

Meet

The team behind our success





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MESSAGE FROM THE CHAIRMAN OF THE BOARD

Dear stakeholders,

One of my responsibilities as Chair of the Board of the Bermuda Civil Aviation Authority (BCAA or the Authority) is to provide stakeholders with an overview of our activities on a regular basis. It is therefore my privilege to address you and provide that update in this annual report which covers the period from 1st April 2018 to 31st March 2019.

As described in the pages that follow, throughout the year, our operations focused primarily on our key mandate of regulating and providing safety oversight for Bermuda's aviation industry, as well as our goal of ensuring that we are well-positioned to continue doing so effectively for the years ahead.

Consistency in Board membership is important in the public sphere and is integral to the Authority's ongoing success. I am pleased to report that the makeup of the Board did not change over the period in question; that continuity in our membership solidifies the foundation of our oversight.

Our regulatory and safety oversight function is further strengthened by the Authority's continued emphasis on succession planning and on ensuring we attract, train and retain the necessary talent to meet our needs, both today and in the future. In particular, in the 2018-19 fiscal year, the BCAA focused on training and promoting Bermudians to help run the organisation's operations in the years to come, including – among others – Karolyn Darrell-Burgess who assumed the position of Director of Safety Oversight and Tariq Lynch-Wade who spent several years on secondment in Asia gaining valuable flight experience that will inform his role as Flight Operations Inspector.

Exploring opportunities to diversify our registry geographically remained a priority for the Board throughout the year as we continue to investigate new markets where we can expand our presence. I expect this will continue to be a focus of our efforts going forward.

As BCAA Director General Thomas Dunstan discusses in his annual report message, one of the significant tasks for this year was ensuring the Authority was properly prepared for the International Civil Aviation Organisation (ICAO) audit that was scheduled for May 2019. The mock audit process undertaken in January 2019 was a testament to the dedication of our team and put us in good stead for the real audit months later.

The Authority is extremely fortunate to be served by such talented, hardworking Board members. The collaborative approach between our various subcommittees – including finance, human resources and business development – ensures our efforts are as productive and effective as possible. I would like to extend my gratitude and appreciation to my fellow Board members, as well as to our team, management and leadership. I am very proud of the Authority's tremendous accomplishments – thank you for your ongoing dedication and loyalty.



Kim Wilkerson
Chair of the Board



MESSAGE FROM THE DIRECTOR GENERAL

Throughout the year ending 31st March 2019, the Bermuda Civil Aviation Authority continued to focus on the organisation's established central priorities: to grow the aircraft registry; to act as an independent, reliable safety regulator, both locally and abroad; and to streamline our processes on an ongoing basis so that the needs of operators are met. I am extremely pleased to have the opportunity to report on BCAA's many achievements in these areas for the period of 1st April 2018 to 31st March 2019.

In many ways, the year was defined by growth – both within the organisation and in our worldwide operations. Over the past several years, the Authority has sought to broaden our global reach while maintaining the enviable reputation we have worked so hard to build in the industry. In the year ended 31st March 2019, those efforts took the form of a number of initiatives. The first was the official opening in July 2018 of BCAA's new UK office location at Farnborough Airport – a move that enables us to provide enhanced access and support for operators. In our continued bid for geographic diversification – a cornerstone of our business development strategy – the Authority embarked on a significant research project in the Asia-Pacific region. Teaming up with Asian Sky Group, we are seeking to better understand the potential of this growth market by assessing the needs of the owners and operators in the area through a two-phased approach. This past year, we completed the first phase of our research by conducting a high-level survey of industry participants in the Asia-Pacific. Going forward, we will continue to build on the knowledge we've uncovered through more in-depth interviews to obtain the data that will help inform our geographic expansion.

Last year, after a rigorous due diligence process, the Authority renewed a contract with Bureau Veritas for inspection and oversight services for owners and operators in Russia and the Commonwealth of Independent States. Our commitment to good governance and transparency means we go out to tender for this contract on a regular basis, and we were very pleased to continue our 20-year relationship with Bureau Veritas.

