

2016/17  
ANNUAL  
REPORT





# TABLE OF CONTENTS

02	MESSAGE FROM THE CHAIRMAN OF THE BOARD
03	MESSAGE FROM THE DIRECTOR GENERAL
04	BOARD OF DIRECTORS, VISION & MISSION
05	OVERVIEW OF ORGANISATION
06	STRATEGIC OBJECTIVES
07	SAFETY PLAN
08	FINANCIAL SECTION

## MESSAGE FROM THE CHAIRMAN OF THE BOARD



Dear stakeholders,

I have the pleasure of addressing you in this very first annual report of the Bermuda Civil Aviation Authority (BCAA). These financial statements cover the first 6 months of operations of the Authority and bear witness to the successful transition of the Authority from a government department to a public authority and Quasi-Autonomous Non-Governmental Organisation (QUANGO) serving a crucial function in the regulation and safety oversight for Bermuda's aviation industry.

The collaborative efforts of the Governor and the Minister responsible for civil aviation, resulted in the appointment of the inaugural Board of Directors of the BCAA who brought a range of very specific expertise and broad experience to the fore. There was recognition from the inaugural Board that success through the transition and ongoing operations of this entity could only be achieved if operations were conducted under a robust governance structure that demanded accountable leadership, efficiency of operations, a sharpened customer focus, and a view to the future, especially as it relates to the development of our Bermudian staff. I commend the inaugural Board for laying that foundation and I acknowledge the work of the inaugural Chairman, Jack Durner and then John Tomlinson, from whom I have had the pleasure of being handed the baton. The remaining members of the inaugural Board, listed below, have served and continue to serve tirelessly to guide the BCAA in meeting these objectives. They are:

- Herman Tucker – Deputy Chairman
- Clive Langley
- James Dockeray
- Julie Grant
- Thomas Dunstan (ex-officio)

These talented individuals have been joined by Lynesha Lightbourne and Anthony Whaley who round out the current Board, bringing business development and legal expertise respectively.

The strategic objectives set out on page 6 of this report have largely been met and exceeded, and I wish to thank the staff, both here in Bermuda and in the UK, for their dedication and focus. The work of the future will revolve around greater efforts to diversify and grow the Bermuda Aircraft Registry and correlated revenue; the development and training of our Bermudian staff; and enhancing the position of the BCAA as a premier safety oversight entity. I look forward to seeing that future unfold.

A handwritten signature in blue ink, appearing to read 'Kim Wilkerson'. The signature is fluid and cursive, with a long horizontal flourish at the end.

**Kim Wilkerson**  
*Chairman*

## MESSAGE FROM THE DIRECTOR GENERAL



It is my privilege to be writing this message in the first annual report of the Bermuda Civil Aviation Authority (BCAA). This report covers the period from the Authority's establishment as a Quasi-Autonomous Non-Governmental Organisation (QUANGO) on 1st October 2016 to its first official period-end on 31st March 2017, and offers an overview of the Authority's activities during that period as well as a snapshot of its financial situation.

Through BCAA's first six months, the focus was on transition. Since 1931, the organisation had been delivering aviation regulation and safety oversight services as the Department of Civil Aviation in the Bermuda Government; since 1st October 2016, it has had the mandate to provide those same services while operating as a QUANGO. As a result, during that time, a great deal of work was carried out behind the scenes to ensure a smooth changeover. Virtually every aspect of the operation had to be transferred to the new entity – from accounting, to the IT infrastructure, to human resources, including compensation, pensions and benefits.

During that time, we were also charged with establishing a Board of Directors for the Authority. For the details of that process, I refer you to the message from Kim Wilkerson, the Chair of the BCAA Board on page 2. Ms. Wilkerson outlines the steps taken in setting up the Board, seeking out and appointing qualified Directors, and beginning to provide the necessary governance of the organisation.

An essential part of laying the foundation for the future operations of BCAA was establishing our new visual identity and developing the brand awareness that would solidify our presence, both in Bermuda and within the worldwide aviation industry. This was a significant undertaking and involved rebranding everything – from our logo and marketing collateral, to name badges and uniforms – to reflect BCAA's identity as a strong, responsive and flexible industry leader.

Most important, however, was the fact that the transition had to be as seamless as possible so that for operators, it was "business as usual." Throughout, we strived to achieve this as we continued to register aircraft and maintain safety standards – all while generating an important revenue stream.

I am very pleased to report that thanks to the tireless efforts of BCAA's management team and employees, the transition went remarkably smoothly, with only the few, minor speed bumps that would be expected in an endeavour of this magnitude. To operators, the organisation's shift to a QUANGO was virtually unnoticeable as we continued to deliver the level of service they require and have come to expect.

Throughout this period, we also remained focused on the organisation's ongoing priorities: growing the aircraft registry; acting as an independent, reliable safety regulator, both locally and overseas; and streamlining our processes to meet the evolving needs of operators.

