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Message from the Chairperson of the Board

Dear stakeholders,

I am extremely pleased, as Chair of the Board of Directors of the Bermuda Civil Aviation Authority, to report to you on the Authority's activities and accomplishments for the period covering 1st April 2019 to 31st March 2020.

Throughout the year, our staff and management team did an extraordinary job of guiding the organisation through the unprecedented conditions that the onset of the COVID-19 pandemic precipitated, all while maintaining their focus on our primary mandate of regulating and providing safety oversight for Bermuda's aviation industry.

One of the highlights of the year came in September 2019 when the Authority's Director General, Thomas Dunstan, was celebrated as Aviation Industry Executive of the Year (Global) in the 2019 Business Worldwide CEO Awards. These annual awards identify and honour the most respected C-level executives around the world, from a variety of sectors. In selecting Thomas as the recipient of the award, Business Worldwide's research team recognised "his outstanding leadership through times of change" and in particular his deft handling of BCAA's transition from a government department to a semi-autonomous organisation and the significant operational, human resources, business development and marketing planning that ensued. The Board is proud of our Director General's achievements and commend Thomas for this well-deserved honour.

We were also very happy with the results of the International Civil Aviation Organisation (ICAO) audit that took place in May 2019. As Thomas explains in his message in the pages that follow, our team worked hard in the lead-up to the audit to ensure that the Authority was well prepared and was rewarded; for those efforts and we scored extremely well. These impressive results help reinforce BCAA's position as one of the world's leading aircraft registries. Congratulations to the team on a job well done!

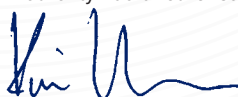
As I've mentioned in the past, consistency in Board membership is crucial to the ongoing success of organisations that operate in the public sphere. At BCAA, we are fortunate to have had the same committed group of Directors on the Board for the past several years; that continuity has been instrumental in our ability to provide effective oversight and strategic direction. Most of the Board's

committees are also well established, and the work of the business development subcommittee, led by Board members Clive Langley and Lynesha Lightbourne, continued through the year.

Throughout the year, the Authority continued to focus on succession planning as the foundation of our human resources strategy for the future. We strive to groom our existing staff members to rise up through the ranks of the organisation and offer many professional development opportunities for them to do so. This focus on the long term positions BCAA well for the years ahead and ensures we have the expertise in place to fulfil our mandate. Other human resources milestones in 2019-2020 included reaching a new collective bargaining agreement with the Bermuda Public Services Union (BPSU) and conducting a review of the salaries of the Authority's non-unionised staff.

This report covers a period that ended just as the global COVID-19 pandemic was beginning. I would be remiss if I didn't comment on the remarkable way our staff and management teams responded to the uncertainty surrounding the crisis. In addition to making the pivot to remote work seamlessly, the Authority launched two innovative initiatives designed to support customers during the unpredictable times. First, in recognition of the fact that many customers had to cease operations, BCAA allowed registrants to defer their fee payments in an effort to alleviate the financial stresses they were undoubtedly facing. Second, we switched our focus to promoting storage registration instead of active registration given that most aircraft were grounded during this time. Through these initiatives we showed our clients that BCAA is here to support them in good times and in bad.

In closing, I would like to thank my fellow Board members for their hard work and commitment over the past year – the Authority is indeed fortunate to have such a talented group of individuals working to further its aims. I also extend my gratitude to all of the men and women who make up BCAA's staff, management and leadership. Thanks to you, the Authority had another successful year and is poised for future growth.



Kim Wilkerson
Chairperson of the Board



Message from the Director General

At the Bermuda Civil Aviation Authority, putting customers at the centre of everything we do is the core business philosophy that drives our entire organisation. We are committed to being the best possible choice for aircraft registration, both locally and globally, and strive to achieve that goal, day in and day out, through an approach that is pragmatic and responsive, flexible and transparent, and above all, reliable. Leveraging our wealth of aviation industry experience and credibility, BCAA provides customers with solutions that go beyond simple registration and ensure their overall experience is second to none. I am honoured to have the opportunity to report on why this was particularly true throughout the period of 1st April 2019 to 31st March 2020.

To be successful, BCAA's customer-centric focus must apply at every level and aspect of our operations. For instance, in the year ended 31st March 2020, we continued to make our human resources a priority through in-house training, succession planning and professional development initiatives. We are dedicated to developing the skills and responsibilities of the staff that we currently have on board which enables them to advance their careers while solidifying the organisation's foundation.

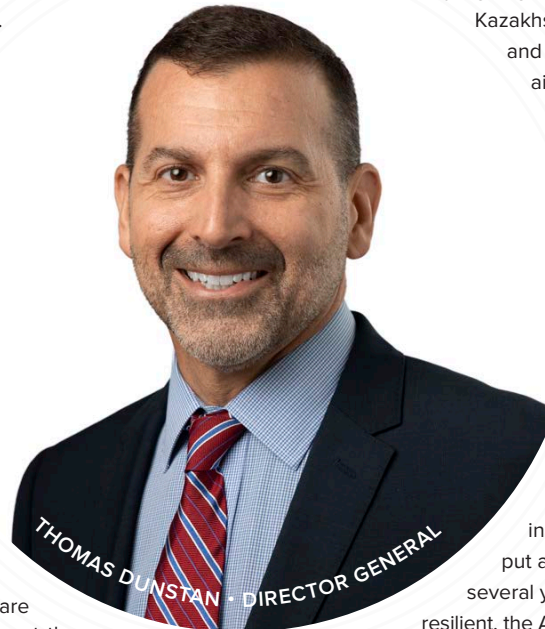
Over the year, we hired a new Airworthiness Director and two Airworthiness Inspectors. This additional depth to our operations will further reduce wait times for customers and allow us to offer higher service levels and quicker response times. In addition, the plans to replace the Authority's Aircraft Information Records System (AIRS) are well underway. Once fully implemented, we expect the system will be more transparent and more seamless, resulting in enhanced efficiencies for both customers and the Authority.

In last year's Annual Report, I shared the news that BCAA would be audited by the International Civil Aviation Organisation (ICAO) in May 2019 and that we had prepared by conducting a mock audit in January. I am pleased to report that all of our planning and preparation work paid off. The Authority scored extremely well which shows the world how well we handle our regulatory oversight and establish BCAA as a reliable regulatory body. This excellent outcome is a testament to the hard work of our staff and management teams and provides evidence to our current and potential customers worldwide that they have made the right choice.

April 2019 marked a significant milestone for Bermuda-based Longtail Aviation when an investment team led by aviation veteran Fabian Bello acquired the company. The infusion of capital that accompanied the

deal meant that Longtail, which has the distinction of being Bermuda's only Air Operator Certificate (AOC) holder, had the opportunity to redefine its business model by shifting from a corporate aircraft operation to an air cargo operation – a shift that was particularly timely given the impact that the COVID-19 pandemic had on air freight. The Authority was pleased to be instrumental in ensuring that Longtail was then able to pursue this new business model by processing its new certification in a short period of time – all while our team was working remotely!

During the year ended 31st March 2020, BCAA continued to make geographic diversification a critical part of our strategy by signing an ICAO Article 83 *bis* agreement with Kazakhstan. This agreement allows operators and leasing companies to register their aircraft with the Bermuda Aircraft Registry, further expanding our global reach.



