

Building for the Future



2018/2019
**ANNUAL
REPORT**

About

The Bermuda Airport Authority is a statutory corporation established in March 2017 to accept the transfer of certain responsibilities for the L.F. Wade International Airport from the Government of Bermuda's Department of Airport Operations.

The Airport Authority is a quasi-autonomous non-governmental organisation (QUANGO).

The Bermuda Airport Authority owns the L.F. Wade International Airport, leasing the land and facilities to Bermuda Skyport Corporation Limited (Skyport). The Airport Authority is mandated to oversee the

performance of Skyport and Aecon Concessions (Aecon) to design, build, finance, operate and maintain the airport passenger terminal facilities.

At the expiration of the 30-year Project Agreement, the Bermuda Airport Authority will assume responsibility for the ongoing operations and maintenance of the L.F. Wade International Airport.

Under the Bermuda Airport Authority Act 2017, the Airport Authority retained responsibility for Air Traffic Control, Air Traffic Engineering (Ground Electronics), the Bermuda Weather Service and Maintenance services. Prior to 31 March 2019, these services were delivered via third party vendor contract. These services are now being provided directly by the Bermuda Airport Authority.

Airport Rescue and Firefighting Services is the responsibility of the Bermuda Airport Authority and is provided under the terms of a Memorandum of Understanding with the Bermuda Fire and Rescue Services.

The Bermuda Airport Authority regulates airport fees and charges.

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Message from the Minister of Tourism and Transport

The Hon. Zane DeSilva JP MP



I am pleased to present the Bermuda Airport Authority's Annual Report. This report confirms that the Airport Authority, in its second year of operations, is continuing to ensure the safe and efficient

delivery of airport and air navigation services together with assistance from strategic partners.

In the Authority's role overseeing the airport redevelopment project and new passenger terminal at the L.F. Wade International Airport, the Airport Authority has provided a watchful eye over one of Bermuda's largest construction projects. There is a high standard of oversight via the Authority's robust construction monitoring regime, and the new passenger terminal is on-target for substantial completion by July of 2020.

In addition to ensuring the Authority's strategic partner, developer and airport operator Bermuda Skyport Corporation Limited, meets its performance obligations, the Airport Authority has also focused on creating value for Bermuda from enhancements to the project agreement. This work led to the inclusion of an additional fixed canopy outside of the entrance to the new terminal at no additional cost to the Airport Authority or the Government of Bermuda.

The Airport Authority is also working with key stakeholders to explore new commercial opportunities and ensure a smooth transition of operations from the existing terminal to the new passenger terminal. Given my joint responsibilities for Tourism and Transport, I am especially appreciative of the Authority's work partnering with the Bermuda Tourism Authority to develop strategies to increase air service capacity and to provide a sustainable air service to meet Bermuda's diverse needs.

This annual report highlights the Airport Authority's provision of strategic training and development for its staff. I am encouraged to see this investment in professional development, as it creates opportunities for Bermudians, ensures the organisation remains "future-focused" and enables the Airport Authority to meet the frequently evolving aviation and contract management standards necessary to fulfill their mandate.

I hope you will take the time to read through this annual report and learn more about the exciting work and opportunities at the Bermuda Airport Authority. I congratulate the staff, Management Team, and Board of Directors on a successful year, and I look forward to their continuing progress for the benefit of Bermuda, its residents and its visitors.

The Hon. Zane DeSilva JP MP

Chairman's Message

The Bermuda Airport Authority has completed two full years of operation since being formed in March 2017 and in this past year, my first as Chairman, the focus has been on "Building". The Authority has built its capacity to oversee the construction of the new passenger terminal and to deliver essential air navigation services.

By now, many Bermudians and visitors have seen the new passenger terminal building rise and take shape north of the existing terminal. Less obvious, but equally important, are the Authority's many internal changes and achievements, as we have enhanced the capacity to deliver on our mandate. It has been a busy and successful year at the Bermuda Airport Authority, and it is my pleasure to present our report on operations and the audited accounts for the year.