In closing, I would like to extend my personal gratitude to the management and staff at BCAA. Thanks to their tremendous loyalty and hard work, we successfully made the transition to a QUANGO and established a solid foundation for the Authority's future growth. Team – your efforts are greatly appreciated!

A handwritten signature in blue ink, appearing to read 'Thomas Dunstan'. The signature is fluid and cursive, with a long horizontal stroke at the end.

**Thomas Dunstan**  
*Director General*

### **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.

### **Board of Directors**

**John Tomlinson**  
*Chairman*

**Herman Tucker**  
*Deputy Chairman*

**Julie Grant**

**Jack Durner**

**Clive Langley**

**James Dockeray**

**Ross Webber**

**Thomas Dunstan**  
*Ex-Officio*

## OVERVIEW OF ORGANISATION

**111** PRIVATE AIRCRAFT

**720** COMMERCIAL AIRCRAFT

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.

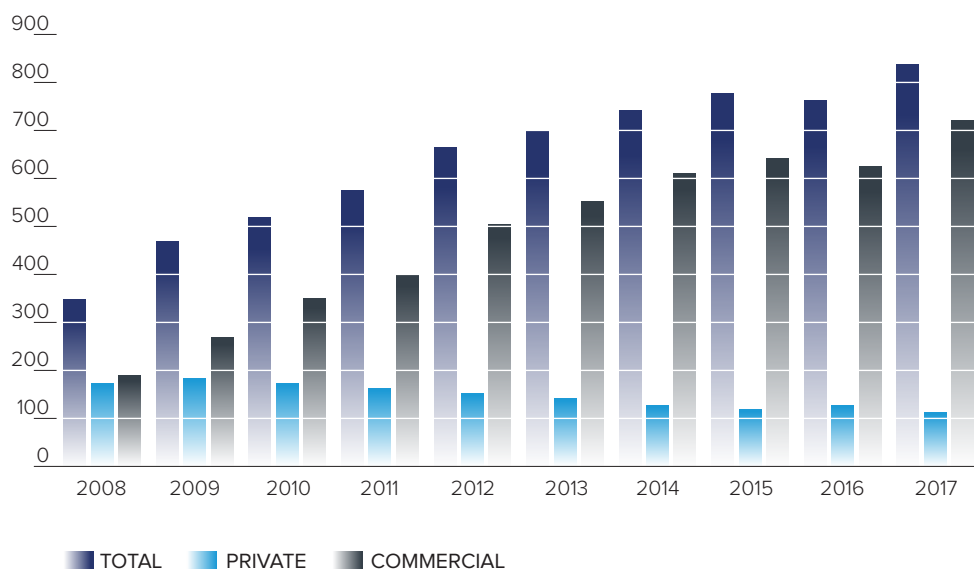
BCAA has a responsibility for the safety oversight of all local aviation activity which includes the aerodrome (including Air Traffic Management, Meteorological Services, Communications Navigation and Surveillance); certifying/inspecting one Bermuda air operator; dangerous goods oversight; foreign air 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 registration 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 of Civil Aviation (DGCA). The DGCA 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 (120 aircraft) and commercial aircraft (640 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 (627 aircraft), Azerbaijan (9 aircraft) and Uzbekistan (4 aircraft).

