; including supplementary operating grants amounting to \$18,506,654 (2021 – \$21,003,885) required to meet quarterly GRRA funding obligations under the Project Agreement (Notes 3 and 8). The total amount of grants received for the year ended March 31, 2022 were \$32,956,654 for operations and \$242,879 for capital expenditures (2021 – \$35,253,290 and \$nil respectively). Grant revenues include \$205,378 (2021 – \$1,310,954) of previously deferred capital grant revenues (Note 10).

**8. CONTRACTUAL OBLIGATIONS, RECOVERIES AND CONTINGENCIES**

The Authority had a three-year contract with CI<sup>2</sup> Aviation (Bermuda) Limited (“CI<sup>2</sup>”), which expired on March 31, 2019, for the provision of certain Retained Services required at the Airport. Effective April 1, 2019, all remaining Bermuda staff of CI<sup>2</sup> became direct employees of the Authority. The Authority has purchased additional Aviation liability insurance coverage in respect of these Retained Services at a total annual cost of \$553,885 (2021 – \$485,258). The Authority continues to withhold payment of more than 50% of the final billing from CI<sup>2</sup> for the month ended March 31, 2019 (Note 12d).

Effective May 31, 2019, the Authority entered into an Amended and Restated Agency Procurement Principles Agreement (the “APPA”) with Skyport, for the acquisition of certain equipment to be utilised by Government agencies in the new air terminal building, at a total estimated cost of \$3,500,000. Consideration in respect of this agreement is by way of an incremental aviation security fee charged to airline passengers, and collected by Skyport, commencing in September 2019.

Effective November 1, 2019, the Authority entered into a contract with Canadian Bank Note Limited, a Canadian corporation, for the manufacture, delivery, installation, commissioning and annual maintenance of an automated passport control system and its integration with a new border management system (the “eGate Solution”) for use by a Government agency in the new air terminal building, at a total estimated cost of \$1,260,502.

A payment of \$200,000 was due on delivery of the equipment and an additional payment of \$200,000 was due on satisfactory completion of installation, training and user acceptance testing of the eGate Solution in November 2020; with the balance payable in five equal annual maintenance fee installments of \$168,078 starting in December 2020. These costs are to be recovered by the Authority from the incremental aviation security fees, annually in arrears, once Skyport have recovered 100% of their APPA costs. As at March 31, 2022, cumulative costs incurred by the Authority and recognized as contractual recoveries amounted to \$766,443 (2021 – \$598,365).

The magnitude of the impact of COVID-19 on the financial obligations of the Authority to Skyport under the terms of the Project Agreement remains uncertain, however the Minimum Revenue Guarantee provisions have been triggered and the Authority is required to fund the GRRA for any resulting shortfall in ARR collected by Skyport below the quarterly GMRR (Note 3).

At the end of any quarterly reporting period, if the GRRA balance exceeds the forecast Skyport Senior Debt Service obligations for the forthcoming twelve months, the funding requirement for that quarter will be suspended.

During the year ended March 31, 2022, the Authority transferred a total of \$20,219,717 (2021 – \$21,003,885) to the GRRA in respect of the ARR shortfall for the calendar year ending December 31, 2021 and was reimbursed \$963,794 (2021 – \$4,188,885) from the account. Skyport withdrew a total of \$18,163,000 (2021 – \$8,407,500) from the GRRA, leaving a net balance of \$9,521,785 in the account at the end of the fiscal year. Skyport have reported a total of ARR shortfall of \$10,400,267 for the calendar year ended December 31, 2022.

**8. CONTRACTUAL OBLIGATIONS, RECOVERIES AND CONTINGENCIES (continued)**

Effective September 25, 2020, the Authority entered into an air service development agreement with a U.K. based carrier (Note 16). This agreement requires the Authority to make service fee credit payments, semi-annually in arrears, in support of regularly scheduled airlift from the U.K for the period commencing March 28, 2021 and ending April 30, 2025.

Skyport is currently finalising its formal plan for the repurposing/demolition of the old Airport terminal building, the scope of which is under development. Under the terms of the PA, the Authority would be liable for the full costs of any environmental remediation work that may be required once the project commences. Preliminary estimates for these costs are approximately \$602,000 in total.

On December 21, 2020, Skyport gave notice to the Authority that it had obtained Airport property windstorm insurance coverage for less than the full replacement value of all property as required under the terms of the PA. Effective September 24, 2021, the Authority purchased annual property excess of loss windstorm insurance coverage at a cost of \$1.63 million, to increase the limit to the full replacement value of \$393 million.

