



BERMUDA
Airport Authority



**2020/2021
ANNUAL REPORT**

RESILIENCE



L. F. WADE INTERNATIONAL AIRPORT

About

Vision

A trusted team, a safe, world class airport, connecting Bermuda to the world

Mission

The Authority oversees the LFWade 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 LFWade International Airport.

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

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

CONTENTS

| | |
|--|----|
| Message from the Minister | 1 |
| Message from the Chair | 3 |
| Message from the Chief Executive Officer | 4 |
| Airport Project | 6 |
| Timeline to Official Opening | 10 |
| Retained Government Services | 12 |
| Record-Breaking Hurricane Season | 14 |
| Air Service Development | 15 |
| Financial Statements | 17 |
| Board Members | 40 |
| Senior Management | 41 |



Message from the Minister of Transport

The Hon. Lawrence Scott JP MP



The Bermuda Airport Authority's mandate is to protect and advance Bermuda's interests in the redevelopment and on-going operations of the LF Wade International Airport. In its fourth year of operation, the Airport Authority successfully oversaw the completion of the new airport passenger terminal building, a milestone achievement against the backdrop of extraordinary circumstances stemming from the global COVID-19 pandemic.

The fiscal reporting year began on 1 April 2020, with Bermuda's airport operating on a restricted basis and commercial flights suspended. Commercial air service to Bermuda resumed on 7 July 2020 on a limited basis, but capacity remains slow to recover. As a result, aeronautical revenues collected by the operator Bermuda Skyport Corporation Limited (Skyport) have not met quarterly minimum revenue guarantee (MRG) targets defined in the Project Agreement. This has required the Bermuda Airport Authority to make payments to Skyport to fund the quarterly MRG shortfalls that began in June 2020.

As we navigate these very difficult times, the Bermuda Airport Authority continues to do an excellent job in managing this issue and other very complex matters as part of its oversight responsibilities. Global aviation forecasts have suggested that international travel will not return to pre-pandemic levels until 2024. As recovery progresses, the Ministry of Transport, the Bermuda Airport Authority, the Bermuda Tourism Authority and our airline partners continue to work hard to bolster travel figures. This includes looking towards locally inspired routes and programmes where we can leverage cultural exchange opportunities. The success of the summer 2021 flights from the Azores is a good example, which we would like to see extended to other jurisdictions with whom Bermuda enjoys strong cultural ties.

Additionally, we continue to be creative in identifying new travel trends in the air, on land, and on the sea that will encourage vacationers, business visitors and friends and relatives to our shores. As we continue to battle the COVID-19 pandemic, we collectively remain focused on long-term recovery and growth that we are confident will gradually return.

The Hon. Lawrence Scott, JP MP



Chair's Message



The theme of this year's annual report is **RESILIENCE**, as that is what it has taken to successfully deliver on the Bermuda Airport Authority's mandate in fiscal 2020-2021.

The fiscal year 2020-2021 began with our new air passenger terminal building construction 97% complete, and on target for a July 2020 opening. But, within days of the start of the new financial year, everything changed. There were no commercial flights arriving in Bermuda. Work at the construction site stopped, and like most of the rest of the world, economic activity ground to a near standstill.

Following an initial organisational response to ensure the health and safety of the public and our employees, the Bermuda Airport Authority quickly focused attention on how best to achieve what still needed to be done to complete construction and move forward with the opening of the new air terminal, with minimal delay. The new air passenger terminal building was completed in September 2020 and officially opened on 9 December 2020, marking the successful completion of one of Bermuda's largest-ever infrastructure projects.

Throughout the Airport Authority, our teams identified innovative ways to accomplish verification of a multitude of commissioning tests that needed to be completed, despite the complications of ever evolving

health and safety protocols and limited access and movement. At the same time the Board, management and staff continued to progress many other major and minor initiatives – meeting objectives that had been set before the pandemic.

Amongst the accomplishments were the recruitment, training and development of Bermudians for key positions at the Bermuda Weather Service (BWS) and Air Traffic Control. There was also the successful completion of significant renovations to the BWS facility and re-building air service to the island with an addition to the summer 2021 air service flight schedule.

Since its inception in March 2017, the Bermuda Airport Authority has always had a very active and involved Board who have provided outstanding professional, financial and technical insights and advice. I would personally like to thank Andrew Parsons, Robert Steynor, Judith Hall-Bean and Ian MacIntyre, all of whom retired during this reporting year, having served their respective terms with great commitment and dedication.

Lovitta Foggo, JP, MP

Chair

Bermuda Airport Authority

Message from the Chief Executive Officer

The official opening of Bermuda's new airport passenger terminal building was a milestone, successfully achieved in the midst of a global pandemic.

In 2020/2021, our primary focus was on responding to the COVID-19 pandemic and overseeing the completion of Bermuda's new airport passenger terminal building with minimal delay.

The Bermuda Airport Authority's fiscal year began with Bermuda under a State of Emergency and its population ordered to 'shelter-in-place'. The LF Wade International Airport was operating on a restricted basis with no commercial flights, a direct result of numerous airline cancellations over the preceding weeks.

As countries around the world struggled to contain the virus and global commercial air travel was sharply curtailed, worksites were closed and citizens across the globe were ordered to stay at home. Students attending schools overseas, and many workers employed abroad, returned to their countries of origin.

Bermuda was no exception. Large numbers of construction and specialist machinery and equipment crews left the island in late March 2020, and work on the airport passenger terminal redevelopment site came to a standstill. At that time, the new passenger terminal building was 97% complete.

Workers began returning to the site in late April and May, and Substantial Completion, originally scheduled for May 2020, was delayed to September. The official opening of the new airport passenger terminal building, anticipated for July, occurred in December 2020.

In April 2020, at the beginning of the COVID-19 pandemic, Bermuda experienced a 99% drop in arriving passengers compared to the previous year. This has

significantly affected the regulated revenues collected by Skyport from airport usage fees, resulting in the Bermuda Airport Authority having to make large Minimum Revenue Guarantee payments to cover the shortfall to Skyport.

RESILIENCE IN A YEAR OF UNCERTAINTY

At the height of the crisis, and beyond, our management and staff stepped-up in ways never previously anticipated. Our COVID-19 Response Team developed and implemented a comprehensive, pandemic-related work plan. Employees received regular updates on evolving health and safety workplace protocols and specific directions for safe on-site operations for essential services. Our senior management team provided colleagues with continuous updates on changes to requirements issued by the Bermuda Government and guidance to staff working remotely, including personalised support and wellness tips.

Despite an ever-changing environment, in addition to completion of the new passenger terminal building, there were many other significant accomplishments during the year. British Airways agreed to shift its service from London Gatwick to London Heathrow Airport beginning in March 2021, enabling a more diverse range of flight connections and reach within the European market. A new regular connection between Bermuda and the Azores was also added to the 2021 flight schedule. Since the start of the pandemic, we have worked closely with the Bermuda Tourism Authority (BTA) and remained in regular contact with our airline partners to ensure Bermuda is well-positioned, ready and able to welcome additional flights as global air travel continues its slow recovery.

Additionally, we remained steadfast in our commitment to the further development of our team. Three Bermudians whose air traffic controller training in the

**March 2021
marked the
fourth
anniversary
of the Bermuda
Airport Authority**

UK was postponed from March 2020 to August 2020 have subsequently completed their overseas training course, returned home and are now receiving on-the-job training. Our Bermudian graduate trainee at the Bermuda Weather Service achieved certification as a Meteorological Forecaster, and another Bermudian is completing training to become a qualified Meteorological Technician.

March 2021 marked the fourth anniversary of the Bermuda Airport Authority, which was established in March 2017 with a mandate to advance and protect Bermuda's interests in the redevelopment, operation and maintenance of the airport passenger terminal building, and delivery of air navigation and weather services.