### BCAA REGISTERED AIRCRAFT



## STRATEGIC OBJECTIVES

OBJECTIVE	ACTIVITY	TARGET
1 Enhance the effectiveness of the BCAA SMS acceptance process.	<ul style="list-style-type: none"> <li>Consolidate and modify BCAA guidance material on SMS, so it aligns with the ICAO SMS framework, and the guidance contained in the ICAO Safety Management Manual (SMM)</li> </ul>	September 2016
	<ul style="list-style-type: none"> <li>Publish and promote BCAA's policy regarding equivalencies of SMS evaluation and regulatory audit</li> </ul>	November 2016
	<ul style="list-style-type: none"> <li>Train staff and designated inspectors on ICAO's SMS framework, evaluating SMS, and on safety culture</li> </ul>	December 2016
2 Enhance the performance of the BCAA SOMS (SSP).	<ul style="list-style-type: none"> <li>Establish Acceptable Level of Safety Performance (ALoSP) as defined by selected safety indicators with corresponding target and alert levels as appropriate</li> </ul>	June 2017
	<ul style="list-style-type: none"> <li>Conduct an internal audit of the Aerodromes, Registration, Licensing and Air Traffic Management safety oversight programmes</li> </ul>	September 2017
3 Proactively identify and address areas requiring increased safety-risk management (by the industry, and by the Department).	<ul style="list-style-type: none"> <li>Employ hazard analyses and risk assessments to ensure BCAA policy decisions are risk-based</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>Develop a data-driven, performance-based surveillance programme for Article 83 bis airworthiness oversight</li> </ul>	January 2017
	<ul style="list-style-type: none"> <li>Determine BCAA requirements for trending and analysing safety-related data</li> </ul>	March 2017
4 Enhance safety culture.	<ul style="list-style-type: none"> <li>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</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>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</li> </ul>	Ongoing
5 Implement the approved organisational structure by filling all vacant staff positions.	<ul style="list-style-type: none"> <li>Conduct a review and update all BCAA job descriptions</li> </ul>	May 2016
	<ul style="list-style-type: none"> <li>Complete an independent Compensation Assessment and Performance Pay Scheme</li> </ul>	August 2016
	<ul style="list-style-type: none"> <li>Staff all vacant positions</li> </ul>	March 2017
	<ul style="list-style-type: none"> <li>Improve the employment levels of Bermudians</li> </ul>	Ongoing
6 Establish a brand recognition strategy for BCAA.	<ul style="list-style-type: none"> <li>Develop BCAA branding strategy and guidelines</li> </ul>	August 2016
	<ul style="list-style-type: none"> <li>Ensure consistent application in all aspects of BCAA business</li> </ul>	December 2016
	<ul style="list-style-type: none"> <li>Review and rebuild the BCAA website</li> </ul>	August 2016
7 Diversify the Register of Aircraft to maintain current revenue streams and identify new revenue streams.	<ul style="list-style-type: none"> <li>Identify the impediments to diversification</li> </ul>	December 2016
	<ul style="list-style-type: none"> <li>Develop a diversification strategy to overcome these impediments</li> </ul>	February 2017
	<ul style="list-style-type: none"> <li>Implement the strategy</li> </ul>	April 2017
8 Develop a Communications Strategy and Implementation Plan.	<ul style="list-style-type: none"> <li>Identify stakeholders and determine the communications strategies for each</li> </ul>	January 2017
	<ul style="list-style-type: none"> <li>Determine the gaps that exist between the communications strategy and current communications activities</li> </ul>	March 2017
	<ul style="list-style-type: none"> <li>Develop an implementation plan to address the gaps</li> </ul>	May 2017



The UK has established legislation relating to civil aviation in the Overseas Territories (OTs). 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 International Civil Aviation Organization (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 OTs. In conjunction with the Business Plan, BCAA develops the Safety Plan which communicates the activities that the Department 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 on an annual basis.

*To achieve its vision, the BCAA will remain focused on the following four 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.
- To enhance safety culture 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.



## FINANCIAL SECTION



10	SUMMARY OF FINANCIAL PERFORMANCE
11	STATEMENT OF MANAGEMENT'S RESPONSIBILITY
12	AUDITOR GENERAL'S REPORT
13	FINANCIAL STATEMENTS
17	NOTES TO THE FINANCIAL STATEMENTS
31	WORK PLAN REVIEW
32	EXECUTIVE SALARIES

## Summary of Financial Performance

In accordance with the Bermuda Civil Aviation Authority Act 2016 (the Act), all rights, assets and property as well as all liabilities and obligations of the former Department of Civil Aviation (DCA) were handed over to the Bermuda Civil Aviation Authority (BCAA) as of 1st October 2016. On that date the assets and liabilities consisting of cash, receivables, payables and tangible capital assets comprised the transfers from the Department of Civil Aviation and totaled \$3,187,593.

At the end of the first six months of operations, the BCAA had an Accumulated Surplus of \$1,500,000 consisting of a Reserve Fund of \$1,000,000 and Paid up Capital of \$500,000.

Operational revenue for the BCAA is governed by Air Navigation (Fees for Certificates and Services) Regulation 2012. Revenues for the six-month period exceeded budget by 5% due to unbudgeted Other Income and Reimbursements.

BCAA commenced operations on 1st October 2016 with a basic budget that did not include the cost of some services formerly provided by Government. Adjustments to void legacy receivables and write-off bad debts carried-over from DCA were included in the current fiscal period. These legacy receivables voids were not budgeted but were required to clear the accounts of receivables that were no longer necessary. This resulted in a reduction in the operating surplus for the current period.

The Operating Surplus for the six months was \$4,763,584 and in accordance with the Act, the BCAA is required to transfer its Operating Surplus to the Consolidated Fund, Paid-up Capital and the Reserve Fund as agreed between the Board and the Minister of Tourism & Transport and the Minister of Finance.