In January 2019, I joined other stakeholders on-site for a traditional roof-wetting ceremony to celebrate the completion of the new air terminal building's roof. Work has continued inside and outside of the building since that time and, while much has been accomplished, much remains to be done as the project progresses towards substantial completion in the summer of 2020.

The Bermuda Airport Authority remains focused on maximising benefits and increasing the economic value the new air terminal building can provide to the local community. This work includes exploring ways to increase energy efficiency in the new facility and ensuring Bermuda's public sector stakeholders are appropriately represented in the latter stages of construction.



Bermuda Airport Authority Chairman Lawrence Scott and Chief Executive Officer Lester Nelson

Airports – especially those using a Public Private Partnership (P3) delivery model – are complex enterprises that bring together diverse interests. This diversity creates unique opportunities for Bermudians to develop specialised skills in a range of areas including design, construction, engineering, safety, and specialised aviation services. In the area of P3 contract management, the Authority recently promoted a Bermudian to the post of Director, P3 Contract Management. We are very proud that our newest Director is also the first Bermudian to become a Certified PPP Professional (CP3P) after completing a rigorous training programme. The Authority believes this will be the first of many such developments in this area as we build knowledge in an increasingly significant global field.

In addition to the airport redevelopment project, Authority resources were heavily involved in preparation for the in-sourcing of essential air navigation services on 1 April, 2019. These services – Air Traffic Control, Air Traffic Engineering (Ground Electronics), the Bermuda Weather Service and Maintenance services – are now directly part of the Bermuda Airport Authority's operations, having been formerly provided through a contract with a U.S.-based vendor. This insourcing enables the Airport Authority to reduce costs while developing Bermudian talent for succession planning and future careers in air navigation services. As a pilot and experienced aviation professional, I am especially proud of the Authority's work to enable Bermudians to join the industry.

As Chairman of the Bermuda Airport Authority, I am pleased with our many achievements during the year. It is great to work with a talented and dedicated Board of Directors, Management Team, our now near 50-person team of dedicated professionals, and many other stakeholders. I extend a sincere thank you to all for their commitment and efforts, and I look forward to further success in the upcoming year.



Lawrence Scott, JP MP
Chairman
Bermuda Airport Authority

“By now, many Bermudians and visitors have seen the new passenger terminal building rise and take shape north of the existing terminal. Less obvious, but equally important, are the Authority's many internal changes and achievements, as we have built our capacity to deliver on our mandate.”



Chief Executive Officer's Message

The Bermuda Airport Authority had a productive fiscal year in 2018/2019 marked by significant organisational growth and achievement of several milestones on the airport redevelopment project. During the year our team's activities focused on our strategic priorities: Project Oversight, Organisational Effectiveness, Financial Stewardship and Public Responsibility. Our achievements in these areas have been highlighted throughout this report.

The Authority's fiscal year-end in March 2019 marks the second anniversary of the Authority's formation and the ground breaking for a new passenger terminal, in March and April 2017, respectively.

This year we continued to fulfil our mandate to deliver essential air navigation services and to oversee the rapid development of the new passenger terminal by our strategic partners, Aecon Concessions (Aecon) and Bermuda Skyport Corporation Limited (Skyport), in accordance with the approved design specification. We strengthened our team by recruiting and developing talented Bermudians including two Designate-Directors, one of whom achieved the Certified PPP Professional (CP3P) designation. The CP3P is the definitive certification for public-private partnership (P3) professionals.

In addition to our oversight and P3 responsibilities, the Authority completed the transition of air navigation services to a direct service delivery model. This included successfully planning, executing and transitioning 30 aviation professionals from their previous employer, our former vendor, to direct employees of the Authority. These essential and regulated air navigation services include air traffic control, air traffic engineering (ground

electronics), maintenance, aeronautical information and local Bermuda public and aviation weather. The Authority continues to provide airport rescue and firefighting services through a Memorandum of Understanding with Bermuda Fire and Rescue Services. These services are critical to our commercial airlines and other aircraft operators in safely transporting passengers and goods to and from Bermuda.