Internally, the Authority took a number of steps to ensure that we remain well-positioned not only for continued growth, but also for seamless, responsive customer service. In February 2019, Deborah Jackson joined BCAA as our new Director of Human Resources. This is a key role in the organisation and Deborah will be pivotal to expanding our team of dedicated staff and management. We also drafted a job description for a Director of

Business Development – another important position – and look forward to going through the recruitment process to identify the right candidate to help guide our growth. Other news on the human resources front included the creation of a second senior airworthiness position in Bermuda, which will be vital for succession planning as well as the Authority's ongoing expansion. In addition – and in another important succession planning move – we were delighted to promote Karolyn Darrell-Burgess to Director of Safety Oversight after attaining several important milestones in her development plan.

The BCAA team was also busy behind the scenes, working hard to facilitate the smooth operations of the organisation and enhance our clients' experiences. In October 2018, we issued a Request for Proposal (RFP) to vendors for the replacement of our Aircraft Information Records System (AIRS) database as it was in need of an upgrade. We anticipate selecting a vendor at some point in the next fiscal year. In addition, the Authority's team tackled the task of ensuring the organisation's compliance with the new data privacy measures introduced in the European Union through the General Data Protection Regulation (GDPR). We also introduced online credit card payments – a much easier and more accessible payment method for clients. And finally, the Board of Directors established a number of sub-committees, including finance, business development and human resources.

During the 2018-19 fiscal year, the Authority learned that we would be audited by the International Civil Aviation Organization (ICAO) in May 2019. In anticipation and preparation of the audit, we conducted a mock audit in January 2019. This exercise proved invaluable in preparing us for the actual audit, the results of which I look forward to sharing in next year's Annual Report.

In closing, I would like to offer my gratitude and appreciation to BCAA's management and staff, as well as our Board of Directors. We have had another successful year, due in no small part to your diligence and committed hard work. Many thanks!!



Thomas Dunstan
Director General



OUR DIRECTORS



Kim Wilkerson
Chairman



Clive Langley



James Dockeray



Julie Grant



Herman Tucker
Deputy Chairman



Lynesha Lightbourne



Anthony Whaley



Thomas Dunstan
Ex-Officio

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

"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.

Meet

Christopher Lennon
Senior Airworthiness
Inspector
Farnborough, U.K.

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.

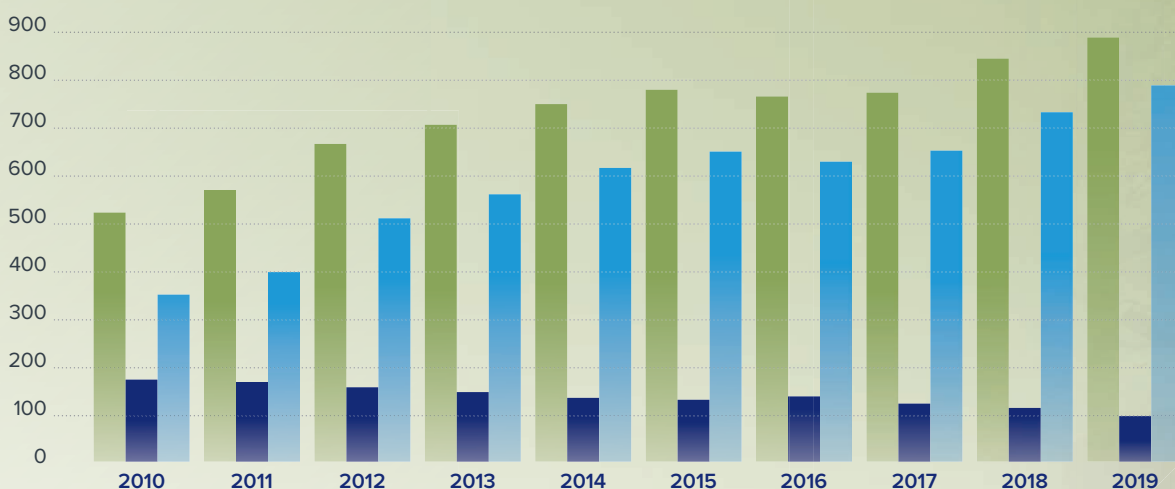
In delivering its services, BCAA is guided by the advice of the Governor in regards to the regulatory and statutory functions it undertakes on behalf of the United Kingdom. Business matters are governed by the Board of Directors which provides strategic direction to the Director General (DG) of the Bermuda 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 a high 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 (99 aircraft) and commercial aircraft (789 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 (746 aircraft), Azerbaijan (15 aircraft) and Tajikistan (2 aircraft).