## Management's Responsibility for the Financial Statements

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

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

The Bermuda 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*



**Delia Basden**

*Director of Finance and Administration*

Date: 16th July 2019

# AUDITOR GENERAL'S REPORT



## *Office of the Auditor General*

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## INDEPENDENT AUDITOR'S REPORT

To the Minister of Tourism and Transport

I have audited the accompanying financial statements of the Bermuda Civil Aviation Authority, which comprise the statement of financial position as at March 31, 2017, and the statement of operations and accumulated surplus, change in net financial assets and cash flows for the period from October 1, 2016 (Commencement of Operations) to March 31, 2017, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bermuda Civil Aviation Authority as at March 31, 2017, and its results of operations, changes in its net financial assets, and its cash flows for the period from October 1, 2016 (Commencement of Operations) to March 31, 2017, in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Hamilton, Bermuda

July 16, 2019

**Heather Thomas**, CPA, CFE, CGMA

*Auditor General*

## STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH 2017

	2017
	\$
FINANCIAL ASSETS	
Cash	9,807,654
Accounts receivable (Note 3)	1,077,994
Due from related parties (Note 4)	245,875
	<u>11,131,523</u>
LIABILITIES	
Accounts payable and accrued liabilities (Note 5)	1,464,817
Due to the Government of Bermuda (Note 4)	43,116
Deferred revenue	2,536,640
Distribution to the Consolidated Fund of the Government of Bermuda (Note 4)	5,724,692
Post-employment benefits and compensated absences (Note 6)	247,356
	<u>10,016,621</u>
NET FINANCIAL ASSETS	<u>1,114,902</u>
NON-FINANCIAL ASSETS	
Tangible capital assets (Note 7)	298,881
Prepaid expenses	86,217
	<u>385,098</u>
ACCUMULATED SURPLUS (Notes 8 and 18)	<u>1,500,000</u>
CONTRACTUAL OBLIGATIONS (Note 12)	

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

**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

FOR PERIOD FROM 1ST OCTOBER 2016 (COMMENCEMENT OF OPERATIONS) TO 31ST MARCH 2017

	2017 Budget (Note 15) \$	2017 Actual \$
REVENUES (Note 9)		
Airworthiness	12,245,966	12,271,593
Flight Operations	—	173,125
Reimbursements	—	66,725
Registrations	—	34,250
Other income	—	312,598
	<u>12,245,966</u>	<u>12,858,291</u>
EXPENSES		
General administration (Note 10)	3,102,004	2,815,232
Voided accounts receivable (Note 3)	—	2,430,820
Professional services (Note 11)	2,389,000	2,162,664
Bad debts (Note 3)	118,000	310,463
Impairment (Note 7)	—	354,930
Amortization (Note 7)	—	20,598
	<u>5,609,004</u>	<u>8,094,707</u>
OPERATING SURPLUS FOR THE PERIOD	<u>6,636,962</u>	<u>4,763,584</u>
ACCUMULATED SURPLUS, BEGINNING OF PERIOD	—	—
Add: Accumulated surplus transferred from the Department of Civil Aviation (Notes 8 and 16)	—	3,187,593
Add: Paid-up capital (Notes 4 and 8)	—	500,000
Less: Distribution to the Consolidated Fund of the Government of Bermuda (Notes 4, 8 and 18)	—	(6,951,177)
ACCUMULATED SURPLUS, END OF PERIOD	<u>6,636,962</u>	<u>1,500,000</u>

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



**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**

FOR PERIOD FROM 1ST OCTOBER 2016 (COMMENCEMENT OF OPERATIONS) TO 31ST MARCH 2017

	2017
	\$
NET FINANCIAL ASSETS, BEGINNING OF PERIOD	—
Operating Surplus	4,763,584
Net financial assets transferred from Department of Civil Aviation	3,187,593
Distribution to the Consolidated Fund of the Government of Bermuda	(6,951,177)
Paid-up capital	500,000
Acquisition of tangible capital assets	(197,938)
Transfer of tangible capital assets from Department of Civil Aviation (At net book value)	(206,411)
Amortization of tangible capital assets	20,598
Impairment of capital assets under development	354,930
Donated capital assets	(270,060)
Change in prepaid expenses	(86,217)
INCREASE IN NET FINANCIAL ASSETS	<u>1,114,902</u>
NET FINANCIAL ASSETS, END OF PERIOD	<u><u>1,114,902</u></u>