Of course, the end of this fiscal year will likely be best remembered as the beginning of the COVID-19 global pandemic. At BCAA, we started closely monitoring the progress of COVID-19 in January 2020. In keeping with our commitment to ensure the safety of our staff – and heeding advice from Government and health officials – we made the decision for everyone to start working from home in the middle of March. Because we had put a lot of systems into place over the past several years to make our operations more resilient, the Authority was well-positioned to make the pivot to working from home and the transition was essentially seamless. This was just one more example of our ongoing efforts to remain competitive and always put our customers first.

Finally, I am extremely grateful to our staff and management teams for their extraordinary efforts throughout the year, and particularly as we moved to working remotely. Despite the challenges presented by the pandemic, the Authority continued to thrive, thanks primarily to your hard work, diligence and commitment to keeping clients front and centre – well done!

Thomas Dunstan
Director General

Our Directors

JAMES DOCKERAY



CLIVE LANGLEY



HERMAN TUCKER • DEPUTY CHAIRMAN



KIM WILKERSON • CHAIRPERSON



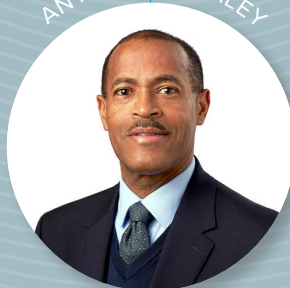
THOMAS DUNSTAN • EX-OFFICIO



LYNESA LIGHTBOURNE



ANTHONY WHALEY



JULIE GRANT



Our Vision

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



Our Mission

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

Our Philosophy

FLEXIBLE

PUTTING YOU AT THE CENTRE OF EVERYTHING WE DO

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

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

RESPONSIVE

TRANSPARENT

PRAGMATIC

Overview of Organisation

The Bermuda Civil Aviation Authority (BCAA) was established on 1st October 2016 as a Quasi-Autonomous Non-Governmental Organisation (QUANGO) in the form of a Body Corporate to continue with the work that was previously carried out by the Department of Civil Aviation of the Bermuda Government.

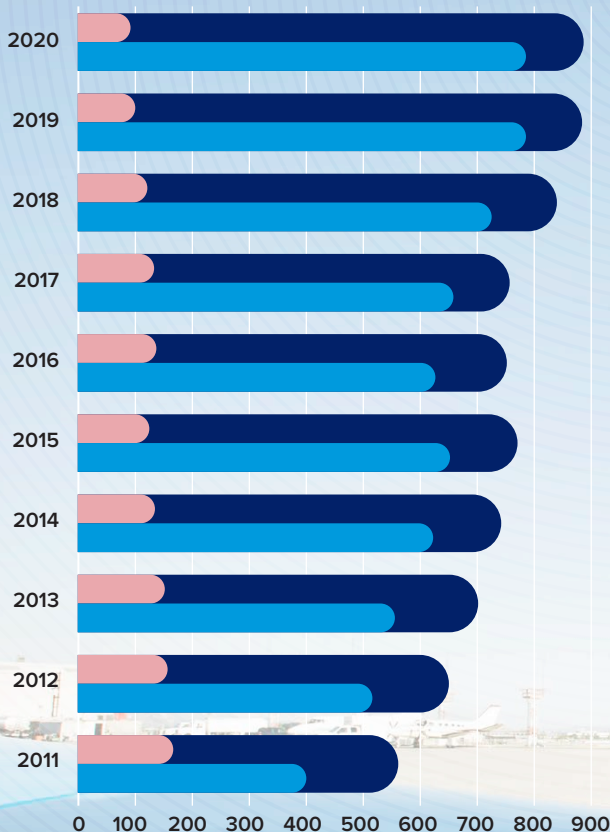
BCAA has a responsibility for the safety oversight of all local aviation activity which includes the aerodrome (including Air Traffic Management, Meteorological Services, Communications Navigation and Surveillance); certifying/inspecting one Bermuda air operator; dangerous goods oversight; foreign air operator oversight; and issuing of flight permits. BCAA does little cost recovery for the provision of these services which are essentially paid for with the revenue from the aircraft registry services.

In delivering its services, BCAA is guided by the advice of the Governor in regards to the regulatory and statutory functions it undertakes on behalf of the United Kingdom. Business matters are governed by the Board of Directors which provides strategic direction to the Director General (DG) of the Bermuda Civil Aviation Authority. The DG is responsible

for the implementation of this direction and the day-to-day operational and business matters.

The Bermuda Aircraft Registry enjoys an excellent reputation internationally as a safe, well-regulated register. Significant growth in the Registry over many years reflects the status of Bermuda as a preferred jurisdiction for certification, with excellent credibility, and high standards of regulation. The Bermuda Aircraft Registry includes private aircraft (92 aircraft) and commercial aircraft (790 aircraft). The major portion of growth over the past 10 years has been with commercial air transport category aircraft.

Normally such aircraft would have to be registered in their country of operation, however, through the use of ICAO Article 83 *bis* Agreements, certain aircraft can be registered in one State while operating in another. Through these agreements, some of the responsibilities of the State of Register are transferred to the State of Operator. Three such Agreements are currently active with the Russian Federation (777 aircraft), Azerbaijan (15 aircraft), and Tajikistan (2 aircraft). An Article 83 *bis* Agreement was established with the Republic of Kazakhstan on 26th November 2019.



BCAA REGISTERED AIRCRAFT

TOTAL

PRIVATE

COMMERCIAL

Strategic Objectives

1: Preparations for the ICAO USOAP audit.

- Gather the most recent ICAO protocols and share these documents with BCAA technical staff. ☒ *Completed*
- Establish BCAA Working Group related to USOAP Preparations. ☒ *Completed*
- Conduct ICAO USOAP Workshop. ☒ *Completed*
- Complete USOAP protocols as related to BCAA remit. ☒ *Completed*
- Review and Update SAAQ. ☒ *Completed*
- Conduct a mock audit and determine gaps in the BCAA Safety Oversight System. ☒ *Completed*
- Develop and complete implementation of revised safety oversight requirements. ☒ *Completed*
- Review and Update SAAQ. ☒ *Completed*
- Conduct a final review of protocol questions to finalise BCAA responses. ☒ *Completed*
- Conduct USOAP Workshop for all technical staff related to ICAO Onsite audit. ☒ *Completed*
- USOAP Audit Bermuda. ☒ *Completed*

2: Enhance the performance of the BCAA SOMS (SSP).

- Conduct an internal audit on Bureau Veritas contractor. ☒ *Completed*
- Conduct an internal audit of the Airworthiness and Flight Operations safety oversight programmes. ☐ *See note...*

Note: As ICAO will be conducting an audit of the BCAA safety oversight system in May 2019, internal QAs will not be required in 2019.

- Revise the Risk Register policy and procedure. ☐ *Ongoing*
- Identify and establish Safety Performance Indicators (SPIs). ☐ *Ongoing*
- Establish acceptable level of safety performance (ALoSP) as defined by selected safety indicators with corresponding target and alert levels. ☐ *Ongoing*

3: Pro-actively identify and address areas requiring increased safety-risk management (by the industry, and by the BCAA).