BCAA Registered Aircraft

TOTAL PRIVATE COMMERCIAL



OUR TEAM

Our knowledgeable and friendly aviation specialists and Inspectors are strategically located around the world – from Bermuda to Shanghai – to offer the highest standards in service and customer support.

*“I’m impressed
with their
personnel. I just
don’t know how
they do it”*

BCAA Client

Meet

Jason Zhang
Operations Manager
Shanghai



STRATEGIC OBJECTIVES

1: 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. ☒ *Completed*
- Revise the Risk Register policy and procedure. ☒ *Completed*
- 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 as appropriate. ☐ *Ongoing*

2: 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 surveillance programme for Article 83 *bis* airworthiness oversight. ☐ *Ongoing*

3: 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*

4: ENSURE THAT SAFETY RISKS ARE EFFECTIVELY MANAGED BY THE AERODROME CERTIFICATE HOLDER.

- Review the Airport Operator oversight programme, ensuring the standards and frequency of oversight is acceptable to the BCAA. ☒ *Completed*
- Approve the conditions under which the Airport Operator may use its SMS to deal with and resolve actions from its oversight audits. ☒ *Completed*
- Amend BCAA audit and inspection programme based on the above. ☒ *Completed*

5: IMPLEMENT THE APPROVED ORGANISATIONAL STRUCTURE BY FILLING ALL VACANT STAFF POSITIONS.

- Conduct a review and update all BCAA job descriptions; ☒ *Completed*
- Enhance the developmental training and succession planning of staff to ensure that they are ready for positions requiring greater experience and expertise. ☐ *Ongoing*
- Hire a Director of Airworthiness. ☒ *Completed*
- Organisational restructuring to enhance the role of Business Development. ☐ *Ongoing*

6: DIVERSIFY THE REGISTER OF AIRCRAFT TO MAINTAIN CURRENT REVENUE STREAMS AND IDENTIFY NEW REVENUE STREAMS.

- Identify the impediments to diversification. ☒ *Completed*
- Develop a diversification strategy to overcome these impediments. ☒ *Completed*
- Implement the strategy;
 - Article 83 *bis* Iran ☐ *Ongoing*
 - Article 83 *bis* Saudi Arabia ☐ *Ongoing*
 - Article 83 *bis* Tajikistan ☒ *Completed*

7: DEVELOP A COMMUNICATIONS STRATEGY AND IMPLEMENTATION PLAN.

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

8: IMPROVE EFFICIENCY AND FUNCTIONALITY OF THE AIRCRAFT INFORMATION SYSTEM.

- Develop an RFP for replacement of AIRS. ☒ *Completed*
- Review the tenders and award the contract. ☒ *Completed*
- Develop and implement the AIRs replacement system. ☐ *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 for the Business Plan and will be updated as required on an annual basis.

“Has all of the attributes of a large registry but with a nimble and small team that understands needs and adapts accordingly”

BCAA Client

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.