Four of our original Board members, who had been with us since groundbreaking in April 2017 concluded their terms and retired following completion of the new passenger terminal building construction phase of the project. As Chief Executive Officer, I sincerely appreciate the commitment and hands-on involvement provided by these members. I am also grateful to our former Chairman, The Hon. Lawrence Scott, JP, MP for his support and guidance. As we move forward in these uncertain times, I value the on-going support of our present Chair and Board.

In February 2021, the Bermuda Airport Authority senior management team developed a new strategic plan for the next three-to-five years, which has been reviewed and approved by the Authority's Board. Our new strategic plan re-focuses our priorities from oversight of the airport redevelopment project to broad comprehensive monitoring of airport operations with an emphasis on safety, performance, efficiency and opportunity.

Looking back on the past year, I wish to commend my colleagues for a job well done. I specifically note the hard work and dedication of the PPP and Airport Redevelopment teams in overseeing the successful completion of one of Bermuda's largest infrastructure projects. I also extend my great appreciation to colleagues throughout our air navigation and weather services units, and our finance, human resources and administrative services teams. During this year, everyone has had to persevere and be incredibly flexible and resilient. I am proud to say that collectively, we have succeeded.



Lester Nelson
Chief Executive Officer
Bermuda Airport Authority

Airport Redevelopment Project

Bermuda's New Passenger Terminal Building

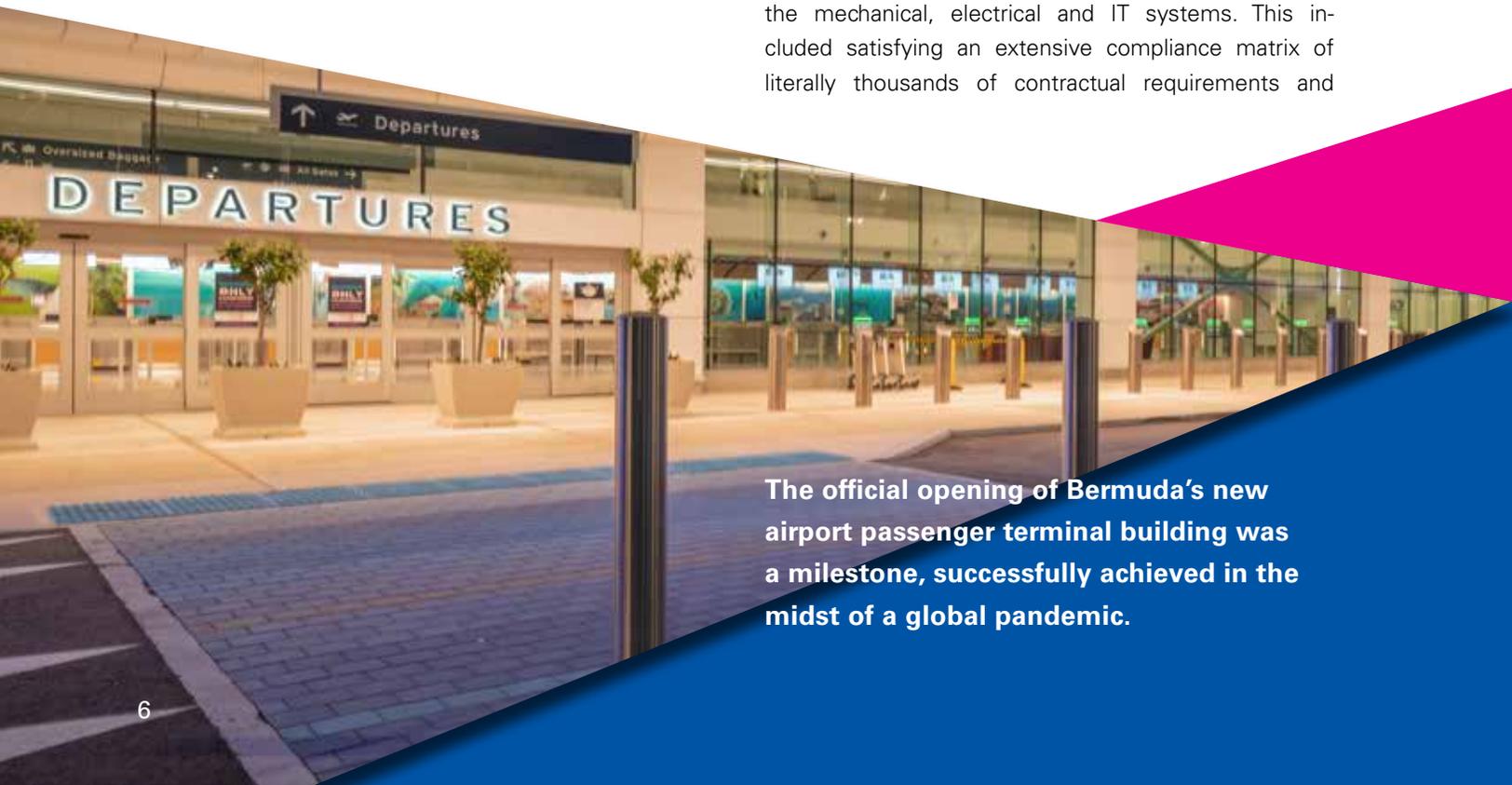
PIVOT, COMPLETION AND TRANSITION

In March 2020, with the new airport passenger terminal building 97% complete, work on the construction site came to a near stand-still for just over a month as the COVID-19 pandemic swept across the world, and Bermuda's stay-at-home, 'shelter in place', order came into effect. Most local contractors wound down activities, while those based overseas left the Island.

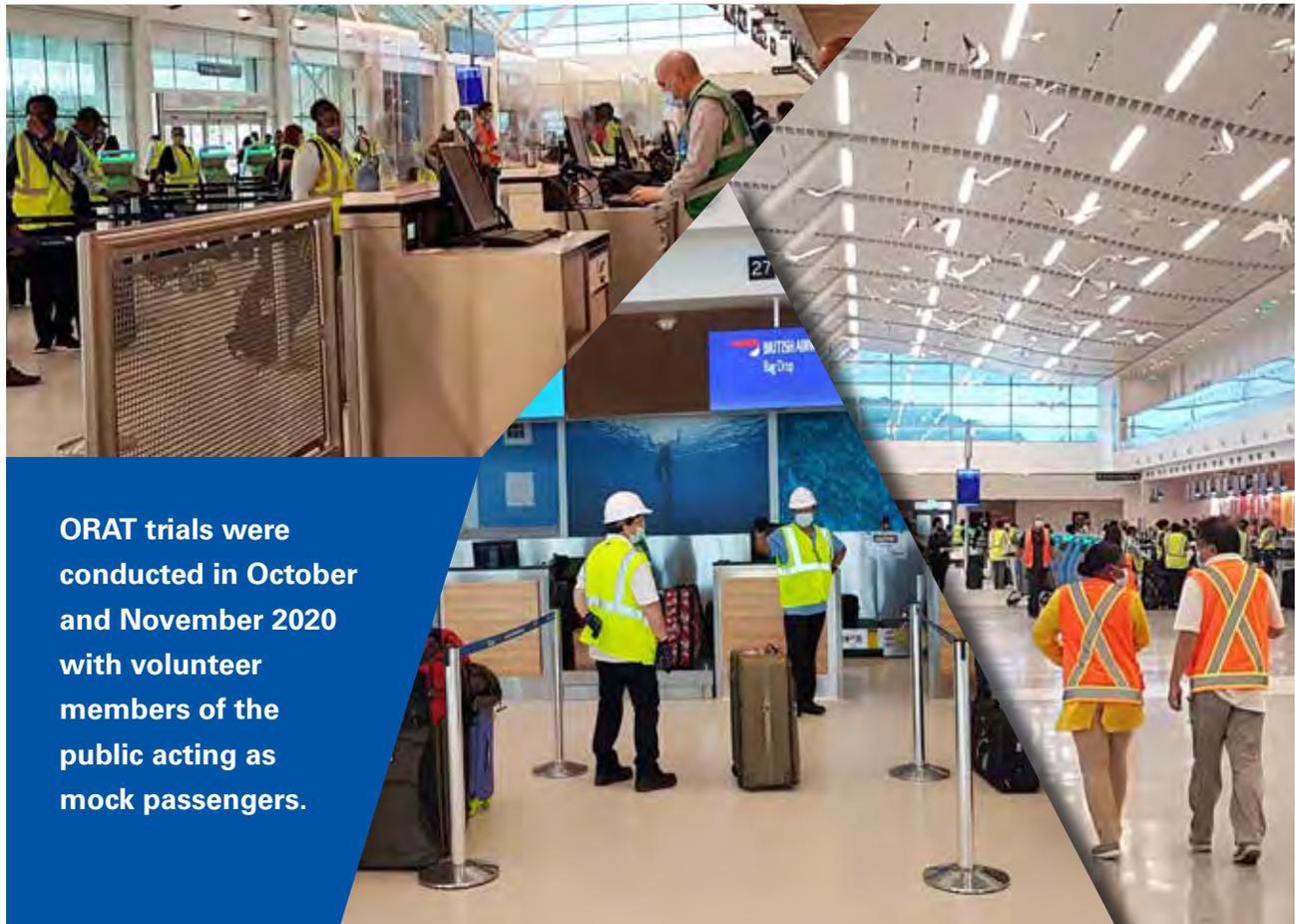
The passenger terminal building was only a few months from transitioning to full operations. Critical building systems being prepared for operational readiness, were monitored and maintained as the shut-down essentially emptied the worksite. It would be several weeks before many overseas workers returned from abroad, satisfied the 14-day quarantine requirement and had alternate work plans in place to meet the newly required health and safety protocols.