- Employ hazard analyses and risk assessments to ensure BCAA policy decisions are risk-based. ☐ *Ongoing*



- Determine BCAA requirements for trending and analysing safety-related data. ☐ *Ongoing*
- Develop a data-driven, performance-based oversight programme for Article 83 bis airworthiness. ☐ *Ongoing*

4: Enhance safety culture.

- Publish, promote and implement a BCAA enforcement policy that establishes the conditions and circumstances under which providers may use their SMS to deal with and resolve events involving specified safety deviations. ☒ *Completed*

- Train staff and designated inspectors on the enforcement policy, and on the importance of safety culture in proactive safety management - both to assist them in evaluating SMS, and to enhance the sharing of safety-related information with the service providers they regulate. ☒ *Completed*

5: Implement the approved organisational structure by filling all vacant staff positions.

- Conduct a review and update all technical job descriptions. ☒ *Completed*
- Enhance the developmental training and succession planning of staff to ensure that they are ready for positions requiring

- Hire a Director of Airworthiness. ☒ *Completed*
- Organisational restructuring to enhance the role of Business Development. ☒ *Completed*

6: Diversify the Register of Aircraft to maintain current revenue streams and identify new revenue streams.

- Identify the impediments to diversification. ☒ *Completed*
- Develop and implement a diversification strategy to overcome these impediments. ☒ *Completed*

- Article 83 bis Iran. ☐ *On Hold*
- Article 83 bis Saudi Arabia. ☐ *Ongoing*
- Article 83 bis Kazakhstan. ☒ *Completed*

7: Develop and implement an advertising and communications plan

- Identify stakeholders and determine the advertising/communications strategies for each. ☒ *Completed*
- Determine the gaps that exist with current advertising/communications activities. ☒ *Completed*
- Develop an implementation plan to address the gaps. ☒ *Completed*
- Implement the plan. ☒ *Completed*
- Evaluate the outcomes. ☒ *Completed*

8: Improve efficiency and functionality of the aircraft information system

- Develop an RFP for replacement of AIRS. ☒ *Completed*
- Review the tenders. ☒ *Completed*
- Award the contract. ☒ *Completed*
- Develop and implement the AIRs replacement system. ☐ *Ongoing*

9: Strengthen BCAA Due Diligence procedures

- Review BCAA current due diligence procedures. ☒ *Completed*
- Review due diligence procedures utilised by other registries. ☒ *Completed*
- Review local and international stakeholders requirements. ☒ *Completed*
- Establish more robust BCAA due diligence procedures. ☐ *Ongoing*

Safety Plan

The UK has established legislation relating to civil aviation in the Overseas Territories. The Governor, as the appointed representative of the UK in Bermuda, has specific responsibilities for fulfilling the obligations of the UK as defined in the ICAO Convention on International Civil Aviation. The UK Department for Transport establishes overall aviation policy in the UK, in cooperation with the Foreign and Commonwealth Office (FCO) for the Overseas Territories (OTs).

First and foremost BCAA is an aviation safety regulator. In conjunction with the Business Plan, BCAA develops the Safety Plan which communicates the activities that the organisation plans to implement in order to ensure continuous improvement in aviation safety. The resources required to implement the objectives of the Safety Plan are an integral part of the Business Plan.

By outlining the priorities for the BCAA and for Bermuda's aviation industry, and by highlighting the BCAA accomplishments, the Safety Plan achieves two important results. First, it provides information that allows the various organisations that make up Bermuda's aviation industry to align their activities with each other and with their regulator. In this way, the effectiveness and efficiency of the civil aviation system will be improved. Second, it holds the BCAA accountable to the Governor, to the Board and to the industry for achieving its objectives. Each contributes to the continued strengthening of Bermuda's safety oversight system, and to ongoing improvements in the systematic and proactive management of safety.

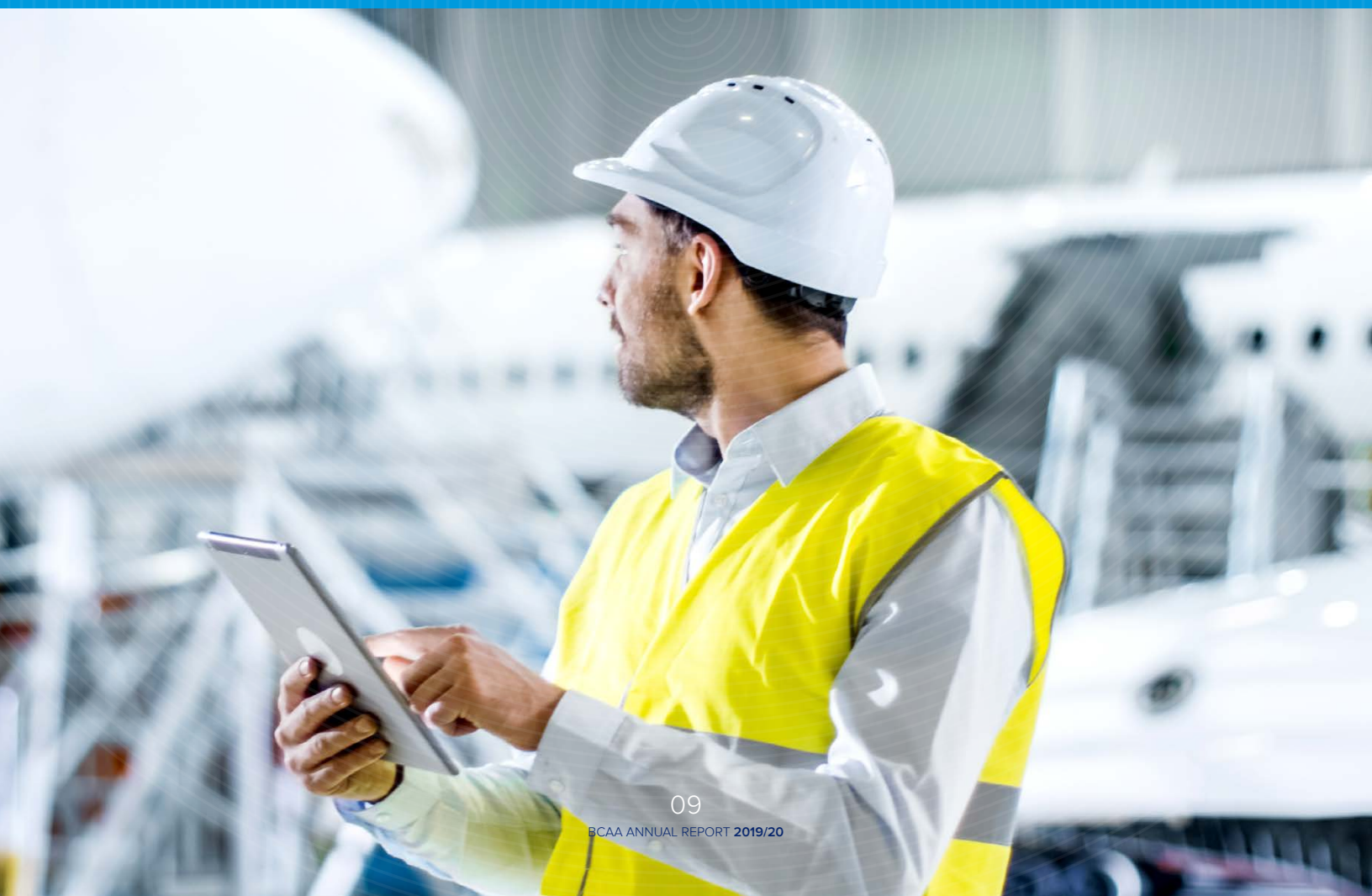
The Safety Plan has been developed for the same three-year period as the Business Plan and will be updated as required on an annual basis.