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

**STATEMENT OF CASH FLOWS**

FOR PERIOD FROM 1ST OCTOBER 2016 (COMMENCEMENT OF OPERATIONS) TO 31ST MARCH 2017

	2017
	\$
<b>Cashflows from Operating Activities</b>	
Operating Surplus	4,763,584
Adjustment for items not affecting cash:	
Amortization of tangible capital assets	20,598
Impairment of capital assets under development	354,930
Bad Debts	310,463
Voided accounts receivable	2,430,820
Net working capital transferred from Department of Civil Aviation	3,187,593
Actuarial loss	107,250
Changes in non-cash working capital:	
(Increase) in accounts receivable	(3,819,277)
(Increase) in due from related parties	(245,875)
Increase in accounts payable and accrued liabilities	1,464,817
Increase in deferred revenues	2,536,640
Increase in post-employment benefits and compensated absences	140,106
Increase in due to the Government of Bermuda	43,116
(Increase) in prepaid expenses	(86,217)
Net Cash from Operating Activities	<u>11,208,548</u>
<b>Cashflows from Capital Activities</b>	
Acquisition of tangible capital assets	(197,938)
Transfer of tangible capital assets from Department of Civil Aviation	(206,411)
Donated capital assets	(270,060)
Net Cash used in Capital Activities	<u>(674,409)</u>
<b>Cashflow from Financing Activities</b>	
Net distribution to the Consolidated Fund of the Government of Bermuda	(1,226,485)
Paid-up capital	500,000
Net Cash used in Financing Activities	<u>(726,485)</u>
NET INCREASE IN CASH	9,807,654
CASH, BEGINNING OF PERIOD	—
CASH, END OF PERIOD	<u><u>9,807,654</u></u>

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

## 1. AUTHORITY

The Bermuda Civil Aviation Authority (the "Authority" or "BCAA"), was established by the Bermuda Civil Aviation Authority Act 2016 (the "Act"). The Bermuda Civil Aviation 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 Bermuda Department of Civil Aviation, the BCAA became an Authority on 1st October 2016.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

Pursuant to standards established by the Public Sector Accounting Board ("PSAB") 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 generally accepted in Bermuda and Canada. The accounting policies considered particularly significant are set out below.

### (b) Adoption of CPA Canada Public Sector Accounting Standards

Effective 1st October 2016, the Authority adopted the requirements of the CPA Canada Public Sector Accounting Standards PS 1201, PS 2200 and PS 3450. These financial statements are the first for which the Authority has applied public sector accounting standards.

PSAB issued Section PS 3450 "Financial Instruments" in March 2011. This section proposes reporting on the nature and extent of risks associated with financial instruments held and issued by an entity. Financial instruments which are quoted in an active market will need to apply fair value measurement (e.g. equity investments or derivatives). All other non-derivative financial instruments will be measured at cost or amortized cost unless the entity elects to apply the fair value option. To support meaningful budget to actual comparisons, when fair value measurement is applied, the presentation of surplus/deficit will need to be reported both excluding and including any re-measurement gains or losses. The standard is effective for the Authority's 31st March 2017 financial statements and the adoption of PS 3450 resulted in the disclosures as included in Note 13.

In conjunction with Section PS 3450, PSAB also issued Section 1201 which replaces the existing Section PS 1200, "Financial Statement Presentation", and includes a new statement of re-measurement gains and losses. The new statement reports unrealized gains and losses associated with financial instruments in the fair value category, exchange gains and losses associated with monetary assets and liabilities denominated in a foreign currency, amounts reclassified to the statement of operations and accumulated surplus upon de-recognition, and other comprehensive income reported when a public sector entity includes the results of its government business enterprises and partnerships in the financial statements. The standard is effective for the Authority's 31st March 2017 financial statements and had no impact on the financial statements.

PSAB also issued Section PS 2200 in March 2015 establishing the disclosures required for related party transactions. This includes disclosure of information about an entity's related party transactions and the relationship between the related parties when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated; or have or could have, a material financial effect on the financial statements. The standard is effective for financial statements beginning on or after 1st April 2017, however, the Authority has early adopted this standard. The adoption of PS 2200 resulted in the disclosures included in Note 4.

### (c) Functional and presentation currency

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

### (d) Measurement uncertainty

In preparing the financial statements, management must make estimates and assumptions that affect reported amounts and disclosures. Significant areas requiring the use of estimates include the estimated useful lives of capital assets, bad debt allowance, tangible capital assets impairment, the current period's pension and other post-employment benefits costs.

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

**(e) Foreign currency translation**

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

**(f) Tangible capital assets and amortization**

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

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

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

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

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

**(g) Accounts receivable**

Accounts receivable are recognized at fair value less provision for impairment. 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 recognized in the Statement of Operations and Accumulated Surplus. When a trade receivable is uncollectible, it is written off against the provision account for accounts receivable.

**(h) Cash**

Cash consists of current account balances with banks that can be withdrawn without prior notice or penalty.

**(i) Financial instruments**

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

*i. Cash*

Cash is recognized at cost.

*ii. Receivables*

Accounts receivable and due from related parties are initially recognized at cost and subsequently carried at amortized cost, less any impairment losses.

*iii. Liabilities*

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

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

(i) Financial instruments (continued)

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

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

(j) Employee benefits

i. *Short-term employee benefits*

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

ii. *Post-employment benefits – pension obligations (Note 6)*

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

iii. *Other post-employment obligations*

In addition to pension benefits, the Authority provides post-retirement benefits for health care to qualified employees who have retired. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period 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 depends 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 pensions 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 period 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 Dollars (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 6.