When the pandemic reached Bermuda, there were approximately 70 acceptance tests remaining to satisfy Substantial Completion before passenger trials and operational transition to the new airport terminal building could begin. Given a multitude of COVID-19 restrictions, the Authority PPP and Airport Redevelopment teams together with international technical advisors Stantec, had to find creative ways to satisfy witness testing requirements with minimum on-site access. This included relying on remote links to certain building systems and using technology to virtually participate in on-site technical reviews to observe many individual and integrated systems tests.

Confirmation of Substantial Completion required the Bermuda Airport Authority to validate that design and construction of the new passenger terminal building was completed in accordance with the Project Agreement. To achieve Substantial Completion, Skyport had to meet all specific acceptance criteria for the mechanical, electrical and IT systems. This included satisfying an extensive compliance matrix of literally thousands of contractual requirements and



The official opening of Bermuda's new airport passenger terminal building was a milestone, successfully achieved in the midst of a global pandemic.



ORAT trials were conducted in October and November 2020 with volunteer members of the public acting as mock passengers.

obligations, each one of which had to be supported with documented evidence of compliance.

Substantial Completion was achieved on 25 September, 2020. Operational Readiness and Airport Transfer (ORAT) operational trials began shortly thereafter. During both the planning and implementation stages of the ORAT programme, the Airport Authority worked closely with Bermuda Government agency stakeholders to ensure their needs were adequately met.

ORAT trials were conducted in October and November 2020 with volunteer members of the public acting as mock passengers. Many in our community, having watched the building take shape from the ground up, were eager to get an insider's look; with the call for volunteers over-subscribed.

Outfitted with coloured vests signifying their roles, volunteers carrying donated luggage were moved through numerous operational simulations replicating a wide range of both normal and unexpected scenarios. The trials included arrivals and departures, check-in and baggage claim, border control and immigration, and various levels of passenger screening and security, all with the aim of ensuring that staff and terminal systems were ready for the quickly approaching official opening. Additionally, there were multiple external systems trials, the most visible of which involved a British Airways 777, the largest commercial aircraft serving Bermuda. British Airways crews assisted Bermuda's airside teams training in aircraft docking and the use of the new passenger boarding bridges.



The milestone was marked by a small ribbon cutting ceremony.

(L to R): Aaron Adderley President Skyport, Ianthia Wade JP, MP, Lester Nelson Bermuda Airport Authority CEO, Steven Nackan President Aecon Concessions, H.E. Governor John Rankin, Lovitto Foggo JP, MP, Chair Bermuda Airport Authority.

BERMUDA’S NEW PASSENGER TERMINAL BUILDING OPENED ON 9 DECEMBER 2020

The redevelopment project, from groundbreaking to first flight movement took approximately 45 months. Original plans for multiple community events to commemorate the completion were severely curtailed as, by the time the building was ready to receive guests, the world was moving into a second wave of the COVID-19 virus spread. This resulted in increased health and safety rules significantly limiting the number of people that could participate in the opening celebrations. Given the increased risk, the milestone was marked

by a small ribbon cutting ceremony with attendance limited to VIPs, invited guests and media. The guest list included the Governor of Bermuda, the Authority’s Board Chairperson and its Chief Executive Officer, the widow of the late L. Fredrick Wade after whom the airport is named, and the respective presidents of Skyport and Aecon Concessions. Although the event was nowhere near the originally desired size or pomp and circumstance, attendees at the official opening event were treated to speeches from distinguished guests, a tour of the facility, and an opportunity to greet passengers as they disembarked the first arriving flight.

Celebration of inaugural flight



**View of the
groundside
dining area.**



Confirmation of Substantial Completion required the Airport Authority to validate thousands of contractual obligations involved in the design and construction of the building and performance of mechanical, electrical and IT systems. Acceptance tests of several site-wide operational systems, included:

At the time of this report, the world continues to battle the COVID-19 pandemic, and access to the new terminal building remains limited. Public amenities like the groundside dining area have yet to open, and the meet-and-greet area of the arrivals hall is accessible only to airline passengers exiting the building. It is hoped that these much-awaited features of the building will open soon.

The pandemic of course touched nearly every aspect of our lives. Residents have postponed overseas vacation plans, business travellers are relying on virtual gatherings, and air visitor numbers remain slow to recover. As Bermuda continues to respond to the pandemic, the Airport Authority remains focused on overseeing the effective operations of the new building and positioning Bermuda for recovery and growth. It is everyone's hope that the world has begun to turn the corner on the pandemic and can steadily move to a space where vacation and business travel return to and eventually exceed pre-COVID-19 levels. The Airport Authority is looking forward to the day when Bermuda's new passenger terminal building can operate at full potential, becoming a hub of excitement and enjoyment for our local community and overseas guests.

- Interior lighting
- Fire protection and suppression
- HVAC
- Domestic water
- Waste-water treatment
- Security access control
- Elevators
- Escalators
- The public announcement system
- Baggage handling and screening
- Passenger security and screening
- Boarding bridges
- External lighting
- Parking control



Bermuda’s new passenger terminal building is 288,000 square feet. It was purpose-built to enable multiple improvements in traveller processing and experience. The new building provides increased passenger capacity, enhanced security and greater structural resilience to extreme weather conditions. The modern design features locally themed amenities for retail, and food and beverage services including outdoor dining and seating areas both groundside and airside.



State-of-the-art technology in the new building delivers greater passenger conveniences. In addition to airline check-in desks, multiple generic kiosks are available for use by departing passengers. The kiosks provide quick and convenient check-in and baggage registration for all airlines servicing Bermuda. Importantly for those travelling to the United States, checked-in baggage is now dropped-off prior to entering the US Customs and Border Protection Pre-Clearance Hall.

RESILIENCE –TIMELINE TO OFFICIAL OPENING

March 2020

Airport operating on a restricted basis. Commercial flights suspended.

April 2020

State of Emergency, Bermuda residents ordered to ‘shelter-in-place’.

May 2020

Gradual re-opening of island. Develop procedures to safely re-open border. Limited re-opening of construction site.

June 2020

Overseas construction crews return to Bermuda, complete mandatory quarantine, and return to site.