P3 projects are a relatively new model for delivering large-scale public infrastructure projects where risks, financing and operational activities, are shared between the public owner and private enterprise, in our case the Bermuda Airport Authority, Aecon and Skyport. A key success factor of P3's is the relationship between the parties. The success of the Authority's strategic partnership with Skyport and Aecon is evident, and I am pleased to report that the Airport Authority, Skyport, and Aecon were fully engaged in fulfilling our respective obligations under the project agreement. We are all focused on the completion of the new terminal, the ongoing safe and efficient operations of the L.F.Wade International Airport's terminal and air navigation services.

I am grateful for the guidance of the Authority's Board and the hard work by the Authority's Management Team and professional staff throughout the year. This support will be invaluable as the airport redevelopment project nears completion in the summer of 2020 and as the expanded Airport Authority team continues to build on its success.



Lester Nelson
Chief Executive Officer
Bermuda Airport Authority



Our oversight role in one of Bermuda's largest infrastructure projects combined with the highly specialised nature of the aviation industry, means the Authority is uniquely positioned to help train, develop, and increase opportunities for Bermuda's labour force.

Airport Redevelopment Project

Frequent travelers and visitors to Bermuda’s East End will have likely noticed the steady progress of the construction project to build a new passenger terminal at the L.F. Wade International Airport. By the last quarter of 2019, construction – which began with the official groundbreaking in April 2017 – will begin to shift towards internal fit-out, installations and commissioning of plant and equipment.



On the roof of the new L.F. Wade International Airport passenger terminal building – Minister of Tourism and Transport, Zane DeSilva marks the historical milestone in a traditional roof wetting ceremony joined by Finance Minister Curtis Dickinson, Ianthia Wade, widow of the late Opposition leader L. Fredrick Wade, Lester Nelson, Authority Chief Executive Officer and Chairman Lawrence Scott.

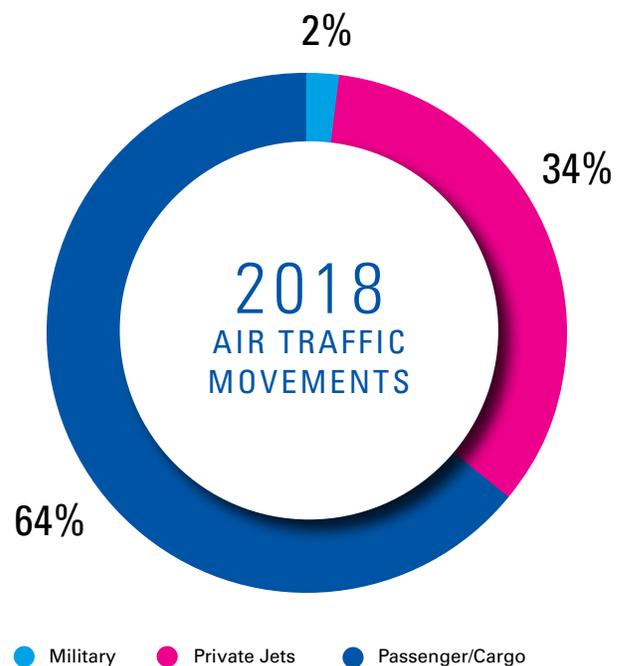
This fiscal year brought with it numerous important and celebrated milestones. In January 2019, the Minister of Tourism and Transport, the Hon. Zane DeSilva, JP, MP and other Government dignitaries, fully attired in personal protection equipment for safety, and with a bottle of Gosling’s Black Rum in-hand, joined key leaders from the Airport Authority, Aecon, and Skyport to perform the traditional Bermuda roof wetting on the recently completed roof. Earlier, in September 2018, workers celebrated substantial completion of the site’s structural steel and deck work with a “Steel-topping Out” Ceremony, a well-known tradition in Canada and the United States. These events symbolise the advancement of key construction activities and the diverse nature of the public-private partnership to design, build, finance and, upon completion, to operate and maintain the new passenger terminal.