(k) Provisions

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

(l) Revenue

Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the Authority's activities. Revenue is shown net of credits and discounts. The Authority recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the Authority. The amount of revenue is not considered to be reliably measurable until all relevant contingencies have been met for the Authority's activities described in Note 9. Amounts received prior to the end of the period, which relate to revenues that will be earned in the subsequent fiscal year, are reported as deferred revenue.

## (m) Government of Bermuda grants and contributions

Operating grants are recorded as revenues. Contributed capital assets are recorded at their fair value at the date of contribution. When fair value cannot be reasonably determined, the contributed capital asset is recorded at nominal value.

## (n) Expenses

Operating expenses are reported on the accrual basis. The cost of all goods consumed, and services received during the period are expensed.

## (o) 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.

**3. ACCOUNTS RECEIVABLE**

	\$
Accounts receivable	1,198,705
Allowance for doubtful accounts	(120,711)
Accounts receivable (net)	1,077,994

The carrying amounts of Accounts receivable approximate their fair value. As at 31st March 2017 trade receivables of \$507,614 were past their due date but were not considered doubtful.

On 1st October 2016, accounts receivable transferred from the Department of Civil Aviation were reviewed for probable bad debts and voids. To maintain consistency with the accounting treatment in the Consolidated Fund of the Government of Bermuda, for which an audit was conducted subsequent to BCAA transitioning from the Department of Civil Aviation, invoices to be voided amounting to \$2,430,820 and bad debts of \$189,752 were identified and written off in the current period and are presented in the Statement of Operations and Accumulated Surplus.

#### 4. 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:

	\$
Transactions during the period:	
Paid-up capital (Notes 7 and 8)	500,000
Accounts payable written-off (Note 9e)	183,823
Donated tangible capital assets (Notes 7 and 9e)	128,775
Advance to Bermuda Shipping and Maritime Authority	68,050
Balances at the end of the period:	
Due from related parties:	
Due from Quango (Bermuda Shipping and Maritime Authority)	3,279
Due from the Consolidated Fund of the Government of Bermuda	242,596
	245,875
Due to the Consolidated Fund of the Government of Bermuda	43,116
Distribution to the Consolidated Fund of the Government of Bermuda	5,724,692
Distribution to the Consolidated Fund of the Government of Bermuda:	
Net surplus to be transferred to the Consolidated Fund of the Government of Bermuda (Note 18)	6,951,177
Due from the Consolidated Fund of the Government of Bermuda	(1,226,485)
	5,724,692

#### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The account consists of:

	\$
Trade accounts payable	727,961
Customer advance	453,328
Accrued liabilities	238,123
Pension payable	45,405
	1,464,817

## 6. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES

### (a) Pension plans

#### (i) Defined contribution

The Authority has two 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.

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 six months period ended 31st March 2017 the amount of \$95,730 was contributed by the Authority.

### (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:

1. Discount Rate	5%
2. Medical trend rate	7% decreasing by 1% per annum to an ultimate rate of 3% after 5 years
3. Expected Average Remaining Service Lifetime	11.6 years

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

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

The amount of \$168,699 is recognized in the Statement of Financial Position upon the advice of a professionally qualified actuary. Further details of the valuation as at 31st March 2017 are presented below:

	\$
Present value of obligation:	
Balance, beginning of period	—
Current service cost	137,725
Interest cost	—
Actuarial loss	30,974
Balance, end of period	168,699



## (c) Retirement leave 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 period. During the period, no retirement leave benefits were paid. Further details are presented below.

The principal actuarial assumptions at the date of valuation:

1. Discount Rate	5%
2. Rate of Salary increase	2.5%

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:

Age Nearest	Males %	Females %	Age Nearest	Males %	Females %
23	0.03	0.01	48	0.70	0.50
28	0.06	0.04	53	0.92	0.65
33	0.16	0.10	58	0.94	0.70
38	0.30	0.20	63	0.98	0.95
43	0.47	0.32			

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

The amount of \$78,657 is recognized in the Statement of Financial Position with the advice of a professionally qualified actuary. Further details of the valuation as at 31st March 2017 are presented below:

	\$
Accrued benefit obligation:	
Balance – beginning of period	—
Current service cost	2,381
Interest cost	—
New plan (gain) loss	76,276
Benefits paid	—
Balance – end of period	78,657

## (d) Compensated absences

Full-time regular employees are eligible for a variety of benefits including medical insurance, long-term disability coverage, and life insurance and accidental death and dismemberment insurance. Compensated absences include maternity leave, paternity leave, sick leave and vacation days. These benefits are unfunded.

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

Vacation days accumulate and vest and therefore a liability is accrued each period. The accrued vacation liability as of 31st March 2017 is \$52,665 and is included in accounts payable and accrued liabilities.