Meet

Peter Adhemar F.R.Ae.S.
Director of Operations
Bermuda

2018/19 ACHIEVEMENTS

Quality assurance audit of Bureau Veritas completed

Aircraft registry growth 6%

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

Mock audit in preparation of ICAO audit completed

Audit of Ground Electronic Services (GES) completed

Established a BCAA office in Shanghai China and engaged a full time Designated Airworthiness Inspector (Chinese)

Contract finalised with Bureau Veritas for inspections service

Internal quality audit of operations completed

Meet

Evandre Smith
Accounts Receivable
Administrator
Bermuda

Asian Sky Group research

Started online credit
card payments

Anti-Bribery/ Anti-Corruption
policy approval

Farnborough office
official opening

Notification of ICAO audit

Director of Business Development
JD approved

Director of HR hired

Creation of second Senior
AW Inspector post

AIRS replacement RFP issued

Mock ICAO audit

*“Attitude of
‘At your service’.”*

BCAA Client

*“Very bright people
Always a pleasure
to talk to”*

BCAA Client

Meet

Sonina Simmons-Williams
Licencing Officer
Bermuda



FINANCIAL SECTION

Meet

Lejoy Daniels

Airworthiness
Administrative Officer
Farnborough, U.K.



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SUMMARY OF FINANCIAL PERFORMANCE

For the year ended 31st March 2019

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-four 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 \$18.4 million, 16% below budget and 3% lower than the Operating Surplus of the previous fiscal year. Although the number of aircraft on the Bermuda Registry increased during 2018/19, the variance between budgeted and actual Airworthiness revenue resulted from lower than anticipated new business and a change in revenue recognition after the budget was prepared.

In accordance with the BCAA Act 2016 the Authority is required to transfer its Net Surplus to the Consolidated Fund, Paid-up Capital and the Reserve Fund as agreed between the Board and the Minister of Tourism & Transport. Eighty-nine percent of the 2018/19 Net Surplus has been paid to the Consolidated Fund. The balance was used to increase the General Reserve.

Financial Position

Cash increased to \$32.7 million at the end of March 2019 up from \$29.7 million at the end of March 2018. Trade Accounts Receivable decreased from the previous year; however the Allowance for Doubtful Accounts was increased 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 2019 from Net Surplus.

The Accumulated Surplus was increased by \$2 million during the year to increase the General Reserve to \$3 million along with \$500,000 of Paid-up Capital.

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 audits. The Finance Committee also reviews the financial statements before recommending approval by the Board of Directors. The financial statements have been approved by the Board of Directors and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.



Thomas Dunstan

Director General

Date: 22nd June 2021



Delia Basden

Director of Finance and Administration

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 March 31, 2019, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bermuda Civil Aviation Authority as at March 31, 2019, 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 Bermuda Civil Aviation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Hamilton, Bermuda

June 22, 2021

Heather Thomas, CPA, CFE, CGMA

Auditor General

STATEMENT OF FINANCIAL POSITIONAs at 31st March 2019

	2019 \$	2018 \$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	32,702,501	29,672,748
Accounts receivable (Note 4)	666,784	1,074,436
Accrued interest	32,144	21,156
	33,401,429	30,768,340
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	1,136,403	1,496,142
Due to the Government of Bermuda (Note 5)	46,760	58,101
Deferred revenue	4,339,473	2,995,544
Distribution to the Consolidated Fund of the Government of Bermuda (Note 5)	24,151,033	24,749,017
Post-employment benefits and compensated absences (Note 7)	532,126	402,749
Life and disability benefits (Note 8)	362,357	349,130
	30,568,152	30,050,683
NET FINANCIAL ASSETS	2,833,277	717,657
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	505,199	428,906
Prepaid expenses	161,524	353,437
	666,723	782,343
ACCUMULATED SURPLUS (Note 10)	3,500,000	1,500,000