To achieve its vision, the BCAA will remain focused on the following three strategic safety aims:

- To enhance the performance of safety management systems (SMS) being operated by the aviation industry;
- To improve the effectiveness and sustainability of BCAA's regulatory and oversight programmes; and
- To enhance safety culture of all stakeholders throughout the Bermuda civil aviation system.

To ensure that the Safety Plan receives the widest possible distribution, an electronic version of the plan is available on the BCAA website.

In May 2019 BCAA was audited by ICAO under the Universal Safety Oversight Audit Programme (USOAP). In order to ensure the best outcome from the audit BCAA assigned the highest priority to preparations for the audit. The ICAO audit consisted of a detailed review of the BCAA safety oversight system. The results from the audit were very positive.



2019/20 Achievements

Asian Sky Group Market Survey

Contract with **Seabury Solutions** agreed for creation of **eAuthority platform**, signed August 2019

Article 83 *bis* Agreement established with the **Republic of Kazakhstan**

ICAO conducted a Universal Safety Oversight Audit Programme (USOAP)

Achieved a **very high score** for the five areas audited during USOAP

New **Director of Airworthiness** hired

New **Collective Bargaining Agreement** with Bermuda Public Service Union signed 2020 – 2023

Private aircraft registration **fees reduced**

Work from home implemented

Participated in **Anti-Terrorist Financing Working Group** for Government of Bermuda

First **financial audit** as an Authority (for 2016/17) concluded in 2019/20 fiscal year

Increase in **retirement age** approved

Qualified Dangerous Goods Inspector

Flight Operations Officer returns from overseas secondment

Financial Section

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SUMMARY OF FINANCIAL PERFORMANCE

For the year ended 31st March 2020

Operational Results

Operating revenue consists primarily of income from the issuance of Certificates of Airworthiness. Other operating revenues are from Registrations, Flight Operations licenses and the issuance of other Airworthiness certificates. Total revenues were consistent with the previous year.

General Administration expenses consist of salaries and employee benefits for thirty-six employees (an increase of two from last fiscal year), travel, advertising and promotion, rent and miscellaneous other administrative expenses. The underspend in this category is due mainly from funding for vacant positions.

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

Operating Surplus was \$19.5 million for the fiscal year, 22% above budget and 6% higher than the Operating Surplus of the previous fiscal year. The number of aircraft on the Bermuda Registry decreased slightly during 2019/20 from 888 to 882, however Airworthiness revenue increased from the previous year.

In accordance with the BCAA Act 2016 the Authority is required to transfer its Net Surplus to the Consolidated Fund as agreed between the Board and the Minister of Tourism & Transport. To date, ninety-seven percent of the 2019/20 Net Surplus has been paid to the Consolidated Fund. The balance will be paid at the conclusion of the audit.

Financial Position

Cash decreased to \$16.5 million at the end of March 2020 down from \$32.7 million at the end of March 2019. The decrease in Cash is due to Net Surpluses totalling \$36.7 million paid to the Consolidated Fund during the 2019/20 fiscal year, consisting of the final payment for fiscal years 2016/17 and 2017/18 and advance payments for fiscal years 2018/19 and 2019/20. Trade Accounts Receivable decreased slightly from the previous year. The Allowance for Doubtful Accounts was reduced and balances written-off decreased from the previous year.

The Distribution to the Consolidated Fund consists of amounts payable to the Government of Bermuda as at 31st March 2020 from Net Surplus and is significantly reduced due to the \$36.7 million paid to the Consolidated Fund during the year.

The Accumulated Surplus remained unchanged.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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 authorised and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

The **Bermuda Civil Aviation Authority's Board of Directors** through the **Finance Committee**, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The **Finance Committee** meets periodically with management to discuss matters relating to financial reporting, internal control and the audit. The **Finance Committee** also reviews the financial statements before recommending approval by the **Board of Directors**. The financial statements have been approved by the Board of Directors and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.



Thomas Dunstan

Director General

Date: 9th November 2021



Delia Basden

Director of Finance

AUDITOR GENERAL'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Opinion

I have audited the financial statements of the Bermuda Civil Aviation Authority, which comprise the statement of financial position as at 31st March 2020, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bermuda Civil Aviation Authority as at 31st March 2020, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Bermuda Civil Aviation Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in Bermuda, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with public sector accounting standards generally accepted in Bermuda and Canada, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bermuda Civil Aviation Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bermuda Civil Aviation Authority or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Bermuda and Canada will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Bermuda and Canada, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements (whether due to fraud or error), design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bermuda Civil Aviation Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bermuda Civil Aviation Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bermuda Civil Aviation Authority's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, related safeguards.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the Office of the Auditor General website at: www.oagbermuda.bm. This description forms part of our auditor's report.

Hamilton, Bermuda
November 9, 2021

Heather Thomas, CPA, CFE, CGMA
Auditor General

STATEMENT OF FINANCIAL POSITIONAs at 31st March 2020

	2020 \$	2019 \$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	16,515,790	32,702,501
Accounts receivable (Note 4)	627,858	666,784
Accrued interest	32,431	32,144
	17,176,079	33,401,429
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	1,622,576	1,136,403
Due to the Government of Bermuda (Note 5)	48,534	46,760
Deferred revenue	5,834,624	4,339,473
Distribution to the Consolidated Fund of the Government of Bermuda (Notes 5 and 10)	6,951,262	24,151,033
Post-employment benefits and compensated absences (Note 7)	771,366	532,126
Life and disability benefits (Note 8)	244,253	362,357
	15,472,615	30,568,152
NET FINANCIAL ASSETS	1,703,464	2,833,277
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	1,659,421	505,199
Prepaid expenses	137,115	161,524
	1,796,536	666,723
ACCUMULATED SURPLUS (Note 10)	3,500,000	3,500,000
CONTRACTUAL OBLIGATIONS (Note 14)		

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

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUSFor the year ended 31st March 2020

	2020 Budget (Note 17) \$	2020 \$	2019 (Note 18) \$
REVENUE (Note 11)			
Gross Airworthiness	31,332,000	32,051,587	30,582,904
Discounts on Airworthiness	(400,000)	(916,013)	(643,939)
Net Airworthiness	30,932,000	31,135,574	29,938,965
Other income	50,000	359,156	156,824
Flight operations	220,000	242,140	245,081
Registrations	102,000	94,880	98,500
Reimbursements	4,500	503	10,569
	31,308,500	31,832,253	30,449,939
EXPENSES			
General administration (Note 12)	10,066,080	7,817,743	7,635,779
Professional services (Note 13)	5,080,000	4,344,722	4,264,628
Amortisation of tangible capital assets (Note 9)	95,200	101,502	87,526
Bad debts (Note 4)	15,000	19,040	39,337
Impairment of capital assets under development (Note 9)	—	—	20,653
	15,256,280	12,283,007	12,047,923
ANNUAL SURPLUS	16,052,220	19,549,246	18,402,016
ACCUMULATED SURPLUS, BEGINNING OF YEAR		3,500,000	1,500,000
Add: Transfer to reserve fund		—	2,000,000
Less: Transfer from accumulated surplus (Note 5)		—	(2,000,000)
Less: Distribution to the Consolidated Fund of the			
Government of Bermuda (Notes 5 and 10)		(19,549,246)	(16,402,016)
ACCUMULATED SURPLUS, END OF YEAR		3,500,000	3,500,000