## 7. TANGIBLE CAPITAL ASSETS

	Capital lease	Furniture, office equipment	Computer equipment	Software	Vehicle	Capital assets under development	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
Transfer from the Department of Civil Aviation (Note 16)	23,524	105,428	71,606	510,444	30,000	200,467	941,469
Donated tangible capital assets	—	—	—	141,285	—	128,775	270,060
Additions	—	—	25,709	141,822	—	30,407	197,938
Impairment	—	—	—	—	—	(354,930)	(354,930)
At 31st March 2017	23,524	105,428	97,315	793,551	30,000	4,719	1,054,537
<b>Accumulated amortization</b>							
Transfer from the Department of Civil Aviation (Note 16)	23,524	105,428	65,662	510,444	30,000	—	735,058
Amortization	—	—	6,443	14,155	—	—	20,598
At 31st March 2017	23,524	105,428	72,105	524,599	30,000	—	755,656
Net Book Value 31st March 2017	—	—	25,210	268,952	—	4,719	298,881

The net book value of the tangible capital assets transferred from the Department of Civil Aviation amounted to \$206,411 (Note 16).

Donated tangible capital assets of \$270,060 includes \$141,285 from the initial paid-up capital (Notes 4 and 8) and \$128,775 from other income (Notes 4 and 9e). There were no disposals of tangible capital assets for the period.

## 8. ACCUMULATED SURPLUS

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

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

Paid-up capital of \$500,000 was paid to the Authority to fund start-up expenditures, of which \$141,285 was donated tangible capital assets (Note 7).

A general reserve fund of \$1,000,000 has been established and maintained in accordance with Section 16 (1) of the Act. This reserve was designated from accumulated surplus and is not supported by any restricted assets. The reserve is intended to cover any immediate incident expenditures prior to insurance claims and to cover expenditures in case of loss of business.

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 PERIOD	—	—	—	—
Operating surplus for the period	4,763,584	—	—	4,763,584
Transfers from the Department of Civil Aviation	3,187,593	—	—	3,187,593
Paid-up capital	—	500,000	—	500,000
Intra-fund transfers	(1,000,000)	—	1,000,000	—
Distribution to the Consolidated Fund of the Government of Bermuda (Note 18)	(6,951,177)	—	—	(6,951,177)
ACCUMULATED SURPLUS, END OF THE PERIOD	—	500,000	1,000,000	1,500,000

**9. REVENUE****(a) Airworthiness**

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

**(b) Flight Operations**

This source of revenue is derived from the issuance of Air Operator's Certificates or Aerial Work Certificates to local and foreign registered air carriers. These carriers provide both scheduled and non-scheduled / charter transport to and from Bermuda.

**(c) Reimbursements**

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

**(d) Registrations**

These fees are derived from aircraft mortgage transcripts and registrations.

**(e) Other Income**

Other income resulted from the following:

	\$
Accounts payable written-off	183,823
Donated capital assets	128,775
	<u>312,598</u>

**10. GENERAL ADMINISTRATION**

	\$
Salaries and employee benefits	1,789,389
Travel	220,503
Advertising & promotion	206,943
Rent	164,907
Materials and supplies	159,467
Communications	116,706
Training	61,667
Repairs and maintenance	27,081
Office equipment	21,141
Insurance	8,011
Miscellaneous expenses	39,417
	<u>2,815,232</u>

**11. PROFESSIONAL SERVICES**

	\$
Consulting fees	1,962,848
Information technology support	131,214
Legal fees	68,602
	2,162,664

**12. 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 2017 and the latest contract termination date is 31st May 2020. 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:

	2018	2019	2020
	\$	\$	\$
Supporting services	2,659,464	2,028,603	141,294
Information technology	60,208	—	—
	2,719,672	2,028,603	141,294

### 13. 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 sound business practices. The following analysis provides a measure of the risks at the reporting date, 31st March 2017.

#### (a) Credit risk

Credit risk arises from cash 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

Credit risk associated with cash 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. In the six-month period ended 31st March 2017, the maximum credit risk to which the Authority is exposed represents the carrying value of its accounts receivable.

The amounts outstanding at the period end were as follows:

	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
	\$	\$	\$	\$	\$	\$
Accounts receivable	691,091	—	99,812	91,700	316,102	1,198,705
Due from related parties	245,875	—	—	—	—	245,875
Less: provision for bad debts	(120,711)	—	—	—	—	(120,711)
Net receivables	816,255	—	99,812	91,700	316,102	1,323,869

**(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	Total
	\$	\$	\$
<b>Expected cash outflows</b>			
Accounts payable and accrued liabilities	1,464,817	—	1,464,817
Due to the Government of Bermuda	43,116	—	43,116
Distribution to the Consolidated Fund of the Government of Bermuda	—	2,773,515	2,773,515
Retirement leave benefits payable	5,039	73,618	78,657
Post employment healthcare payable	—	168,699	168,699
<b>Total expected cash outflows</b>	<b>1,512,972</b>	<b>3,015,832</b>	<b>4,528,804</b>

**(c) Market risk**

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

**(i) Foreign exchange**

Foreign exchange 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 foreign exchange risk. As at 31st March 2017 there were no outstanding liabilities.