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 2019

	2019 Budget (Note 17) \$	2019 \$	2018 \$
REVENUE (Note 11)			
Airworthiness	33,600,000	29,938,965	30,160,380
Flight operations	150,000	245,081	236,685
Registrations	120,000	98,500	108,863
Other income	—	102,824	31,762
Reimbursements	—	10,569	2,321
	33,870,000	30,395,939	30,540,011
EXPENSES			
General administration (Notes 12 and 18)	7,707,000	7,581,779	7,008,576
Professional services (Notes 13 and 18)	4,172,000	4,264,628	4,409,264
Amortisation of tangible capital assets (Note 9)	130,000	87,526	56,555
Bad debts (Note 4)	—	39,337	41,291
Impairment of capital assets under development (Note 9)	—	20,653	—
	12,009,000	11,993,923	11,515,686
ANNUAL SURPLUS	21,861,000	18,402,016	19,024,325
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
		1,500,000	1,500,000
Add: Transfer to reserve fund (Note 10)		2,000,000	—
Less: Transfer from accumulated surplus (Note 10)		(2,000,000)	—
Less: Distribution to the Consolidated Fund of the Government of Bermuda (Note 5)		(16,402,016)	(19,024,325)
ACCUMULATED SURPLUS, END OF YEAR		3,500,000	1,500,000

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

STATEMENT OF CHANGES IN NET FINANCIAL ASSETSFor the year ended 31st March 2019

	2019 Budget (Note 17) \$	2019 \$	2018 \$
NET FINANCIAL ASSETS, BEGINNING OF YEAR	—	717,657	1,114,902
Annual Surplus	21,861,000	18,402,016	19,024,325
Distribution to the Consolidated Fund of the Government of Bermuda (Note 5)	—	(16,402,016)	(19,024,325)
Transfer from accumulated surplus (Note 10)		(2,000,000)	
Transfer to reserve fund (Note 10)	—	2,000,000	—
Acquisition of tangible capital assets (Note 9)	(1,010,000)	(184,472)	(186,580)
Amortisation of tangible capital assets (Note 9)	—	87,526	56,555
Change in prepaid expenses	—	191,913	(267,220)
Impairment of capital assets under development (Note 9)	—	20,653	—
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	20,851,000	2,115,620	(397,245)
NET FINANCIAL ASSETS, END OF YEAR	20,851,000	2,833,277	717,657

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

STATEMENT OF CASH FLOWSFor the year ended 31st March 2019

	2019 \$	2018 \$
Cash flows from Operating Activities		
Annual Surplus	18,402,016	19,024,325
Adjustment for items not affecting cash:		
Amortisation of tangible capital assets	87,526	56,555
Impairment of capital assets under development	20,653	—
Bad Debts	39,337	41,291
Actuarial gain	(40,540)	(6,119)
Changes in non-cash working capital:		
Decrease (Increase) in accounts receivable	368,315	(87,394)
Decrease in due from related parties	—	245,875
Increase in accrued interest	(10,988)	(21,156)
(Decrease) Increase in accounts payable and accrued liabilities	(359,739)	80,986
Increase in deferred revenues	1,343,929	458,904
Increase in post-employment benefits and compensated absences	169,917	161,512
Increase in life and disability benefits	13,227	349,130
(Decrease) Increase in due to the Government of Bermuda	(11,341)	14,985
Decrease (Increase) in prepaid expenses	191,913	(267,220)
Net Cash generated from Operating Activities	20,214,225	20,051,674
Cash flows from Capital Activities		
Acquisition of tangible capital assets	(184,472)	(186,580)
Net Cash used in Capital Activities	(184,472)	(186,580)
Cash flows from Financing Activities		
Net distribution to the Consolidated Fund of the Government of Bermuda	(17,000,000)	—
Net Cash used in Financing Activities	(17,000,000)	—
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,029,753	19,865,094
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	29,672,748	9,807,654
CASH AND CASH EQUIVALENTS, END OF YEAR	32,702,501	29,672,748
SUPPLEMENTARY INFORMATION:		
Interest received	70,680	10,606

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

NOTES TO THE FINANCIAL STATEMENTS

31st March 2019

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 STATEMENTS

31st March 2019

(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 STATEMENTS

31st March 2019

(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 (note 7)

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. Revenue is shown net of credits and discounts. 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 2019**3. Cash and Cash Equivalents**

	2019 \$	2018 \$
Cash in bank	19,702,501	19,672,748
Call accounts	13,000,000	10,000,000
Total cash and cash equivalents	32,702,501	29,672,748

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 2019 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.