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

STATEMENT OF CHANGES IN NET FINANCIAL ASSETSFor the year ended 31st March 2020

	2020 Budget (Note 17) \$	2020 \$	2019 \$
NET FINANCIAL ASSETS, BEGINNING OF YEAR	—	2,833,277	717,657
Annual Surplus	16,052,220	19,549,246	18,402,016
Distribution to the Consolidated Fund of the Government of Bermuda (Notes 5 and 10)	—	(19,549,246)	(16,402,016)
Transfer from accumulated surplus	—	—	(2,000,000)
Transfer to reserve fund	—	—	2,000,000
Acquisition of tangible capital assets (Note 9)	(2,441,000)	(1,287,149)	(184,472)
Amortisation of tangible capital assets (Note 9)	—	101,502	87,526
Adjustments of tangible capital assets under development (Note 9)	—	31,425	—
Change in prepaid expenses	—	24,409	191,913
Impairment of tangible capital assets under development	—	—	20,653
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	13,611,220	(1,129,813)	2,115,620
NET FINANCIAL ASSETS, END OF YEAR	13,611,220	1,703,464	2,833,277

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

BERMUDA CIVIL AVIATION AUTHORITY

STATEMENT OF CASH FLOWS

For the year ended 31st March 2020

	2020 \$	2019 \$
Cash flows from Operating Activities		
Annual Surplus	19,549,246	18,402,016
Adjustment for items not affecting cash:		
Amortisation of tangible capital assets	101,502	87,526
Impairment of tangible capital assets under development	—	20,653
Adjustments of tangible capital assets under development	31,425	—
Bad Debts	19,040	39,337
Actuarial (gain) loss	45,105	(40,540)
Changes in non-cash working capital:		
Decrease in accounts receivable	19,886	368,315
Increase in accrued interest	(287)	(10,988)
Increase (Decrease) in accounts payable and accrued liabilities	486,173	(359,739)
Increase in deferred revenues	1,495,151	1,343,929
Increase in post-employment benefits and compensated absences	194,135	169,917
(Decrease) Increase in life and disability benefits	(118,104)	13,227
Increase (Decrease) in due to the Government of Bermuda	1,774	(11,341)
Decrease in prepaid expenses	24,409	191,913
Net Cash generated from Operating Activities	21,849,455	20,214,225
Cash flows from Capital Activities		
Acquisition of tangible capital assets	(1,287,149)	(184,472)
Net Cash used in Capital Activities	(1,287,149)	(184,472)
Cash flows from Financing Activities		
Net distribution to the Consolidated Fund of the Government of Bermuda	(36,749,017)	(17,000,000)
Net Cash used in Financing Activities	(36,749,017)	(17,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(16,186,711)	3,029,753
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	32,702,501	29,672,748
CASH AND CASH EQUIVALENTS, END OF YEAR	16,515,790	32,702,501
SUPPLEMENTARY INFORMATION:		
Interest received	114,660	70,680

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

NOTES TO THE FINANCIAL STATEMENTS

31st March 2020

1. Authority

The Bermuda Civil Aviation Authority (the “Authority” or “BCAA”), was established by the Bermuda Civil Aviation Authority Act 2016 (the “Act”). The Authority is responsible for the regulation and safety oversight of aviation in Bermuda and all aircraft on the Bermuda Aircraft Registry. Previously known as the Department of Civil Aviation, the BCAA became an Authority on 1st October 2016.

Bermuda is a United Kingdom (“UK”) Overseas Territory and although it is regulated by the UK Department for Transport, the safety oversight system is separate from that of the UK. The regulatory requirements are established as the Overseas Territories Aviation Requirements which are in full compliance with the standards and recommended practices of the International Civil Aviation Organisation.

2. Significant Accounting Policies

(a) Basis of preparation

Pursuant to standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, the Authority is classified as an Other Government Organisation. These financial statements have been prepared by management in accordance with public sector accounting standards (“PSAS”) generally accepted in Bermuda and Canada. The accounting policies considered particularly significant are set out below.

(b) Functional and presentation currency

These financial statements are presented in Bermuda Dollars, which is the Authority’s functional currency. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

(c) Measurement uncertainty

These financial statements are prepared in accordance with PSAS generally accepted in Bermuda and Canada. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of estimates include the estimated useful lives of tangible capital assets, bad debt allowance, tangible capital assets impairment, pension and other post-employment benefits costs.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates. Revisions to estimates are recognised prospectively.

(d) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Operations and Accumulated Surplus.

NOTES TO THE FINANCIAL STATEMENTS31st March 2020**(e) Tangible capital assets and amortisation**

Tangible capital assets are carried at cost less accumulated amortisation and are classified according to their functional use. Tangible capital assets are amortised from the time an asset is substantially completed and ready for productive use. Tangible capital assets are not amortised while under development.

The cost of tangible capital assets under development includes materials, labor and other costs that are directly attributable to the development of a capital asset.

Tangible capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in the normal course of business.

Amortisation of tangible capital assets is calculated on a straight-line basis using the following estimated useful lives:

	Years
Computer equipment	3
Vehicle	5
Capital lease	5 or lease-term, whichever is shorter
Furniture and office equipment	5-7
Software	10

A month's amortisation is charged in the month the asset is brought into use.

(f) Accounts receivable

Accounts receivable are initially recognised at cost and subsequently carried at amortised cost, less any impairment losses. A provision for impairment of accounts receivable is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables. Indicators that the accounts receivable is impaired are: significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 365 days overdue). The carrying amount of accounts receivable is reduced using a provision account, and the amount of the loss is recognised in the Statement of Operations and Accumulated Surplus. When a trade receivable is uncollectible, it is written off against the provision account for accounts receivable.

(g) Cash and cash equivalents

Cash and cash equivalents include all cash held with financial institutions that can be withdrawn without prior notice or penalty, and call accounts with an original maturity of three months or less from the date of acquisition.

(h) Financial instruments

The Authority classifies its financial instruments under cost or amortised cost category.

i. Cash and cash equivalents

Cash and cash equivalents are recognised at cost.

ii. Receivables

Accounts receivable, accrued interest and due from related parties are initially recognised at cost and subsequently carried at amortised cost, less any impairment losses.

iii. Liabilities

Accounts payable and accrued liabilities, due to the Government of Bermuda, distribution to the Consolidated Fund of the Government of Bermuda, post-employment benefits and compensated absences and life and disability benefits, are initially recognised at cost and subsequently carried at amortised cost.

Transaction costs related to the financial instruments are added to the carrying value of financial instruments in the cost or amortised cost category when they are initially recognised.

Write-downs on financial assets are recognised when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognised in the Statement of Operations and Accumulated Surplus.

It is management's opinion that the Authority is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS31st March 2020**(i) Employee benefits***i. Short-term employee benefits*

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

ii. Post-employment benefits - pension obligations

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

iii. Other post-employment obligations

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

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

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

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

(j) Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation because of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation. The movement in the provision is recognised within the Statement of Operations and Accumulated Surplus.