Skyport have agreed to reimburse the Authority in full for the cost of this additional insurance coverage, until such time as an Independent Expert (or "IE"; as defined in the PA) can determine whether this additional coverage exceeds a prudent coverage amount (or "PCA"; as defined in the PA). The Authority would be liable to reimburse Skyport for the portion of premium costs relating to any coverage limits above the PCA determined by the IE.

During the term of the Project Agreement, a contingent asset may arise for the Authority under certain revenue sharing provisions of the Agreement. Where all the conditions precedent are deemed to be met, the Authority will be entitled to 50% of the amount by which Actual Regulated Revenues exceed certain annual revenue thresholds, as defined in the Agreement. As at March 31, 2022, all the conditions have not been met and no contingent asset has been recognised or disclosed.

**9. OTHER NON-CURRENT LIABILITY**

Other non-current liability of \$403,362,127 (2021– \$388,060,844) comprises the Authority's obligation to Skyport, for the fair value of the new airport terminal and other related leasehold improvements, under the terms of the Project Agreement (Note 3). The liability is reduced by the amount of the foregone revenues to Skyport from airport operations, including actual regulated and unregulated revenues, less interest and operating expenses incurred, which the Authority recognises over the life of the Project.

**10. RELATED PARTY TRANSACTIONS**

The Authority is related to all Government departments, ministries, agencies, funds and quasi-autonomous non-governmental organisations under the common control of the Government. Also, the Authority is related to organisations 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.

## 10. RELATED PARTY TRANSACTIONS (continued)

	2022 \$	2021 \$
<b>Transactions during the year</b>		
Revenue		
Government of Bermuda grants	<u>33,404,911</u>	<u>36,564,244</u>
Expenses		
Salaries, wages, employee benefits and related		
Payroll tax	131,855	132,733
Social insurance	81,898	80,964
Work permit fees	5,156	6,357
Leasehold expenses	<u>77,546</u>	<u>77,387</u>
	<u>296,455</u>	<u>297,441</u>
<b>Balances at end of year</b>		
Government of Bermuda grant	3,180,581	-
Retained services costs receivable	19,031	19,031
Other	<u>895</u>	<u>895</u>
Due from the Government of Bermuda	<u>3,200,507</u>	<u>19,926</u>
Government of Bermuda grant	963,794	259,035
Payroll tax payable	<u>110,898</u>	<u>107,904</u>
Due to the Government of Bermuda	<u>1,074,692</u>	<u>366,939</u>
Deferred revenues	<u>731,475</u>	<u>936,853</u>

Amounts due from/to the Government of Bermuda are unsecured, interest-free and with no fixed repayment terms. Deferred revenues represent the unspent portion of current year grants committed for certain capital projects due to be completed post year-end.

## 11. EMPLOYEE BENEFITS

a) *Pension Plans*

Employees participate in a company sponsored defined contribution plan. Contributions to this plan are required equally from both the employee and the Authority at a rate of 5% of gross salary. These contributions represent the total liability of the Authority and are recognised in the financial statements on the accruals basis. During the year, the Authority's contributions to the plan, as recorded in salaries, employee benefits and related costs were \$246,105 (2021 – \$240,581).

b) *Post-employment benefits and compensated absences*

The Authority does not currently offer post-employment benefits to its employees. Compensated absences include maternity leave, paternity leave, sick leave and vacation days. All of these benefits are unfunded. Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability at March 31, 2022 was \$239,494 (2021 – \$316,082) and is included in accounts payable and accrued liabilities.

Maternity, paternity and sick leave do not accumulate or vest and therefore an expense and liability is only recognised when applied for and approved. There were no maternity, paternity or sick leave benefits applied for or approved during the current year (other than already completed maternity and sick leave) and therefore, no liability has been accrued in the financial statements.

## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Authority has designated its financial instruments as follows:

	2022 Carrying value \$	2021 Carrying value \$
<b>Financial assets</b>		
Cash and cash equivalents	12,642,145	14,094,160
Accounts receivable	144,800	216,671
Due from the Government		
Bermuda	3,200,507	19,926
Contractual recoveries	766,443	598,365
<b>Liabilities</b>		
Accounts payable and accrued liabilities	6,802,783	6,919,304
Due to the Government of Bermuda	1,074,692	366,939

The carrying values of cash and cash equivalents, accounts receivable, due from and to the Government of Bermuda, contractual recoveries and accounts payable and accrued liabilities approximate their fair value as they are short-term in nature or can earn interest at market rates.