4. Accounts Receivable

	2019 \$	2018 \$
Accounts receivable	683,751	1,078,262
Allowance for doubtful accounts	(16,967)	(3,826)
Accounts receivable (net)	666,784	1,074,436

The carrying amounts of accounts receivable approximate their fair value. As at 31st March 2019, trade receivables of \$304,664 (2018: \$774,162) were past their due date but were not considered doubtful.

Bad debts expense for the year ended 31st March 2019 amounted to \$39,337 (2018: \$41,291) and is included in the Statement of Operations and Accumulated Surplus.

Accounts receivable balances amounting to \$26,196 (2018: \$158,176) were written-off in the year ended 31st March 2019.

NOTES TO THE FINANCIAL STATEMENTS

31st March 2019

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:

	2019 \$	2018 \$ (Note 18)
Transactions during the year:		
Transfer to the Consolidated Fund of the Government of Bermuda	17,000,000	—
Rent to Bermuda Land and Development Corporation	324,904	324,904
Audit fee	50,000	58,000
Work permit fees	7,855	5,695
	2019 \$	2018 \$ (Note 18)
Balances at the end of the year:		
Due to the Government of Bermuda	46,760	58,101
Audit fee	143,000	93,000
Distribution to the Consolidated Fund of the Government of Bermuda	24,151,033	24,749,017
Details of distribution to the Consolidated Fund of the Government of Bermuda:		
	2019 \$	2018 \$
Balance beginning of the year	24,749,017	5,724,692
Net surplus to be transferred to the Consolidated Fund of the Government of Bermuda	16,402,016	19,024,325
Transfer to the Consolidated Fund of the Government of Bermuda	(17,000,000)	—
	24,151,033	24,749,017

NOTES TO THE FINANCIAL STATEMENTS31st March 2019**6. Accounts Payable and Accrued Liabilities**

The account consists of:

	2019	2018
	\$	\$
Trade accounts payable	563,165	708,924
Accrued liabilities	320,461	482,051
Customer advance	232,005	187,549
Pension payable	6,787	106,618
Lease payable	13,985	11,000
	1,136,403	1,496,142

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 September 25, 2021 with a monthly rental fee of \$285.

The lease payable amounting to \$13,985 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**

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

On 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 2019, the amount of \$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 2019, the amount of \$362,126 (2018: \$117,636) was contributed by the Authority. This includes a retrospective pension adjustment of \$99,831 that relates to prior years.

NOTES TO THE FINANCIAL STATEMENTS

31st March 2019

(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:

	2019	2018
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)	11.3 years	11.5 years

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

	2019	2018
Age	%	%
25 and under	5	5
26-30	10	10
31-35	15	15
36-40	30	30
41-45	50	50
46-50	70	70
51-55	90	90
56-60	95	95
61 and over	100	100

The amount of \$446,014 (2018: \$323,907) is recognised in the Statement of Financial Position upon the advice of a professionally qualified actuary. Further details of the valuation are presented below:

	2019	2018
	\$	\$
Present value of obligation:		
Balance, beginning of year	323,907	168,699
Current service cost	147,314	155,460
Interest cost	16,195	8,534
Actuarial (gain) loss	(41,402)	(8,786)
Balance, end of year	446,014	323,907

NOTES TO THE FINANCIAL STATEMENTS

31st March 2019

(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:

	2019	2018
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:

2019			2018		
Age Nearest	Males %	Females %	Age Nearest	Males %	Females %
25 and under	5	5	23	3	1
26-30	10	10	28	6	4
31-35	15	15	33	16	10
36-40	30	30	38	30	20
41-45	50	50	43	47	32
46-50	70	70	48	70	50
51-55	90	90	53	92	65
56-60	95	95	58	94	70
61 and over	100	100	63	98	95

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

The amount of \$86,112 (2018: \$78,842) is recognised in the Statement of Financial Position with the advice of a professionally qualified actuary. Further details of the valuation are presented below:

	2019 \$	2018 \$
Accrued benefit obligation		
Balance – beginning of year	78,842	78,657
Current service cost	2,466	2,220
Interest cost	3,942	3,933
Actuarial loss	862	2,667
Benefits paid	—	(8,635)
Balance – end of year	86,112	78,842

NOTES TO THE FINANCIAL STATEMENTS

31st March 2019

(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 2019 is \$136,352 (2018: \$134,573) 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 2019, this benefit was \$362,357 (2018: \$349,130).