(k) Revenue

Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the Authority's activities. The Authority recognises revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the Authority. The amount of revenue is not considered to be reliably measurable until all relevant contingencies have been met for the Authority's activities described in Note 11. Amounts received prior to the end of the year, which relate to revenues that will be earned in the subsequent year, are reported as deferred revenue.

(l) Expenses

Operating expenses are reported on the accrual basis. The cost of all goods consumed, and services received during the year are expensed. Advanced payments for goods or services to be received in the future are recognised as prepaid expenses.

(m) Statement of remeasurement gains and losses

A statement of remeasurement gains and losses has not been presented as the Authority does not have any significant financial assets or liabilities that would give rise to remeasurement gains or losses.

NOTES TO THE FINANCIAL STATEMENTS31st March 2020**3. Cash and Cash Equivalents**

	2020	2019
	\$	\$
Cash in bank	3,515,790	19,702,501
Call accounts	13,000,000	13,000,000
Total cash and cash equivalents	16,515,790	32,702,501

Cash equivalents include three (3) interest-bearing call deposits with maturities of three (3) months. Upon maturity the accounts roll over. The three interest-bearing call deposits held as at 31st March 2020 have principal amounts of \$5,000,000, \$5,000,000 and \$3,000,000 with interest rates of 0.83%, 0.977% and 1.811% respectively.

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

4. Accounts Receivable

	2020	2019
	\$	\$
Accounts receivable	642,740	683,751
Allowance for doubtful accounts	(14,882)	(16,967)
Accounts receivable (net)	627,858	666,784

The carrying amounts of accounts receivable approximate their fair value. As at 31st March 2020, trade receivables of \$298,816 (2019: \$304,664) were past their due date but were not considered doubtful.

Bad debts expense for the year ended 31st March 2020 amounted to \$19,040 (2019: \$39,337) and is included in the Statement of Operations and Accumulated Surplus.

Accounts receivable balances amounting to \$21,125 (2019: \$26,196) were written-off in the year ended 31st March 2020.

NOTES TO THE FINANCIAL STATEMENTS31st March 2020**5. Related Party Transactions**

The Authority is related to all Government of Bermuda (the “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. The Authority had the following transactions with the Government:

	2020 \$	2019 \$
Transactions during the year:		
Transfer to the Consolidated Fund of the Government of Bermuda	36,749,017	17,000,000
Rent to Bermuda Land and Development Corporation	324,904	324,904
Work permit fees	20,085	7,855
	2020 \$	2019 \$
Balances at the end of the year:		
Due to the Government of Bermuda	48,534	46,760
Distribution to the Consolidated Fund of the Government of Bermuda	6,951,262	24,151,033
Details of distribution to the Consolidated Fund of the Government of Bermuda:		
	2020 \$	2019 \$
Balance beginning of the year	24,151,033	24,749,017
Net surplus to be transferred to the Consolidated Fund of the Government of Bermuda	19,549,246	16,402,016
Transfer to the Consolidated Fund of the Government of Bermuda	(36,749,017)	(17,000,000)
	6,951,262	24,151,033

NOTES TO THE FINANCIAL STATEMENTS31st March 2020**6. Accounts Payable and Accrued Liabilities**

The account consists of:

	2020	2019
	\$	\$
Trade accounts payable	668,903	563,165
Accrued liabilities	333,430	320,461
Customer advance	599,974	232,005
Pension payable	15,269	6,787
Lease payable	5,000	13,985
	1,622,576	1,136,403

On 5th April 2017, the Authority entered into a capital lease for the use of an office equipment. The lease period is for 36 months ending on 31st March 2020 with a monthly rental fee of \$440.

On 25th September 2018, the Authority entered into a capital lease for the use of office equipment. The lease period is for 36 months ending on 25th September 2021 with a monthly rental fee of \$285.

The lease payable amounting to \$5,000 represents the remaining balance for these obligations. In calculating the value of the lease payable, the minimum lease payments have not been discounted to its present value as the interest expense is not deemed to be significant.

7. Post-Employment Benefits and Compensated Absences**(a) Pension plans****Defined contribution**

Registered Plan is for Bermudian employees and members of staff that are the spouse of a Bermudian, and is in accordance with the National Pensions Scheme (Occupational Pensions) Act 1998. The Non-Registered pension plan which is for non-Bermudian employees and spouses mirrors the Registered Plan in all ways except that vested contributions can be withdrawn at the end of employment with the Authority. The plans are administered by a local pension provider.

On 1st February 2018, the Authority commenced an automatic enrollment defined contribution pension plan for its UK-based employees. The plan is administered by a UK pension provider. The Authority contributes 5% of the employee's salary and the employee contributes a percentage of their salary that satisfies UK Government pension regulations. For the year ended 31st March 2020, the amount of \$18,127 (2019: \$26,825) was contributed by the Authority.

The Authority has an enhanced pension plan for employees that transferred from Government to compensate for the change from a Defined Benefit Plan to a Defined Contribution Plan. The employee's contribution is 5% however the Authority's contribution is 8%, 12.5% or 19% depending on the age and length of service of the employee. Employees hired since 1st October 2016 have employee contributions of 5% and this is matched by the Authority. For the year ended 31st March 2020, the amount of \$300,811 (2019: \$362,126) was contributed by the Authority. This includes retrospective pension adjustment of \$8,482 that relates to prior years.

NOTES TO THE FINANCIAL STATEMENTS31st March 2020**(b) Post-employment healthcare**

The Authority operates an unfunded post-employment healthcare benefit scheme. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes with the addition of actuarial assumptions relating to long-term increases in healthcare costs.

The principal actuarial assumptions at the date of valuation:

	2020	2019
1. Discount Rate	5%	5%
2. Medical trend rate	7% decreasing by 1% per annum to an ultimate rate of 3% after 5 years	7% decreasing by 1% per annum to an ultimate rate of 3% after 5 years
3. Expected Average Remaining Service Lifetime (EARSL)	11.1 years	11.3 years

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

Age	2020 %	2019 %
25 and under	5	5
26-30	10	10
31-35	15	15
36-40	30	30
41-45	50	50
46-50	70	70
51-55	90	90
56-60	95	95
61 and over	100	100

The amount of \$743,056 (2019: \$446,014) is recognised in the Statement of Financial Position upon the advice of a professionally qualified actuary. Further details of the valuation are presented below:

	2020 \$	2019 \$
Present value of obligation:		
Balance, beginning of year	446,014	323,907
Current service cost	85,805	147,314
Interest cost	22,301	16,195
Plan amendment*	163,735	—
Actuarial loss (gain)	34,746	(41,402)
Benefits paid	(9,545)	—
Balance, end of year	743,056	446,014

*The plan amendment in the current fiscal year relates to the amendment in retirement age of 68 from 65.

NOTES TO THE FINANCIAL STATEMENTS31st March 2020**(c) Special retirement benefit**

Employees are entitled to retirement leave benefit based upon their years of service at the time of retirement. The retirement leave accumulates and is vested. A liability is accrued each year. During the year, no retirement leave benefits were paid. Further details are presented below.