Below is a snapshot of the redevelopment project at the end of our fiscal year on 31 March 2019:

- Project 62% complete
- 3,400 metric tons of structural steel erected
- Baggage handling system 70% complete
- Parking gates for aircraft 75% complete
- Equipment installation on-going for six passenger boarding bridges (or “jet bridges”)
- Landscaping and road configuration progressing

At over 213,000 square feet, the roof of the new airport passenger terminal building is an easy way to highlight the true scale of the new building. Its features are also unique, as it slopes in to a large gutter collection system that runs along the central spine of the building. Although the terminal building roof is non-traditional in its design, the function remains the same as a traditional Bermuda roof system, collecting rainwater to be deposited into an underground storage tank.

The new passenger terminal building is elevated four feet above the existing facility’s elevation for greater storm surge and flood protection.



A black and white photograph of three construction workers on a site. They are wearing hard hats, safety vests, and work clothes. The worker in the center is pointing upwards with his right hand. The worker on the right is looking up at the same point. The worker on the left is looking towards the camera. The background shows a large, open structure with many pipes and beams, likely the interior of a large building under construction.

At over 213,000 square feet, the roof of the new airport passenger terminal building slopes in to a large gutter collection system that runs along the central spine of the building for collecting water.

So, what will the new building look like?

The ground floor will house departure and arrivals halls, including passenger check-in and screening, U.S. Customs and Border Protection for U.S. outbound passengers, Bermuda Customs, Immigration and baggage claim for those arriving on the Island.

The second floor will provide access to aircraft via passenger boarding bridges for up to six aircraft. These “jet bridges” will provide covered access to aircraft – an often-requested feature from visitors and locals wanting protection from passing squalls and winter storms.

Ultimately the new layout, additional technology and refined operating processes will improve passenger flows, allowing for increased capacity throughout the new terminal building.



Beyond the usual excitement that accompanies the development of a large, complex infrastructure project, the relatively holistic nature of the new passenger terminal building project adds to its significance. When the building is completed in the summer of 2020, this will be the first time in more than 60 years that the passenger terminal building will have been designed, financed, built, and opened as a single, large-scale capital project. Our current passenger terminal building – originally built in 1947 – was upgraded and expanded over many decades in order to meet the Island’s evolving needs. Major additions occurred in 1957, 1967 and in 1987.

The complexity and scale of the construction project reinforces the importance of the Authority’s oversight role and our mandate to represent Bermuda’s interests in the public-private partnership (P3) contract.

The Authority continues to review the project’s diverse technical aspects through regular construction site visits and continuous review of required project documents and records. In coordination with Stantec Consulting International LLC – our technical advisor – and local partners including the Departments of Health and Immigration, Bermuda Police Service, H.M. Customs, and many others, the Authority ensures work on-site remains in compliance with local and international codes and regulations and adheres to the detailed technical specifications contained in the Project Agreement.

A large part of the Authority’s P3 contract management work during the financial year was to support plans for an effective mid-2020 transition of the various Government stakeholders from the existing passenger terminal building to the new facility.

Imagine for a moment the range of often overlooked stakeholders needed to operate an airport:

When passengers arrive from our gateway cities including, New York, Boston, Atlanta, Miami, London and Toronto, they are met by officers from the Department of

Immigration and H.M. Customs. As the Island's primary port of entry, we happily welcome passengers from around the world. This introduces the risk of unknown health concerns, with the Department of Health overseeing terminal and passenger wellness in the passenger terminal building. They are supported by the Bermuda Police Service who maintain safety and security in the terminal and the Bermuda Fire and Rescue Services, who are available to assist with aircraft, passenger and structural emergencies. Government's Information and Digital Technologies Department supports all these stakeholders with technological solutions. As this image becomes clearer, imagine transitioning all of the required elements to consistently deliver these activities – hundreds of staff, large volumes of equipment, inventory, and the associated operating procedures – from one terminal to another. The Airport Authority is representing our Government stakeholders in the lead up to this transition, and we will continue to work closely with Skyport to ensure a successful move to the new terminal in 2020.

Managing the Contract

While Authority activity on-site and off-site will increase in the next fiscal year as the project approaches its completion in the summer 2020, our team has been hard at work representing Bermuda's interests and creating opportunities for Bermudians to benefit from this complex project.