*a) Interest rate risk*

The Authority is not exposed to significant interest rate risk on its financial assets.

*b) Credit risk*

Credit risk arises from cash held with banks and other receivables. Credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are invested with highly rated financial institutions.

The maximum exposure to credit risk for receivables at the reporting date is represented by the carrying values on the statement of financial position. The Authority continually monitors receivables and establishes an allowance for impairment as needed that represents its estimate of incurred losses in respect of accounts receivable. The aging of these receivables at the reporting date was:

	Current to past 30 days \$	Past 60 days \$	Past 90 days \$	Total \$
<b>As at March 31, 2022</b>				
Contractual recoveries	-	-	766,443	766,443
Accounts receivable	124,443	-	20,357	144,800
Due from the Government of Bermuda	<u>3,180,581</u>	<u>-</u>	<u>19,926</u>	<u>3,200,507</u>
<b>Total receivables</b>	<u><u>3,305,024</u></u>	<u><u>-</u></u>	<u><u>806,726</u></u>	<u><u>4,111,750</u></u>

There have been no significant changes during the year in exposure to risk or policies, procedures and methods used to measure the credit risk.

## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

*c) Foreign exchange risk*

The Authority is exposed to foreign exchange risk on a GBP-denominated contract with the UK Met Office for the supply of weather modelling software and data. The cumulative estimated impact of a 3% movement in foreign exchange rates on the total remaining foreign currency contract costs would be \$nil.

*d) Liquidity risk*

Liquidity risk is the risk that the Authority will encounter difficulties meeting its financial obligations as they become due. The Authority mitigates such risk by monitoring cash activities and projected outflows through budgeting and maintaining liquid cash balances. Balances due within 12 months are met within the Authority's normal 30-day cycle of disbursements.

The following are contractual maturities of liabilities as at March 31, 2022:

	Carrying amount \$	Contractual cash flows			
		12 months or less \$	1–2 years \$	2–5 years \$	Total \$
<b>Liabilities</b>					
Accounts payable	6,802,783	6,802,783	-	-	6,802,783
Due to the Government of Bermuda	<u>1,074,692</u>	<u>1,074,692</u>	<u>-</u>	<u>-</u>	<u>1,074,692</u>
<b>Total liabilities</b>	<u><b>7,877,475</b></u>	<u><b>7,877,475</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>7,877,475</b></u>

The following are contractual maturities of obligations as at March 31, 2022:

	Carrying amount \$	Contractual cash flows			
		12 months or less \$	1–2 years \$	2–5 years \$	Total \$
<b>Obligations (Note 8)</b>					
Purchase of capital assets	29,510	28,685	825	-	29,510
Retained services	436,906	153,153	224,240	59,513	436,906
Redevelopment consultants	704,144	268,998	348,344	86,802	704,144
Professional fees	216,564	81,024	90,360	45,180	216,564
Air Service Development	5,338,716	1,612,905	3,725,811	-	5,338,716
Communication	71,195	39,647	31,548	-	71,195
Office expenses, repairs and maintenance	<u>391,343</u>	<u>177,280</u>	<u>214,063</u>	<u>-</u>	<u>391,343</u>
<b>Total obligations</b>	<u><b>7,188,378</b></u>	<u><b>2,361,692</b></u>	<u><b>4,635,191</b></u>	<u><b>191,495</b></u>	<u><b>7,188,378</b></u>

There have been no significant changes during the year in exposure to risk or in policies, procedures and methods used to measure the liquidity risk.

## 13. GENERAL AND ADMINISTRATIVE EXPENSES

	<b>Budget 2022 \$</b>	<b>Actual 2022 \$</b>	<b>Actual 2021 \$</b>
Salaries and employee benefits	2,349,558	2,343,285	2,405,272
Insurance	456,338	443,225	390,437
Professional fees	364,750	274,956	262,097
Communication and information technology related	86,030	90,492	88,771
Rent and service charges	80,333	81,048	79,669
Office expenses, repairs and maintenance	116,067	70,498	75,983
Foreign exchange loss	7,500	49,418	65,343
Other general and administrative	62,325	43,857	42,551
Meetings, travel and accommodation	<u>16,000</u>	<u>1,734</u>	<u>2,426</u>
	<u>3,538,901</u>	<u>3,398,513</u>	<u>3,412,549</u>

## 14. 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 through receipt of airport and other revenues, grants from the Government and from operating surplus. The Authority is not subject to any externally imposed capital requirements.