The principal actuarial assumptions at the date of valuation:

	2020	2019
1. Discount Rate	5%	5%
2. Rate of Salary Increase	2.50%	2.50%

Employees may leave prior to completing a sufficient number of years of service and hence forfeit their benefit. Assumed rates of termination prior to age 70 are indicated in the following table:

2020			2019		
Age Nearest	Males %	Females %	Age Nearest	Males %	Females %
25 and under	5	5	25 and under	5	5
26-30	10	10	26-30	10	10
31-35	15	15	31-35	15	15
36-40	30	30	36-40	30	30
41-45	50	50	41-45	50	50
46-50	70	70	46-50	70	70
51-55	90	90	51-55	90	90
56-60	95	95	56-60	95	95
61 and over	100	100	61 and over	100	100

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

The amount of \$28,310 (2019: \$86,112) is recognised in the Statement of Financial Position with the advice of a professionally qualified actuary. Further details of the valuation are presented below:

	2020 \$	2019 \$
Accrued benefit obligation		
Balance – beginning of year	86,112	78,842
Current service cost	1,014	2,466
Interest cost	1,247	3,942
Actuarial loss	10,359	862
Benefits paid	(9,247)	—
Adjustment*	(61,175)	—
Balance – end of year	28,310	86,112

*Adjustment relates to a Special Retirement benefit that was paid by the Government in October 2016 for three employees. This had not been factored in by the Actuary in prior years and current year balance.

NOTES TO THE FINANCIAL STATEMENTS31st March 2020**(d) Compensated absences**

Full-time regular employees are eligible for a variety of benefits including Long-Term Disability coverage, Life insurance and Accidental Death and Dismemberment insurance (Note 8), and Medical insurance. Compensated absences include maternity leave, paternity leave, sick leave and vacation days. These benefits are unfunded.

Maternity and paternity leave does not accumulate nor vest and therefore an expense and liability are only recognised when extended leave is applied for and approved. There were no maternity benefits and paternity benefits applied for nor approved during the year and therefore, no liability has been accrued in the accounts.

Sick leave does not accumulate nor vest, and like maternity and paternity leave, a liability is recorded only when extended leave is applied for and approved. There was no extended sick leave applied for nor approved during the year and therefore, no liability has been accrued in the accounts.

Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation as of 31st March 2020 is \$153,009 (2019: \$136,352) and is included in accounts payable and accrued liabilities.

8. Life and Disability Benefits

The Authority maintains a Group Life benefit plan with a local provider. The plan provides 100% salary to an employee's beneficiaries up to the age of 65. After age 65 the benefit reduces to 50%, after age 70 the benefit is \$50,000 and after age 75 the benefit terminates. The plan is supplemented for employees transferred from the Department of Civil Aviation that are over the age of 65. The Authority accrues the difference between the employee's salary and the benefit the Group Life provider will pay to covered employees over the age of 65. As at 31st March 2020, this benefit was \$244,253 (2019: \$362,357).

9. Tangible Capital Assets

	Capital lease	Furniture, office equipment	Computer equipment	Software	Vehicle	Capital assets under development	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
At 1st April 2018	39,364	150,022	150,416	828,503	42,812	—	1,211,117
Additions	10,260	13,652	33,287	28,446	—	98,827	184,472
Impairment	—	—	—	—	—	(20,653)	(20,653)
At 31st March 2019	49,624	163,674	183,703	856,949	42,812	78,174	1,374,936
Additions	—	18,822	31,022	—	—	1,237,305	1,287,149
Transfers	—	—	—	41,154	—	(41,154)	—
Adjustments	—	—	—	—	—	(31,425)	(31,425)
At 31st March 2020	49,624	182,496	214,725	898,103	42,812	1,242,900	2,630,660
Accumulated amortisation							
At 1st April 2018	26,731	107,414	90,567	553,218	4,281	—	—
Amortisation	4,365	8,246	33,472	32,881	8,562	—	87,526
At 31st March 2019	31,096	115,660	124,039	586,099	12,843	—	869,737
Amortisation	5,220	11,248	37,706	38,766	8,562	—	101,502
At 31st March 2020	36,316	126,908	161,745	624,865	21,405	—	971,239
Net Book Value 31st March 2019	18,528	48,014	59,664	270,850	29,969	78,174	505,199
Net Book Value 31st March 2020	13,308	55,588	52,980	273,238	21,407	1,242,900	1,659,421

The cost of the Authority's aircraft registry logo amounting to \$31,425 previously reported under capital assets under development was charged to expense in the current fiscal year.

NOTES TO THE FINANCIAL STATEMENTS31st March 2020**10. Accumulated Surplus**

Section 12 of the Act states that the funds of the Authority shall consists of: (a) the authorised and paid-up capital, (b) the operating fund and (c) the reserve fund.

The paid-up capital together with the reserve fund is not to exceed the Authority's authorised capital of \$3,500,000. Any excess surplus must be paid to the Consolidated Fund of the Government of Bermuda.

The movements in the operating fund, paid-up capital and reserve fund were as follows:

	Operating Fund	Paid-up capital	Reserve Fund	Total
	\$	\$	\$	\$
ACCUMULATED SURPLUS, BEGINNING OF THE YEAR	—	500,000	3,000,000	3,500,000
Operating surplus for the year	19,549,246	—	—	19,549,246
Distribution to the Consolidated Fund of the Government of Bermuda (Note 5)	(19,549,246)	—	—	(19,549,246)
ACCUMULATED SURPLUS, END OF THE YEAR	—	500,000	3,000,000	3,500,000

11. Revenue**(a) Airworthiness**

These fees represent the main operational revenue of the Authority, which is generated from all aircraft on the Bermuda Aircraft Register. Each certificate that is issued by the Airworthiness section is associated with a fee which is governed by Air Navigation (Fees for Certificates and Services) Regulation 2012 effective on 1st October 2012.

(b) Flight operations

This source of revenue is derived from the issuance of Air Operator's Certificates, Private Aircraft Operating Approvals, Aerial Work Permissions and certain Flight Operational approvals. The single certified Air Operator conducts ad hoc VIP charter flights on demand.

(c) Registrations

These fees are derived from aircraft mortgage transcripts and registrations.

(d) Reimbursements

This relates to a reimbursement from a staff member for union savings and donations collected for a local charity.

(e) Other Income

Other income resulted from the following:

	2020 \$	2019 \$ (Note 18)
Interest income	147,091	102,824
Discount received from insurance policy	120,000	54,000
Recoveries from service provider	85,000	—
Bad debt recoveries	7,065	—
	359,156	156,824

Recoveries from service provider relates to a final settlement received by the Authority from terminated Master Services & Hosting Agreement with a third party service provider.