9. Tangible Capital Assets

	Capital lease	Furniture, office equipment	Computer equipment	Software	Vehicle	Capital assets under development	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
At 1st April 2017	23,524	105,428	97,315	793,551	30,000	4,719	1,054,537
Additions	15,840	44,594	53,101	30,233	42,812	—	186,580
Transfers	—	—	—	4,719	—	(4,719)	—
Disposals	—	—	—	—	(30,000)	—	(30,000)
At 31st March 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
Accumulated amortisation							
At 1st April 2017	23,524	105,428	72,105	524,599	30,000	—	755,656
Amortisation	3,207	1,986	18,462	28,619	4,281	—	56,555
Disposal	—	—	—	—	(30,000)	—	(30,000)
At 31st March 2018	26,731	107,414	90,567	553,218	4,281	—	782,211
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
Net Book Value							
31st March 2018	12,633	42,608	59,849	275,285	38,531	—	428,906
Net Book Value							
31st March 2019	18,528	48,014	59,664	270,850	29,969	78,174	505,199

NOTES TO THE FINANCIAL STATEMENTS

31st March 2019

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.

In 2019, reserve fund was increased by \$2,000,000 which was transferred from accumulated surplus. 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	1,000,000	1,500,000
Operating surplus for the year	18,402,016	—	—	18,402,016
Transfer from operating surplus	(2,000,000)	—	2,000,000	—
Distribution to the Consolidated Fund of the Government of Bermuda (Notes 5 and 20)	(16,402,016)	—	—	(16,402,016)
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 VVIP charter flights on demand.

(c) Registrations

These fees are derived from aircraft mortgage transcripts and registrations.

(d) Reimbursements

This relates to a reimbursement of legal fees incurred for Aerodrome contract review.

(e) Other Income

Other income resulted from the following:

	2019	2018
	\$	\$
Interest income	102,824	31,762
	102,824	31,762

NOTES TO THE FINANCIAL STATEMENTS31st March 2019**12. General Administration**

	2019 \$	2018 \$ (Note 18)
Salaries and employee benefits	4,380,627	4,444,181
Travel	1,010,803	713,674
Advertising & promotion	696,966	457,184
Rent	386,049	350,844
Communications	364,090	378,894
Insurance	217,444	231,576
Materials and supplies	118,481	119,315
Training	105,485	65,169
Repairs and maintenance	104,289	121,003
Office equipment	59,058	30,522
Board member fees	41,000	40,250
Bank charges and commissions	38,858	28,803
Foreign exchange losses	33,008	5,141
Miscellaneous	25,621	22,020
	7,581,779	7,008,576

13. Professional Services

	2019 \$	2018 \$ (Note 18)
Consulting fees	4,066,147	4,119,788
Legal fees	77,313	159,758
Information technology support	71,168	71,718
Audit fees	50,000	58,000
	4,264,628	4,409,264

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 2019 and the latest contract termination date is 31st December 2022. 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:

	2020 \$	2021 \$	2022 \$
Supporting services	5,155,362	4,450,749	3,730,258
Information technology	271,259	364,582	149,976
	5,426,621	4,815,331	3,880,234

NOTES TO THE FINANCIAL STATEMENTS

31st March 2019

15. Financial Risk Management

The Authority has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors (the "Board") have overall responsibility for the establishment and oversight of the Authority's risk management framework. The Board has established the Finance Committee which is responsible for developing and monitoring the Authority's compliance with risk management policies and procedures. The Finance Committee regularly reports to the Board on its activities. The Authority's risk management program seeks to minimize potential adverse effects on the Authority's financial performance. The Authority manages its risks and risk exposures through a combination of insurance and sound business practices. The following analysis provides a measure of the risks at the reporting date, 31st March 2019.