## 15. BUDGET

The 2022 budget amounts for foregone revenues and operating cost contribution are as per the Project Agreement financial model. All other Budget amounts were approved by the Board on March 18, 2021 and funded by Government grant contributions (Note 7).

## 16. AIR SERVICE DEVELOPMENT

Effective September 25, 2020, the Authority entered into an air service development agreement with a U.K. based carrier in support of commercial airline service from a major U.K. international airport (Note 8). The Authority was liable for a \$400,000 deposit on signing of the agreement and an additional \$403,000 on commencement of regular airline service in March 2021. At March 31, 2022 the Authority was liable for accrued service fee credits totalling \$1,422,110.

17. SUBSEQUENT EVENTS

On April 20, 2022, the Authority paid \$3.2 million into the GRRA to fund the ARR shortfall for the quarter ended March 31, 2022 and, on July 11, 2022, a further \$3.5 million for the quarter ended June 30, 2022. On August 15, 2022, Skyport withdrew \$2.2 million from the GRRA to fund debt service obligations. On October 19, 2022, the Authority paid \$3.4 million into the GRRA for the quarter ended September 30, 2022 and, on January 18, 2023, a further \$0.4 million for the quarter ended December 31, 2022. In February 2023 Skyport withdrew \$4.9 million from the GRRA to fund debt service obligations and a further \$504,512 in August 2023. The Authority received grants totaling \$10.4 million from the Government of Bermuda to cover each of these GRRA payments.

Between March 31, 2022 and the date of issuance of the financial statements of the Authority, no other events occurred that in the opinion of management could have a significant effect on the financial statements.

# Board Members



**Lawrence Scott, JP, MP**  
Chair



**Marshall E. Minors, B.Eng, P.Eng**  
Deputy Chair



**Kimberley D. Caines-Best, LLB**



**Lovitta Foggo, JP, MP**



**M. Jean Siggins**



**Scott Simmons, JP, MP**



**Lester Nelson**  
Chief Executive Officer  
(ex-officio)

## Corporate Information

### Board Committees

• Committee Chair

Directors	Finance	Governance and Risk	Human Resources	Technical
Lawrence Scott		•		
Marshall Minors	•	•		•
Kimberley Caines-Best		•	•	
Lovitta Foggo	•			•
M. Jean Siggins			•	•
Scott Simmons			•	•

**Finance:** assists the Board in determining the Authority's key financial objectives and leads the review, approval, and appropriate allocation of the Authority's capital and operating budgets. The Finance Committee also ensures the Authority maintains appropriate accounting policies and internal controls, reviews and approves the Authority's annual audit plan, and guides the Authority's response to audit findings.

**Governance and Risk:** assists the Board in fulfilling its oversight responsibilities for the Authority's governance framework, including determining and reviewing the organisations policies, systems and processes, and providing recommendations on Board appointments, development assessment, and remuneration.

**Human Resources:** assists the Board in determining the Authority's key talent and human resources objectives, including ensuring organisational alignment to the Bermuda Employment Act and related legislation, and overseeing the development of appropriate organisational HR policies. The HR Committee also recommends CEO and Authority Director appointments, ensures effective performance evaluation and staff compensation processes, and provides general oversight of performance reviews, diversity initiatives, and other HR activities.

**Technical:** assists the Board in determining the Authority's key technical objectives and ensures the Authority has the necessary management systems, processes, documents, and standards to effectively oversee risk management, quality assurance, and occupational health, safety and environmental practices. The Technical Committee also oversees the Authority's Retained Government Services and Skyport activities to ensure compliance with Aerodrome certification requirements. In addition, the Energy Sub-Committee of the Technical Committee focuses on the optimisation of existing energy usage and reports on energy related activities.

# Senior Management



**Lester Nelson**  
Chief Executive Officer



**Julie Grant**  
Chief Financial Officer



**Dr. Mark Guishard**  
Chief Administrative Officer



**Jamie Sapsford**  
Chief Operations Officer



**Michele Bean**  
Director,  
PPP Contract Management



**Mark Bourne**  
Director,  
Air Navigation Services



**Tanecia Burgess**  
Director,  
Human Resources



**Ari Ming**  
Director,  
Aerodrome Development  
and Technical Services



**Michelle Pitcher**  
Director,  
Bermuda Weather Service



**Design and Production:**  
Advantage Ltd.

**Coordination and Writing:**  
Linda Smith Associates Limited



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