NOTES TO THE FINANCIAL STATEMENTS31st March 2020**12. General Administration**

	2020	2019
	\$	\$
		(Note 18)
Salaries and employee benefits	4,572,762	4,380,627
Advertising & promotion	878,251	696,966
Travel	813,166	1,010,803
Rent	384,438	386,049
Communications	312,072	364,090
Insurance	273,810	271,444
Materials and supplies	161,312	118,481
Training	149,803	105,485
Repairs and maintenance	54,956	104,289
Hospitality	43,828	15,945
Board member fees	41,000	41,000
Office equipment	40,580	59,058
Foreign exchange losses	31,832	33,008
Bank charges and commissions	30,821	38,858
Miscellaneous	29,112	9,676
	7,817,743	7,635,779

13. Professional Services

	2020	2019
	\$	\$
Consulting fees	4,198,251	4,066,147
Audit fees	67,000	50,000
Information technology support	65,193	71,168
Legal fees	14,278	77,313
	4,344,722	4,264,628

14. Contractual Obligations

The Authority has entered into various contracts relating to supporting services and information technology. These contracts have commencement terms prior to 31st March 2020 and the latest contract termination date is 26th August 2029. The contractual obligations will become liabilities in the future when the terms of the contracts are met. The remaining obligation of the contracts are as follows:

	2021	2022	2023 to 2029
	\$	\$	\$
Supporting services	4,278,497	1,891,067	528,023
Information technology	232,450	54,600	330,143
	4,510,947	1,945,667	858,166

NOTES TO THE FINANCIAL STATEMENTS31st March 2020**15. Financial Risk Management**

The Authority has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors (the "Board") have overall responsibility for the establishment and oversight of the Authority's risk management framework. The Board has established the Finance Committee which is responsible for developing and monitoring the Authority's compliance with risk management policies and procedures. The Finance Committee regularly reports to the Board on its activities. The Authority's risk management program seeks to minimise potential adverse effects on the Authority's financial performance. The Authority manages its risks and risk exposures through a combination of insurance and sound business practices. The following analysis provides a measure of the risks at the reporting date, 31st March 2020.

(a) Credit risk

Credit risk arises from cash and cash equivalents held with banks and receivables. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Authority assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. It is management's opinion that the Authority is not exposed to significant credit risk.

i. Cash and cash equivalents

Credit risk associated with cash and cash equivalents is minimised substantially by ensuring that these financial assets are invested with highly rated financial institutions.

ii. Receivables

Receivables consist primarily of trade accounts receivable from billings of services provided. The Authority's credit risk arises from the possibility that a counterparty which owes the Authority money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Authority, which would result in a financial loss for the Authority. This risk is mitigated through established credit management techniques, including monitoring counterparty's creditworthiness and obtaining references. As at 31st March 2020, the maximum credit risk to which the Authority is exposed represents the carrying value of its accounts receivable.

The amounts outstanding at the year-end were as follows:

	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
	\$	\$	\$	\$	\$	\$
Accounts receivable	329,042	64,110	45,027	52,888	151,673	642,740
Less: provision for bad debts	—	—	—	—	(14,882)	(14,882)
Net receivables	329,042	64,110	45,027	52,888	136,791	627,858

iii. Accrued interest

Credit risk associated with accrued interest is minimised substantially by ensuring that the two call accounts are invested with a highly rated financial institution.

NOTES TO THE FINANCIAL STATEMENTS31st March 2020**(b) Liquidity risk**

Liquidity risk is the risk the Authority will not be able to meet its financial obligations as they fall due. The Authority's objective in managing liquidity is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the Authority's reputation. The Authority manages exposure to liquidity risk by closely monitoring supplier and other liabilities, focusing on generating positive cash flows from operations and establishing and maintaining good relationships with various financial institutions.

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

	Within 1 year	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
Expected cash outflows				
Accounts payable and accrued liabilities	1,469,567	—	—	1,469,567
Due to the Government of Bermuda	48,534	—	—	48,534
Distribution to the Consolidated Fund of the Government of Bermuda	6,951,262	—	—	6,951,262
Retirement leave benefits payable	—	8,407	19,903	28,310
Post-employment healthcare payable	17,003	185,405	540,648	743,056
Life and disability benefits	—	244,253	—	244,253
Total expected cash outflows	8,486,366	438,065	560,551	9,484,982

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the fair value of recognised assets and liabilities or future cash flows of the Authority's results of operations.

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority's business transactions are mainly conducted in United States and Bermuda dollars. However, operating expenses for the UK office resulted in exposure to currency risk. As at 31st March 2020, the Authority held approximately 0.4% (2019 – 0.6%) of its cash and cash equivalents in British pounds and Euros.

The Authority is exposed to currency risk from accounts payable denominated in foreign currency. At the statement of financial position date, accounts payable denominated in GBP were £49,998 (2019 – £541). A 1% increase in the value of the GBP would result in an increase in the value of accounts payable of approximately \$620.

The Authority has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant.

(ii) Interest rate risk

Interest rate risk arises from changes in prevailing levels of market interest rates. At year-end, the Authority had no significant interest rate risk exposure.

(iii) Price risk

Price risk arises from changes in market risks, other than interest rate risk and credit risk, causing fluctuations in the fair value of future cash flows of the financial instruments. At year-end, the Authority had no significant price risk exposure.

There have been no changes from the previous year in the exposure to risk policies, procedures and methods to measure the above risks.

NOTES TO THE FINANCIAL STATEMENTS

31st March 2020

16. Capital Management

The Authority's objective when managing capital is to hold sufficient accumulated surplus to enable it to withstand negative unexpected financial events. The Authority seeks to achieve this objective by maintaining an operating surplus. The Authority maintains sufficient liquidity to meet its short-term obligations as they come due. The Authority is not subject to any externally imposed capital requirements.

17. Budget

The amounts represent the operating budget which was provisionally approved by the Board on 17th January 2019.

18. Comparative Figures

Certain comparative figures have been reclassified and disclosed to conform to the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS31st March 2020**19. Subsequent Events**

The BCAA opened its permanent United Kingdom (UK) office on 1st December 2017 and have been advised by their UK Legal Counsel that BCAA is responsible for charging 20% VAT to customers based in the UK, representing less than 5% of BCAA's customers. BCAA is in the process of gathering the relevant information so as to commence charging VAT in the 2021/22 fiscal year, retroactive to FY2018. Any VAT collected will be remitted to the UK authorities on a quarterly basis.

The novel Coronavirus (COVID-19) has had a significant impact on the commercial airline industry since April 2020 due to restrictions placed on international air travel and the reduction in domestic air travel. To alleviate the financial impact on Bermuda Registry customers, BCAA offered temporary financial relief to customers upon request. While some of BCAA's customers have been significantly affected by the pandemic, the Authority's number of registered aircraft and revenue have not been impacted significantly. The Authority considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event, which has no significant impact on its assets and liabilities as at 31st March 2020.

In May 2020, the Authority reduced its fees for Certificates of Airworthiness for corporate and general aviation aircraft and dropped its fees for operational and CAMO approvals for private aircraft. The revised fee is now \$100 per 500kg, or part thereof, as compared to \$190 per 500kg previously. In addition, there will be no fee for operational and CAMO approvals for private aircraft. This information was posted on the BCAA website on 28th May 2020.

In accordance with Section 18 (1a) of the Act, the Authority will transfer a percentage of its net surplus to the Consolidated Fund of the Government of Bermuda. The Authority transferred net surplus of \$18,402,016 to the Consolidated Fund of the Government of Bermuda during subsequent financial years. The breakdown is as follows:

Date of transfer	Financial Year	\$
12th December 2020	2020	5,000,000
22nd June 2021	2022	12,000,000
23rd July 2021	2022	1,402,016

BERMUDA CIVIL AVIATION AUTHORITY

EXECUTIVE SALARIES

As at 31st March 2020

Director General	\$182,520
Director of Operations	\$141,960
Director of Airworthiness	\$135,790
Director of Finance	\$162,240
Director of Human Resources	\$141,960
Safety Oversight Advisor	\$132,000
Director of Registrations	\$134,862