The new terminal enables Bermuda to comply with the latest, most advanced US facility requirements for Pre-Clearance. This service, provided in Bermuda for nearly 50 years, means that US bound passengers clear US Customs and Border Protection (US CBP) in Bermuda instead of on arrival in the US, where lines and wait times are often much longer. In addition to benefitting travellers, US Pre-Clearance provides Bermuda with a competitive advantage when seeking new air services to and from the US.

The process for immigration clearance when arriving in Bermuda has also been improved. Six automated electronic clearing eGates are now used by Bermudian travellers, spouses and children of Bermudians, and Permanent Resident Certificate Holders. The eGates are helping to streamline the entry process and reduce overall wait times for Bermuda immigration clearance. It is anticipated that this border management system will be expanded to serve additional passengers over time.

July 2020

Commercial flights resume service early in the month on significantly reduced schedules.

September 2020

Substantial Completion of new passenger terminal building.

October 2020

Operational Readiness and Airport Transfer (ORAT) trials begin.

November 2020

Second surge of COVID-19 spread reduces commercial flight schedules.

December 2020

New airport passenger terminal building officially opens receiving first commercial flight.

Retained Government Services

Air Navigation & Weather Services

In the absence of regular commercial flights during the height of the pandemic, the Airport Authority team continued to provide essential public weather information and ensured Bermuda’s airport remained operational. This work included our usual provision of critical aviation and meteorological equipment services along with a range of new and unexpected tasks; including facilitating the Government of Bermuda’s pre-approval of private jet movements and assisting repatriation flights and daily air cargo arrivals.

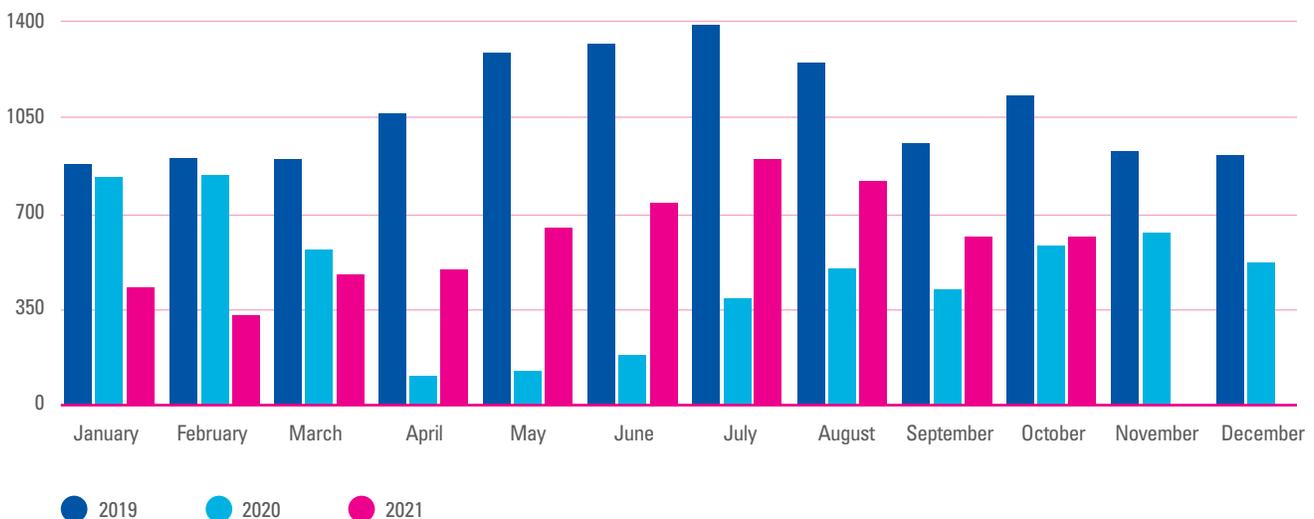
Services that could be provided remotely, were. The Airport Authority created a COVID-19 Response Team that quickly developed specific health and safety protocols tailored for each operational section including unique work plans to maintain 24/7 operations as required.

Given the diverse range of the Authority’s services and work environments, the organisation’s response to the pandemic had to be creative, thoughtful and well-communicated to meet unique section-specific needs. This was achieved in large part by leveraging technology. In addition to facilitating many of our administrative

staff to work from home, we were able to arrange remote working capabilities for our Meteorological Forecasters within the Bermuda Weather Service (BWS), which freed up additional space for Meteorological Technicians (observers) to work safely at the BWS station.

The Air Traffic Control (ATC) section, normally operating from the tower between 7am-11pm, reduced their on-site presence and increased on-call responsibilities. While off-site, they focused on administrative projects and training to maintain certifications. Working arrangements for those in the Air Traffic Engineering (ATE) section were revised to facilitative smaller working groups and alternating on-site attendance was implemented to accommodate social distancing guidelines. At the Airport Maintenance Services (AMS) section, technicians and teams were called-in as required and to carry out essential landscaping activities. AMS continued to maintain the Airport Authority’s emergency backup power generators, which were required during a very busy 2020 Hurricane Season and again, in response to an unexpected island-wide power outage on 18 December 2020.

AIR TRAFFIC YEARLY COMPARISON CHART / 2019 – 2021



In the midst of ever-changing circumstances and the lack of any new consistent norm, our section teams overcame multiple challenges to provide continuity of service throughout the on-going pandemic. While the new passenger terminal building was proceeding to completion, albeit three months later than originally expected, other work that had been scheduled to follow, proceeded as planned. This included major renovations to the building housing the BWS and ATE operations and the temporary relocation of on-site staff to secondary spaces within the air traffic control building and the Authority's administration and maintenance offices.

Local contractors gutted 75% of the BWS/ATE building to enable the long awaited replacement of flooring and renovations to restrooms, offices, meeting rooms, fixtures and fittings and a rebuild of the weather balloon launch deck that had been damaged during hurricane Paulette in September 2020. The building is now suitable for hosting in-house training and media events. As one of the Authority's locations connected to emergency power supply, the BWS/ATE building can also serve as a temporary headquarters for the Airport Authority in the event of a prolonged storm related outage or other power interruptions.

Fulfilling service commitments and moving projects forward required flexibility and ingenuity. A new weather sensor station at Commissioner's Point was successfully installed by ATE staff and integrated into BWS data feeds, despite the overseas vendor's engineer having to cancel on-site participation due to pandemic restrictions.

The ATE section successfully and safely supported numerous technical visits from the US Federal Aviation Administration (FAA) to carry out planned maintenance to the radar surveillance system, equipment which is owned by the FAA and operated and maintained by the Authority. During the pandemic, each encounter required unique COVID-19 protocols including local ATE technicians and visiting FAA personnel having to remain isolated from each other, yet complete the

work required to keep systems online and the aerodrome operational.

OUR TEAM

Throughout the many months of pandemic uncertainty, the Airport Authority persevered with its commitment to team building, career development and Bermudianisation. Three members of the Authority's senior management team completed courses toward the Institute of Directors (IoD) Certification in Company Direction. Additionally, three Bermudian air traffic control trainees attended 14-weeks of ATC theoretical and practical training at Global ATS in Gloucestershire, England. Following completion of the UK curriculum, the trainees returned to Bermuda for seven months of on-the-job training and successfully passed the Bermuda Civil Aviation Authority's theoretical and practical examinations to become qualified Air Traffic Controllers.

The Airport Authority was also pleased to welcome the return to BWS of its former Director a Bermudian Chartered Meteorologist and PHD, with 20-years' experience spanning weather, reinsurance and academic research. Another of our successes is a Bermudian trainee Meteorological Forecaster, whose further studies included attending the UK Met Office College to become the first Bermudian qualified as both a Forecaster and a Meteorological Technician, in over a decade. Another Bermudian, who was recently recruited, trained remotely with the Caribbean Institute of Meteorology & Hydrology in Barbados to achieve certification as a Meteorological Technician.