**(ii) Interest rate risk**

Interest rate risk arises from changes in prevailing levels of market interest rates. At period-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 foreign exchange risk, causing fluctuations in the fair value of future cash flows of the financial instruments. At period-end, the Authority had no significant price risk exposure.

**14. CAPITAL MANAGEMENT**

The Authority's objective when managing capital is to hold sufficient accumulated surplus to enable it to withstand negative unexpected financial events. The Authority seeks to achieve this objective 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.

**15. BUDGET**

The amounts represent the operating budget which was approved by the Board on 4th April 2018.

**16. TRANSFER OF ASSETS AND LIABILITIES**

All rights, assets and property vested in or held in any manner, on behalf of or for the Bermuda Department of Civil Aviation before commencement of the Act, were vested in the Authority. Additionally, all liabilities and obligations that existed for the Bermuda Department of Civil Aviation immediately before the commencement of the Act, continue to exist against the Authority.

A summary of the balances transferred is listed below:

	\$
Cash	154,272
Accounts receivable	3,092,164
Allowance for doubtful accounts	(81,432)
Accounts payable and accrued liabilities	(183,823)
Tangible capital assets (Note 7)	206,412
Accumulated surplus transferred from the Department of Civil Aviation	(3,187,593)

**17. COMPARATIVE FIGURES**

These financial statements are for six (6) months of operations from 1st October 2016 to 31st March 2017. As such there are no comparative figures.

**18. SUBSEQUENT EVENTS**

On 1st December 2017, the Authority's United Kingdom office moved from central London to the Farnborough Airport Terminal Building. The relocation aims to foster efficient support and access for customers in the European region. The Authority signed a lease agreement effective 1st December 2017 to 31st December 2020 for an initial rent of GBP35,000 per annum exclusive of VAT, subject to annual review.

The Authority signed a Collective Bargaining Agreement with the Bermuda Public Services Union on 27th February 2018. This agreement shall be effective from 1st April 2017 until 31st March 2020. Employees were paid the agreed salary increases retroactively from 1st January 2017.

In July 2017, the BCAA hired its first employee in its UK office.

On 16th March 2018, BCAA terminated its contract for workflows and document management with a local software vendor. Both parties have agreed to a final settlement of \$85,000 in favour of BCAA.



In its Work Plan (Business Plan) for 2016 to 2019 the Bermuda Civil Aviation Authority (BCAA) documented a number of initiatives to take effect during that period. Many initiatives were achieved while some deviated from the original plan or were deferred.

BCAA started the process of establishing its marketing plan with a view to retaining existing customers and attracting new business. The plan included a focus on branding, conference sponsorship and social media.

At the time of the writing of the 2016 to 2019 Business Plan the BCAA staff were not unionized however during the first six months of operations, non-management staff voted to join the Bermuda Public Services Union. The first Collective Bargaining Agreement was signed in February 2018 with effect from 1st April 2017, except for salary adjustments which were effective 1st January 2017.

BCAA anticipated filling all vacant positions by 31st March 2017 however this has not yet been accomplished. Some positions were filled during the first six months and recruitment efforts continue. In addition, employee remuneration was addressed to aid in the retention and recruitment of staff.

It was stated in the Business Plan that the Air Navigation (Fees for Certificates and Services) Regulations 2012 were currently under review and would be revised in 2016/17. The review commenced but had to be deferred due to other work priorities.

BCAA and the Bermuda Shipping & Maritime Authority (BSMA) became Government Authorities at the same time and it was anticipated that there could be some economies achieved by co-locating both Authorities in one office and sharing some back-office staff. This arrangement was not accepted by the BSMA Board of Directors and both authorities agreed to source their own office space.

The Business Plan referred to the Process Workflow system as being one of the systems to be used by the BCAA. The programming of this application was not completed and it was not placed into production.

During the transition period, start-up funds in the amount of \$500,000 were appropriated for the Department of Civil Aviation (between April and September 2016) and the BCAA (after September 2016) to assist with start-up costs. Additionally, Cabinet approved an advance of \$6 million to ensure the BCAA had adequate cash flow during the first few months after transition. The intention was that this advance of \$6 million and the start-up funds of \$500,000 would be repaid to the Government of Bermuda during the initial fiscal period. The \$500,000 was converted to Paid-up Capital and the \$6 million was never advanced because the BCAA determined that it could generate sufficient cash flow to operate independently.

# EXECUTIVE SALARIES

AS AT 31ST MARCH 2017

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





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