Two of the more tangible benefits that have resulted from our team's on-going diligence and hard work in fiscal 2018/2019 are:

- **Weather protection for passengers:** When the new passenger terminal building opens next year departing residents and visitors will have the added comfort of coverage from sun and rain as they enter the building. The original design of the new passenger terminal building – completed and approved prior to the Authority's creation – did not

include a weather canopy outside of the departure area. The Airport Authority team successfully negotiated the addition of this canopy at no additional cost to the Government of Bermuda.

- **Protection of public funds:** The Project Agreement required the Airport Authority to fund repairs to the existing passenger terminal building for damage caused by Hurricane Nicole in 2016, with the work carried out by the airport operator, Skyport. The Airport Authority – after a thorough review of repair invoices and extensive negotiations with Skyport – agreed to a significant reduction in the amount of tax-payer dollars required to repair the soon to be demolished existing terminal.

As part of our work protecting Bermuda's interests, the Project Agreement Review – completed in 2018 by global infrastructure consultants Leigh Fisher – identified several "optimisation recommendations" for the Authority to advance on behalf of the Island's interests. These represent approximately \$15 million worth of project enhancements for Bermuda's benefit, and include:

1. **Jobs for Bermudians** – Aecon (construction) and Skyport (airport operations) have committed to pursue individual targets of 65% and 90% Bermudian employment, respectively. We anticipate fluctuations over time based on expertise available on-island.
2. **Workforce Development and Training** – Over a dozen Bermudian students have benefitted from local and international training programmes. Recently, two Bermudian Public Works employees successfully completed a six-month Aecon airport redevelopment project internship in Toronto, Canada.
3. **Reduction of Energy Costs** – A Joint Energy Task Force has been established and is focused on identifying opportunities for improved energy efficiency in the new and existing air passenger terminal buildings. This commitment aligns with a broader national exploration of how the Island can develop and deliver a more efficient, sustainable energy system.



The construction of the new passenger terminal understandably receives most of the attention from members of the public. However, the largest share of the Authority's operating budget is allocated to the provision of essential air navigation services.

4. Passenger Traffic Growth and Revenue Sharing –

While air service development continues to be a challenge, the Airport Authority, Skyport and the Bermuda Tourism Authority have joined together and are working with air service development consultants to increase load factors that ultimately drive regulated revenues, from which revenue sharing is determined.

5. Social Investment – Skyport has committed \$4 million to social investment in the local community. In October 2018, the inaugural Skyport, Aecon, Bermuda Airport Authority airport charity golf tournament raised over \$33,000 for Big Brothers Big Sisters Bermuda and the Mirrors programme.

6. Office accommodation for the Authority – After construction of the new air terminal and renovations to the existing facility are completed, Skyport will provide the Airport Authority with office space for a nominal peppercorn annual rent, currently worth approximately \$4 million over the 30 remaining years of the project agreement.

through a Memorandum of Understanding with the Bermuda Fire and Rescue Services)

The Authority also maintains contractual relationships with the United States Federal Aviation Administration (FAA) and National Aeronautics and Space Administration (NASA); the United Nations Comprehensive Nuclear Test Ban Treaty Organisation and other international, commercial aviation companies.

This fiscal year brought a major change to the delivery of air navigation services. Previously, these services were outsourced to a variety of private sector firms; most recently CI² Aviation Bermuda Limited (CI²), a subsidiary of Atlanta, Georgia based CI² Aviation, Inc.

In 2018, the Airport Authority conducted an operational review and commercial analysis of Bermuda-based aviation services to determine the most efficient and cost-effective way to deliver these services on-Island. As a result of this assessment, the Authority decided to in-source and assume direct responsibility for air navigation services at the expiration of the agreement with CI² on 31 March 2019.

Airport Service Delivery

The construction of the new passenger terminal understandably receives most of the attention from members of the public. However, the largest share of the Authority's operating budget is allocated to the provision of essential air navigation services. Under the project agreement, these services are known as "Retained Government Services" (RGS), so called because they remained the responsibility of the Government-owned Bermuda Airport Authority.