Given completion of the new passenger terminal building, the Airport Authority is transitioning its focus to the future and planning for the next several years. In February 2021, members of the senior management team began developing the Authority's second multi-year strategic plan. With the approval of the Board, 'protecting the public interest, succeeding as a team and delivering results' have become the core values guiding the Airport Authority's activities.

A RECORD-BREAKING HURRICANE SEASON

The 2020 Atlantic Hurricane Season got off to an early start with a record breaking nine named storms from May through July. There were also two major hurricanes in November, a time when the season is normally winding down, setting yet another record.

In all, there were 30 named tropical storms/hurricanes in the Atlantic, exhausting the World Meteorological Organisation’s (WMO) 21-name rotating list and causing it to begin using the Greek alphabet for only the second time; the first was 2005. Five of the named storms in 2020; Arthur, Edouard, Paulette, Teddy and Epsilon were considered threats to the island.

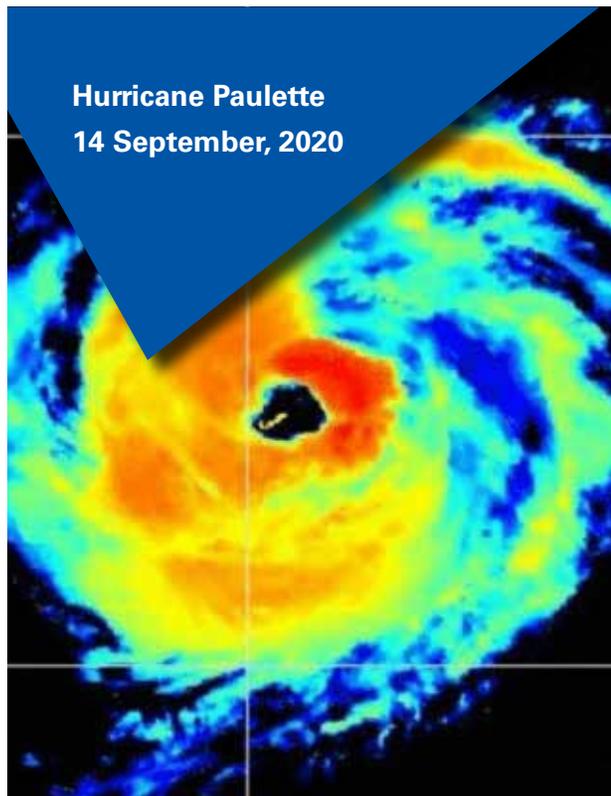
On 14 September 2020, Hurricane Paulette made history as the 100th hurricane to pass within 100 nautical miles of Bermuda. A direct hit, Paulette was a category one storm that increased in strength to category two force before exiting the local area. As Hurricane Paulette was passing BWS suffered an internet outage, fortunately it was able to rely on its collaboration with

the US National Hurricane Center (NHC) to produce weather forecasts internally and relay data to the NHC. Local data provided by BWS included weather radar imagery, atmospheric pressure, wind speeds and measurements taken from extra weather balloons that BWS Meteorological Technicians were able to launch during the storm, including during the passage of the eye.

Hurricane Paulette caused widespread power outages and horticultural damage. Within a week, Bermuda faced another threat, as Hurricane Teddy moved toward the island. Luckily, its closest point of approach on 21 September was 150 miles east of Bermuda, a distant passage that resulted in only high seas and coastal surge.

The director of BWS is a member of the WMO Hurricane Committee that prepares the annual list of names given to Atlantic tropical cyclones. The list is repeated every six years unless a storm is so deadly or costly that its name is retired from further lists. Ninety-three names have been retired since 1953.

STORMS TO HAVE COME WITHIN 100 NAUTICAL MILES OF BERMUDA IN THE PAST 20 YEARS



| Year | Number of Storms | Names |
|------|------------------|---------------------------|
| 2020 | 2 | Paulette, Edouard |
| 2019 | 3 | Jerry, Humberto, Andrea |
| 2018 | 0 | |
| 2017 | 0 | |
| 2016 | 3 | Nicole, Karl, Alex |
| 2015 | 1 | Joaquin |
| 2014 | 2 | Fay, Gonzalo |
| 2013 | 1 | Gabrielle |
| 2012 | 2 | Rafael, Chris |
| 2011 | 4 | Sean, Ophelia, Jose, Gert |
| 2010 | 3 | Shary, Igor, Fiona |
| 2009 | 0 | |
| 2008 | 1 | Bertha |
| 2007 | 0 | |
| 2006 | 1 | Florence |
| 2005 | 2 | Nate, Harvey |
| 2004 | 1 | Nicole |
| 2003 | 2 | Fabian, Ana |
| 2002 | 0 | |
| 2001 | 2 | Karen, Erin |
| 2000 | 1 | Florence |

Air Service Development

Protect and Rebuild

The Bermuda Airport Authority's mandate from the Government of Bermuda is to protect and advance Bermuda's interests in the redevelopment, operations, maintenance, and management of the LF Wade International Airport. With the redevelopment of the new terminal building complete, the Airport Authority has transitioned its focus to safeguarding and enhancing the value and earnings potential of Bermuda's newest airport asset and rebuilding regular air service.

The full consequences of the COVID-19 pandemic have yet to be experienced as new strains and surges of the virus continue to replicate globally. In April 2020, the initial impact of the pandemic was nearly zero air passengers arriving in Bermuda for over three months. It was July before the island resumed welcoming commercial flights, but on a significantly reduced schedule.

While our attention for most of the year was focused on responding to the pandemic and seeing the new passenger terminal building opening with minimal delay, we continue to target longer term recovery and commercial air service growth. We are confident that the future will see a return to Pre-COVID-19 air traffic levels, and we are looking for new and expanded routes as the global aviation industry moves through recovery. We are already seeing some positive results!

In March 2021 Bermuda's connectivity to Europe was broadened with British Airways relocating its Bermuda service to London Heathrow Airport. This proved to be a popular move which, by the summer months, was regularly exceeding 90% load factors on some days. Additionally, American Airlines' flight from Charlotte, North Carolina has proven to be a beneficial route for Bermuda as it provides solid connectivity to and from other US cities on the American Airlines' network. In June 2021 a new weekly, direct flight between Bermuda and the Azores was introduced and welcomed by both jurisdictions, strengthening already close cultural ties.

We are confident that Bermuda's convenient location, cultural diversity, and safe and welcoming atmosphere will serve as an asset as we work with our Bermuda Tourism Authority (BTA) and Skyport partners to pursue opportunities to expand air service.



BERMUDA AIRPORT AUTHORITY

Financial Statements

MARCH 31, 2021

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.

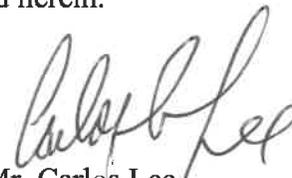
The Bermuda Airport Authority's Board of Directors through the Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Finance Committee meets periodically with management to discuss matters relating to financial reporting, 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

20 December 2021
Date



Mr. Carlos Lee
Chief Financial Officer

20 December 2021
Date



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 Transport

Opinion

I have audited the financial statements of the Bermuda Airport Authority, which comprise the statement of financial position as at March 31, 2021, 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, 2021, 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 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 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. This description forms part of my auditor's report.

Hamilton, Bermuda
December 20, 2021

A handwritten signature in black ink, appearing to read "Heather T.", written in a cursive style.

Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA AIRPORT AUTHORITY
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021
(Expressed in Bermuda dollars)

| | 2021 \$ | 2020 \$ Restated (Note 17) |
|---|----------------------|-------------------------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents (Note 4) | 14,094,160 | 8,182,004 |
| Accounts receivable (Note 5) | 216,671 | 298,140 |
| Due from the Government of Bermuda (Notes 5 and 10) | 19,926 | 3,019,926 |
| Contractual recoveries (Notes 5 and 8) | <u>598,365</u> | <u>-</u> |
| TOTAL FINANCIAL ASSETS | <u>14,929,122</u> | <u>11,500,070</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 6,919,304 | 4,811,474 |
| Due to the Government of Bermuda (Note 10) | 366,939 | 102,592 |
| Deferred revenues (Notes 7 and 10) | 936,853 | 2,247,807 |
| Other non-current liability (Note 9) | <u>388,060,844</u> | <u>287,503,379</u> |
| TOTAL LIABILITIES | <u>396,283,940</u> | <u>294,665,252</u> |
| NET DEBT | <u>(381,354,818)</u> | <u>(283,165,182)</u> |
| NON-FINANCIAL ASSETS | | |
| Prepaid expenses and other assets | 358,555 | 256,990 |
| Tangible capital assets (Note 6) | <u>430,302,776</u> | <u>355,864,873</u> |
| TOTAL NON-FINANCIAL ASSETS | <u>430,661,331</u> | <u>356,121,863</u> |
| ACCUMULATED SURPLUS | <u>49,306,513</u> | <u>72,956,681</u> |
| CONTRACTUAL OBLIGATIONS, RECOVERIES AND CONTINGENCIES (Note 8) | | |



Chairman of the Board

20 December 2021

Date



Chief Executive Officer

20 December 2021

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, 2021

(Expressed in Bermuda dollars)

| | Budget 2021 | Actual 2021 | Actual 2020 |
|---|------------------------|------------------------|------------------------|
| | \$ | \$ | \$ |
| | (Note 15) | | Restated (Note 17) |
| REVENUES | | | |
| Government of Bermuda grants (Notes 7 and 10) | 17,008,440 | 36,564,244 | 17,031,193 |
| Foregone revenues (Note 3) | 48,877,651 | 10,272,869 | 49,888,390 |
| Other revenues | <u>594,114</u> | <u>584,960</u> | <u>682,548</u> |
| TOTAL REVENUES | <u>66,480,205</u> | <u>47,422,073</u> | <u>67,602,131</u> |
| EXPENSES | | | |
| Terminal operating cost contribution (Note 3) | 25,464,750 | 33,026,845 | 25,464,750 |
| Minimum regulated revenue guarantee (Notes 3, 8 and 19) | - | 20,647,311 | - |
| Retained services (Note 3) | 5,927,451 | 5,516,653 | 5,493,165 |
| Amortisation of tangible capital assets (Note 6) | - | 4,133,855 | 3,419,424 |
| General and administrative (Note 13) | 3,436,055 | 3,412,549 | 3,212,216 |
| Energy subsidy (Note 3) | 2,160,000 | 2,147,636 | 1,771,035 |
| Redevelopment consultants | 1,461,435 | 1,384,392 | 1,843,198 |
| Air service development (Notes 8 and 16) | <u>1,208,000</u> | <u>803,000</u> | <u>3,000,000</u> |
| TOTAL EXPENSES | <u>39,657,691</u> | <u>71,072,241</u> | <u>44,203,788</u> |
| (DEFICIT) OPERATING SURPLUS | <u>26,822,514</u> | (23,650,168) | 23,398,343 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | | 72,956,681 | 48,128,043 |
| PRIOR PERIOD ADJUSTMENT (Note 17) | | - | <u>1,430,295</u> |
| ACCUMULATED SURPLUS, END OF YEAR | | <u>49,306,513</u> | <u>72,956,681</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, 2021

(Expressed in Bermuda dollars)

| | Budget 2021 | Actual 2021 | Actual 2020 |
|--|------------------------|------------------------|------------------------|
| | \$ | \$ | \$ |
| | (Note 15) | | Restated (Note 17) |
| (Deficit) operating surplus | 26,822,514 | (23,650,168) | 23,398,343 |
| Additions to tangible capital assets (Note 6) | (68,290,000) | (78,572,348) | (100,486,083) |
| Amortisation of tangible capital assets (Note 6) | - | 4,133,855 | 3,419,424 |
| Change in prepaid expenses and other assets | - | (101,565) | 12,310 |
| Disposal of tangible capital assets | <u>-</u> | <u>590</u> | <u>-</u> |
| Change in net debt | <u>(41,467,486)</u> | (98,189,636) | (73,656,006) |
| NET DEBT, BEGINNING OF YEAR | | <u>(283,165,182)</u> | <u>(209,509,176)</u> |
| NET DEBT, END OF YEAR | | <u>(381,354,818)</u> | <u>(283,165,182)</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, 2021

(Expressed in Bermuda dollars)

| | 2021 \$ | 2020 \$ Restated (Note 17) |
|---|---------------------|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Deficit) operating surplus | (23,650,168) | 23,398,343 |
| Adjustments made for: | | |
| Amortisation of tangible capital assets | 4,133,855 | 3,419,424 |
| Gain on disposal of tangible capital assets | (160) | - |
| Changes in non-cash working capital: | | |
| Decrease (increase) in accounts receivable | 81,469 | (12,900) |
| Decrease (increase) in due from the Government of Bermuda | 3,000,000 | (3,000,000) |
| Increase in contractual recoveries | (598,365) | - |
| (Increase) decrease in prepaid expenses and other assets | (101,565) | 12,310 |
| Increase in accounts payable and accrued liabilities | 2,107,830 | 2,491,435 |
| Increase in due to the Government of Bermuda | 264,347 | 56,411 |
| (Decrease) increase in deferred revenues | (1,310,954) | 1,498,807 |
| Increase in other non-current liability | <u>100,557,465</u> | <u>75,174,905</u> |
| Net cash provided by operating activities | <u>84,483,754</u> | <u>103,038,735</u> |
| CASH FLOWS FROM CAPITAL ACTIVITIES | | |
| Proceeds on disposal of tangible capital assets | 750 | - |
| Additions to tangible capital assets | <u>(78,572,348)</u> | <u>(100,486,083)</u> |
| Net cash used in capital activities | <u>(78,571,598)</u> | <u>(100,486,083)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 5,912,156 | 2,552,652 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>8,182,004</u> | <u>5,629,352</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>14,094,160</u> | <u>8,182,004</u> |

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

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

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, 2021 and 2020. 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.

BERMUDA AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 MARCH 31, 2021

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.

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

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 Authority elected to early adopt the following standard on a prospective basis from April 1, 2020:

PS 3160 Public Private Partnerships – provides guidance for the recognition, measurement, presentation, and disclosure of infrastructure procured through certain types of public-private partnership arrangements. The impact of this Standard on the financial statements has been deemed significant.

As part of the adoption of this standard, the Authority has recognised the cost of its new terminal asset at fair value, which has been calculated based on the net present value of all revenues generated by Skyport less operating costs and maintenance expense. The new terminal asset will be amortised in accordance with our current policy, but foregone revenues will be allocated between the asset and related service components on a fair value basis.

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.

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

New standard effective for fiscal years beginning on or after April 1, 2023:

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

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.

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

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 19).

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:

| | 2021 \$ | 2020 \$ Restated (Note 17) |
|--|---------------|-------------------------------------|
| STATEMENT OF OPERATIONS | | |
| Foregone revenues | 10,272,869 | 49,888,390 |
| Terminal operating cost contribution | (33,026,845) | (25,464,750) |
| Minimum regulated revenue guarantee (Notes 8 and 19) | (20,647,311) | - |
| Amortisation of tangible capital assets | (3,645,810) | (2,901,604) |
| Energy subsidy | (2,147,636) | (1,771,035) |
| STATEMENT OF FINANCIAL POSITION | | |
| Contractual recoveries (Note 8) | 598,365 | - |
| Tangible capital assets (Note 6) | 426,060,118 | 351,902,439 |
| Accounts payable (Note 8) | (4,814,393) | (880,823) |
| Other non-current liability (Note 9) | (388,060,844) | (287,503,379) |

BERMUDA AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

4. CASH AND CASH EQUIVALENTS

| | 2021 \$ | 2020 \$ |
|---------------------------------|-------------------|------------------|
| Cash at bank | 9,845,674 | 8,177,298 |
| Call account | 4,244,986 | 1,206 |
| Petty cash | <u>3,500</u> | <u>3,500</u> |
| Total cash and cash equivalents | <u>14,094,160</u> | <u>8,182,004</u> |

The effective interest rate for Authority cash and cash equivalents was less than 0.01% at March 31, 2021 and 2020.