(a) Credit risk

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

i. Cash and cash equivalents

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

ii. Receivables

Receivables consist primarily of trade accounts receivable from billings of services provided and due from related parties. 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 2019, the maximum credit risk to which the Authority is exposed represents the carrying value of its accounts receivable and accrued interest.

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	362,121	76,263	26,004	21,250	198,113	683,751
Less: provision for bad debts	—	—	—	—	(16,967)	(16,967)
Net receivables	362,121	76,263	26,004	21,250	181,146	666,784

iii. Accrued interest

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

NOTES TO THE FINANCIAL STATEMENTS

31st March 2019

(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:

	< 1 year	>1 < 5 years	> 5 year	Total
	\$	\$	\$	\$
Expected cash outflows				
Accounts payable and accrued liabilities	1,136,403	—	—	1,136,403
Due to the Government of Bermuda	46,760	—	—	46,760
Distribution to the Consolidated Fund of the Government of Bermuda	24,151,033	—	—	24,151,033
Retirement leave benefits payable	—	66,918	19,194	86,112
Post-employment healthcare payable	—	340,530	105,484	446,014
Life and disability benefits	—	362,357	—	362,357
Total expected cash outflows	25,334,196	769,805	124,678	26,228,679

(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 2019, the Authority held approximately 0.6% of its cash and cash equivalents in British pounds and Euros (2018 – 0.7%). As at 31st March 2019, there were no significant outstanding liabilities.

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 2019

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 approved by the Board on 21st November 2017.

18. Comparative Figures

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

NOTES TO THE FINANCIAL STATEMENTS

31st March 2019

19. Subsequent Events

On 16th March 2018, BCAA terminated its contract for workflows and document management with a local software vendor. The software vendor signed an agreement on 24th June 2019 to pay a financial settlement amounting to \$85,000 in favour of the Authority and absolved both parties of any further liability.

On 16th July 2019, the Board agreed to raise the retirement age to 68 years old and making mandatory retirement age 70 years old.

On 26th August 2019, the Authority signed a contract with Seabury MRO Solutions BV for a period of 10 years to implement and maintain a new registry management system at a fee of \$147,500 per annum and license and installation fees of \$760,500 and \$572,500 respectively.

On 26th November 2019, the Authority signed a new 83 *bis* Agreement with Kazakhstan.

On 10th February 2020, the Authority signed a new Collective Bargaining Agreement with the Bermuda Public Services Union for the three-year period 1st April 2020 to 31st March 2023.

The BCAA opened its permanent United Kingdom (UK) office in FY2018 (1st December 2017) and have been advised by their UK Legal Counsel that BCAA is responsible for charging 20% Value-Added Tax (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 in order 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 2019.

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 for competitive reasons.

In April 2021 the Authority introduced new fees for the granting of Foreign Operator Permits at the Bermuda L.F. Wade International Airport.

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 \$41,749,017 to the Consolidated Fund of the Government of Bermuda during subsequent financial years. The breakdown is as follows:

Date of transfer	Financial Year	\$
8th May 2019	2018	13,000,000
8th May 2019	2019	2,000,000
8th October 2019	2017	1,724,692
11th March 2020	2019	14,000,000
31st March 2020	2018	6,024,325
12th December 2020	2020	5,000,000

EXECUTIVE SALARIES

As at 31st March 2019

Director General	\$ 180,000 – \$200,000
Director of Operations	\$ 140,000 – \$160,000
Director of Airworthiness	\$ 140,000 – \$160,000
Director of Finance	\$ 140,000 – \$160,000
Director of Human Resources	\$ 140,000 – \$160,000
Safety Oversight Advisor	\$ 140,000 – \$160,000
Director of Registrations	\$ 133,000 – \$153,000