The Authority is responsible for delivering the following air navigation services:

- Air Traffic Control
- Air Traffic Engineering (Ground Electronic Services)
- Bermuda Weather Service including public and aviation weather
- Facilities and Vehicle Maintenance Services
- Aeronautical Information Services
- Rescue and Firefighting Services (provided



By in-sourcing, the Authority achieves:

1. Reduced costs by retaining vendor management and administration fees formerly paid to a third party;
2. Improved organisational effectiveness by expanding in-house capabilities and knowledge-sharing; and
3. Increased opportunities for Bermudian involvement and professional development by increasing the Authority's immediate span-of-control.

In the months leading up to the expiration of the contract, the Authority worked closely with CI², the Bermuda Civil Aviation Authority, key vendors, and other stakeholders to plan for and ensure a smooth transition, with zero operational disruption, on 1 April 2019.

The Authority's leadership team recognised that organisational transformations are never easy and require an "all hands on deck" approach to maximise the likelihood of success. We established two core transition teams to ensure the necessary internal stakeholders were aligned and appropriately positioned to guide us to success. A five-member "Transition Steering Committee" provided oversight on behalf of the Authority's Board of Directors. A six-member "Transition Working Committee," composed of members of the Authority management

team and subject matter experts were tasked with drafting, implementing, and assessing the effectiveness of the transition plan. Bermuda-based employees of CI² were offered employment with the Authority on employment terms no less favourable than what they were receiving at CI². As a result of the hard work of these teams, as well as our Human Resources and Air Service Delivery teams, all employees, apart from two non-Bermudians, accepted their offers of employment and on 1 April, 2019 the Authority welcomed 30 new employees to our team. While the work to align organisational management practices and refine our culture will continue going forward, we can happily report a successful transition with no operational or organisational disruption.



Airport Service Delivery management team meeting: Patricia Peets, Air Traffic Control; Matthew White, Facilities Maintenance; Mark Bourne, Director Aviation Service Delivery; James Dodgson, Bermuda Weather Service; Jamie Sapsford, Director Airport Service Assurance and Ian Mills, Air Traffic Engineering.

Airport Capital Investment

As the Authority provides oversight of the passenger terminal building and airport operations, we also continue to make critical capital investments in essential navigation and communications infrastructure on and near the airport.

Our most prominent and visible infrastructure investment during the fiscal year was the planning and preparation to replace Bermuda's Doppler Weather Radar system. The new system became operational in July 2019, increasing the amount of data transmitted to our Bermuda



BERMUDA
Airport Authority

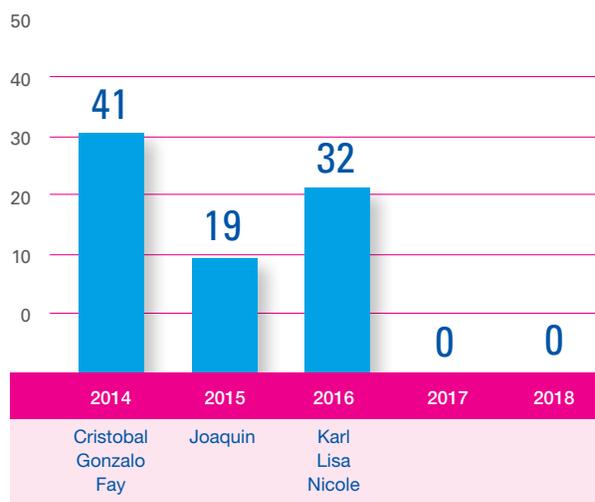
Weather Service, enabling staff to provide the local community with more reliable and higher-resolution imaging for weather forecasting and reporting. The previous weather radar system, installed in 2004, had become increasingly unreliable when the Authority assumed responsibility for it in 2017. After conducting an initial assessment of our infrastructure and assets, the Authority confirmed the system had reached the end of its useful life and needed to be replaced.