5. RECEIVABLES

| | 2021 \$ | 2020 \$ |
|--|----------------|------------------|
| Accounts receivable – retained services | 216,671 | 298,140 |
| Due from the Government of Bermuda (Note 10) | 19,926 | 3,019,926 |
| Contractual recoveries (Note 8) | <u>598,365</u> | <u>-</u> |
| Total receivables | <u>834,962</u> | <u>3,318,066</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 improvements | Furniture and fixtures | Vehicles, machinery and equipment | Computer equipment and software | Total |
|----------------------------------|------|--------------------|--------------------------------|------------------------|------------------------|-----------------------------------|---------------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Year ended March 31, 2021 | | | | | | | | |
| <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 | <u>418,111,712</u> | <u>4,109,826</u> | <u>17,050,579</u> | <u>186,814</u> | <u>198,556</u> | <u>433,687</u> | <u>440,091,175</u> |
| <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 | - | <u>2,538,094</u> | <u>540,837</u> | <u>6,310,134</u> | <u>30,429</u> | <u>77,016</u> | <u>291,889</u> | <u>9,788,399</u> |
| Net book value | 1 | <u>415,573,618</u> | <u>3,568,989</u> | <u>10,740,445</u> | <u>156,385</u> | <u>121,540</u> | <u>141,798</u> | <u>430,302,776</u> |

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

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 |
|----------------------------------|------|--------------|--------------------------------|------------------------|------------------------|-----------------------------------|---------------------------------|-------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Year ended March 31, 2020 | | | | | | | | |
| <u>Cost</u> | | | | | | | | |
| Opening balance | 1 | 250,434,091 | 2,943,732 | 7,204,595 | 54,838 | 60,111 | 337,306 | 261,034,674 |
| Additions | - | 97,112,647 | 678,836 | 2,550,080 | 11,480 | 91,425 | 41,615 | 100,486,083 |
| Closing balance | 1 | 347,546,738 | 3,622,568 | 9,754,675 | 66,318 | 151,536 | 378,921 | 361,520,757 |
| <u>Accumulated amortisation</u> | | | | | | | | |
| Opening balance | - | - | 113,899 | 2,030,949 | 13,121 | 16,377 | 62,114 | 2,236,460 |
| Amortisation | - | - | 177,240 | 3,102,066 | 7,834 | 23,832 | 108,452 | 3,419,424 |
| Closing balance | - | - | 291,139 | 5,133,015 | 20,955 | 40,209 | 170,566 | 5,655,884 |
| Net book value | 1 | 347,546,738 | 3,331,429 | 4,621,660 | 45,363 | 111,327 | 208,355 | 355,864,873 |

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 \$52,799,912 (2020 – \$97,112,647) incurred by Skyport in relation to construction of the new airport terminal (Note 3), includes capitalised interest of \$11,571,613 (2020 – \$15,304,244) paid on the financing facility entered into by Skyport in support of the project, net of investment income of \$552,546 (2020 – \$1,510,756).

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

Leasehold improvements includes construction in progress at existing airport facilities of \$5,264,070 (2020 – \$2,771,379) incurred by Skyport. Other buildings and structures includes construction in progress comprising \$17,745 (2020 – \$nil) incurred by the Authority.

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 \$21,003,885 (2020 – \$nil) 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, 2021 were \$35,253,290 for operations and \$nil for capital expenditures (2020 – \$16,300,000 and \$2,230,000 respectively). Grant revenues includes \$1,310,954 (2020 – \$nil) of previously deferred capital grant revenues (Note 10).

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

8. CONTRACTUAL OBLIGATIONS, RECOVERIES AND CONTINGENCIES

The Authority had a three-year contract with CI² Aviation (Bermuda) Limited (“CI²”), 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 CI² 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 \$485,258 (2020 – \$385,237). The Authority continues to withhold payment of more than 50% of the final billing from CI² 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, 2021, costs incurred by the Authority and recognized as contractual recoveries amounted to \$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 GRRRA 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 GRRRA 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, 2021, the Authority transferred a total of \$21,003,885 (2020 – \$nil) to the GRRRA in respect of the ARR shortfall for the calendar year ending December 31, 2020 and was reimbursed \$4,188,885 (2020 – \$nil) from the account. Skyport withdrew a total of \$8,407,500 (2020 – \$nil) from the GRRRA, leaving a net balance of \$8,407,500 in the account at the end of the fiscal year. Preliminary forecast estimates suggest a total ARR shortfall of approximately \$24.5 million being reported by Skyport for the calendar year ending December 31, 2021 (Note 19).

Since March 14, 2020, the Authority has received a number of other notices from Skyport claiming that events that have occurred in response to COVID-19 constitute Eligible Changes in Law in respect of which Skyport and its subcontractors are entitled to relief under the terms of the Project Agreement. The Authority has not accepted that these events are Eligible Changes in Law and is of the opinion that they are appropriate responses to COVID-19 by the Government of Bermuda to protect its only acute care hospital and the wellbeing of Bermuda’s residents. As at the date of issuance of these financial statements, Skyport has not yet quantified nor substantiated the nature of any such claims.

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

8. CONTRACTUAL OBLIGATIONS, RECOVERIES AND CONTINGENCIES (continued)

Management continues to monitor and evaluate the impact of this evolving situation, however, in respect of the Authority's operations, measures have been taken by management to modify work schedules (including staff working remotely where able) to better manage staff health and safety concerns during the pandemic, reduce business operating costs and defer planned non-critical capital expenditures; all while still maintaining the requisite level of retained services at the airport required by international and local aviation regulatory bodies.

Effective September 25, 2020, the Authority entered into an air service development agreement with a U.K. based carrier (Note 16). This agreement will require 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, 2021, 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 \$388,060,844 (2020 as restated – \$287,503,379) 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 (Notes 3 and 17). 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.

BERMUDA AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 MARCH 31, 2021

10. RELATED PARTY TRANSACTIONS (continued)

| | 2021 \$ | 2020 \$ |
|--|-------------------|-------------------|
| Transactions during the year | | |
| Revenue | | |
| Government of Bermuda grants | <u>36,564,244</u> | <u>17,031,193</u> |
| Expenses | | |
| Salaries, wages, employee benefits and related | | |
| Payroll tax | 132,733 | 115,102 |
| Social insurance | 80,964 | 84,376 |
| Work permit fees | 6,357 | 14,430 |
| Leasehold expenses | <u>77,387</u> | <u>77,702</u> |
| | <u>297,441</u> | <u>291,610</u> |
| Balances at end of year | | |
| Government of Bermuda grant | - | 3,000,000 |
| Retained services costs receivable | 19,031 | 19,031 |
| Other | <u>895</u> | <u>895</u> |
| Due from the Government of Bermuda | <u>19,926</u> | <u>3,019,926</u> |
| Government of Bermuda grant | 259,035 | - |
| Payroll tax payable | <u>107,904</u> | <u>102,592</u> |
| Due to the Government of Bermuda | <u>366,939</u> | <u>102,592</u> |
| Deferred revenues | <u>936,853</u> | <u>2,247,807</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 \$240,581 (2020 – \$229,488).

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, 2021 was \$316,082 (2020 – \$134,876) 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.

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Authority has designated its financial instruments as follows:

| | 2021 | 2020 |
|--|-------------|-------------|
| | Carrying | Carrying |
| | value | value |
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 14,094,160 | 8,182,004 |
| Accounts receivable | 216,671 | 298,140 |
| Due from the Government | | |
| Bermuda | 19,926 | 3,019,926 |
| Contractual recoveries | 598,365 | - |
| Liabilities | | |
| Accounts payable and accrued liabilities | 6,919,304 | 4,811,474 |
| Due to the Government of Bermuda | 366,939 | 102,592 |

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 |
|------------------------------------|----------------------------|-----------------|-----------------|----------------|
| | \$ | \$ | \$ | \$ |
| As at March 31, 2021 | | | | |
| Contractual recoveries | - | - | 598,365 | 598,365 |
| Accounts receivable | 213,144 | - | 3,527 | 216,671 |
| Due from the Government of Bermuda | - | - | 19,926 | 19,926 |
| | <u>213,144</u> | <u>-</u> | <u>621,818</u> | <u>834,962</u> |
| Total receivables | <u>213,144</u> | <u>-</u> | <u>621,818</u> | <u>834,962</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.

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

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 \$1,010.

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, 2021:

| | Carrying amount \$ | Contractual cash flows | | | |
|-------------------------------------|--------------------------|-------------------------------|-----------------|-----------------|------------------|
| | | 12 months or less \$ | 1–2 years \$ | 2–5 years \$ | Total \$ |
| Liabilities (Note 8) | | | | | |
| Accounts payable | 6,919,304 | 6,919,304 | - | - | 6,919,304 |
| Due to the Government of Bermuda | <u>366,939</u> | <u>366,939</u> | <u>-</u> | <u>-</u> | <u>366,939</u> |
| Total liabilities | <u>7,286,243</u> | <u>7,286,243</u> | <u>-</u> | <u>-</u> | <u>7,286,243</u> |

The following are contractual maturities of obligations as at March 31, 2021:

| | Carrying amount \$ | Contractual cash flows | | | |
|---|--------------------------|-------------------------------|-----------------|-----------------|------------------|
| | | 12 months or less \$ | 1–2 years \$ | 2–5 years \$ | Total \$ |
| Obligations (Note 8) | | | | | |
| Purchase of capital assets | 823,351 | 319,117 | 168,078 | 336,156 | 823,351 |
| Retained services | 262,866 | 242,607 | 20,259 | - | 262,866 |
| Redevelopment consultants | 132,750 | 132,750 | - | - | 132,750 |
| Professional fees | 136,509 | 136,509 | - | - | 136,509 |
| Communication | 19,548 | 19,548 | - | - | 19,548 |
| Office expenses, repairs and maintenance | <u>21,194</u> | <u>21,194</u> | <u>-</u> | <u>-</u> | <u>21,194</u> |
| Total obligations | <u>1,396,218</u> | <u>871,725</u> | <u>188,337</u> | <u>336,156</u> | <u>1,396,218</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.

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

13. GENERAL AND ADMINISTRATIVE EXPENSES

| | Budget 2021 | Actual 2021 | Actual 2020 |
|--|------------------------|------------------------|------------------------|
| | \$ | \$ | \$ (Note 18) |
| Salaries and employee benefits | 2,355,058 | 2,405,272 | 2,226,502 |
| Insurance | 383,103 | 390,437 | 332,925 |
| Professional fees | 354,750 | 262,097 | 261,724 |
| Communication and information technology related | 81,267 | 88,771 | 72,330 |
| Rent and service charges | 80,333 | 79,669 | 80,082 |
| Office expenses, repairs and maintenance | 95,719 | 75,983 | 96,138 |
| Other general and administrative | 62,325 | 42,551 | 46,892 |
| Meetings, travel and accommodation | 16,000 | 2,426 | 87,709 |
| Foreign exchange loss | <u>7,500</u> | <u>65,343</u> | <u>7,914</u> |
| | <u>3,436,055</u> | <u>3,412,549</u> | <u>3,212,216</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 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 April 16, 2020 and funded by Government grant contributions (Note 7).

16. AIR SERVICE DEVELOPMENT

Effective May 6, 2019, the Authority entered into a minimum revenue guarantee agreement with a U.S. based carrier in support of regular daily airlift from certain North American cities for the period commencing November 1, 2019 and ending April 30, 2020. In September 2020, the Authority paid the maximum guarantee amount of \$3,000,000 to the carrier.

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.

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

17. PRIOR PERIOD ADJUSTMENT

During 2021, the Authority identified certain aeronautical revenues, specifically fuel throughput fees, that had been omitted in error from Skyport's quarterly GMRR certification of regulated revenues for all periods from inception through to March 31, 2021. As a result, a number of 2020 balances have been restated to correct these errors as follows:

| | As restated \$ | As previously stated \$ |
|--|-------------------|-------------------------------|
| Other non-current liability (March 31, 2020) | 287,503,379 | 289,613,745 |
| Net debt, end of year (March 31, 2020) | (283,165,182) | (285,275,548) |
| Net debt, end of year (March 31, 2019) | (209,509,176) | (210,939,471) |
| Accumulated surplus (March 31, 2020) | 72,956,681 | 70,846,315 |
| Accumulated surplus (March 31, 2019) | 49,558,338 | 48,128,043 |
| Foregone revenues (March 31, 2020) | 49,888,390 | 49,208,319 |
| Operating surplus (March 31, 2020) | 23,398,343 | 22,718,272 |

18. COMPARATIVE FIGURES

Certain comparative figures for the year ended March 31, 2020 have been reclassified and restated to conform to the current year's presentation.

19. SUBSEQUENT EVENTS

On April 21, 2021, the Authority paid \$3.9 million into the GRRA to fund the ARR shortfall for the quarter ended March 31, 2021 and, on July 21, 2021, a further \$7.8 million for the quarter ended June 30, 2021. On August 12, 2021, Skyport withdrew \$8.6 million from the GRRA to fund debt service obligations. On October 20, 2021, the Authority paid \$8.5 million into the GRRA for the quarter ended September 30, 2021. The Authority received supplemental grants totalling \$16.0 million from the Government of Bermuda to cover each of these GRRA payments.

Between March 31, 2021 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



Lovitta Foggo, JP, MP
Chair



Marshall E. Minors, B.Eng, PEng
Deputy Chair



Craig Bridgewater, FCA, CIA



Kimberley D. Caines-Best, LLB



Jeannie Siggins



Scott Simmons, JP, MP

Corporate Information

Board Committees

• *Committee Chair*

| Directors | Finance | Governance and Risk | Human Resources | Technical |
|-----------------------|---------|---------------------|-----------------|-----------|
| Lovitta Foggo | • | • | | |
| Marshall Minors | • | • | | • |
| Craig Bridgewater | • | • | | |
| Kimberley Caines-Best | | • | • | |
| Jeannie 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 organisation's 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 & environment practises. The Technical Committee also oversees the Authority's Retained Government Services and Skyport activities to ensure compliance with Aerodrome certification requirements.

Senior Management



Lester Nelson
Chief Executive Officer



Carlos C. Lee, MBA, CPA, CGMA
Chief Financial Officer



Jamie Sapsford
Chief Operations Officer



Justin Simons
Chief Administrative Officer



Michele Bean
Director,
PPP Contract Management



Mark Bourne
Director,
Aviation Service Delivery



Wendell Burchall
Director,
Airport Redevelopment Consultant



Tanecia Burgess
Director,
Human Resources



James Campbell
Director,
PPP Project



Dr. Mark Guishard
Director,
Bermuda Weather Service



Ari Ming
Director,
Aerodrome Development
and Technical Services

Design and Production:

Advantage Ltd.

Coordination and Writing:

Linda Smith Associates Limited

Photography:

Ari Ming

Linda Smith Associates Limited

Skyport



BERMUDA
Airport Authority

Bermuda Airport Authority

Bldg. 332 East

11 Waller's Point Road

St. George's DD03

Bermuda

T: 441-242-2000

www.airportauthority.bm

E: info@airportauthority.bm