The Authority selected German manufacturer Leonardo ES GmbH (formerly Selex ES GmbH) to build the new system and work began in 2018 in Germany. Given the highly technical and specialised nature of the equipment – which includes radioactive elements – Doppler systems require more than a year to design, build, and test before being shipped on-site. During this time, Authority executives and technical staff visited Germany to ensure development was progressing as needed and to undertake key training required to operate the advanced system. We are grateful to our air traffic engineering and maintenance staff for their hard work in extending the life of the old system until March 2019, when it was decommissioned and dismantled to allow for installation of the new system at the Cooper’s Island site. The Authority looks forward to our new radar system maintaining a minimum 95% reliability rate, excluding planned preventive maintenance, over the next 15 years.

Although the Doppler Weather Radar system is not required to successfully operate the airport, there is no denying the system’s importance to the broader local community. With minimal marketing effort, radar imagery at www.weather.bm helps make the site the sixth most visited Bermudian website. Whether it helps boaters navigate clear of passing squalls or cycle riders anxiously trying to dodge rain on their daily commute, we are proud of the broad community engagement with our weather products. There will be exciting new weather-related offerings in the next fiscal year! Beyond the weather radar, the Authority invested in

numerous less prominent but essential airport infrastructure. Airline pilots and air traffic control personnel rely on an array of navigational aids, communication, and ground electronics equipment to safely navigate planes on and around the airfield. The Authority is in the process of upgrading the traditional copper wire connections to fibre optic cable, and is upgrading air traffic control voice communications switch technology to improve remote communications and increase the lifespan of this essential aviation equipment.

Total Number of Named Tropical Storm & Hurricane warnings and watches issued by the Bermuda Weather Service



Building Opportunity

The transition of aviation services to the Authority expanded our in-house capability and gave the Authority direct responsibility for critical air navigation services. While it is certainly the largest organisational change to occur in the Authority’s short two years, it is just one of many examples of the Authority’s commitment to growing our organisational capability to deliver value for Bermuda.

Our oversight role at one of Bermuda’s largest ever infrastructure projects combined with the highly specialised nature of the aviation industry means the Authority

is uniquely positioned to help train, develop, and increase opportunities for Bermuda's labour force. The new passenger terminal building redevelopment is utilising a Public Private Partnership (P3) model. If done correctly, this model is designed to capitalise on the strengths of both the private and public sectors. Governments globally are increasingly using P3 models to help finance, build, and operate their infrastructure projects. These projects require skilled, experienced staff to lead and manage. As a result, the new passenger terminal building has created opportunities for Bermudians to work and learn alongside global leaders in P3 contract management, infrastructure project development and operations, and international air navigation and safety.

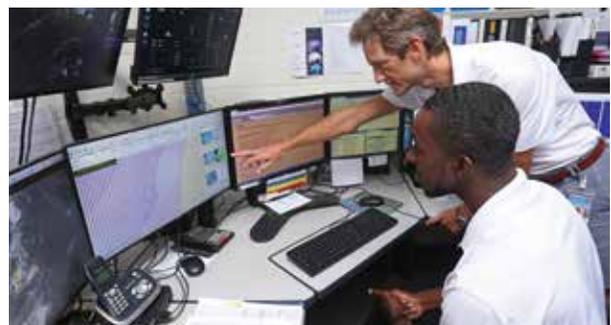
The Authority's Strategic Plan includes an initiative to build internal capacity through the establishment of a P3 Centre of Excellence. The Centre will create a structured environment where Bermudians can train and develop in the numerous facets of P3 contract management. While the Centre is still in the development phases, the Authority has passed a key P3 development milestone; the successful training and development of a Bermudian P3 professional. In April 2019, the Designate Director of P3 Contract Management successfully completed her training and was promoted to the permanent post of Director, P3 Contract Management. The promotion followed extensive formal training including experiential learning and mentoring directly with global infrastructure and engineering specialists, Stantec Inc. and international infrastructure advisory and consulting firm Leigh Fisher.

In her new role, the Director, P3 Contract Management is responsible for ensuring all aspects of development and operations (at both passenger terminal buildings) comply with the terms of the Project Agreement. This work demands a thorough understanding of the project agreement and P3 best practices, frequent liaising with the Authority's construction monitoring teams and Skypart to review and verify activities.

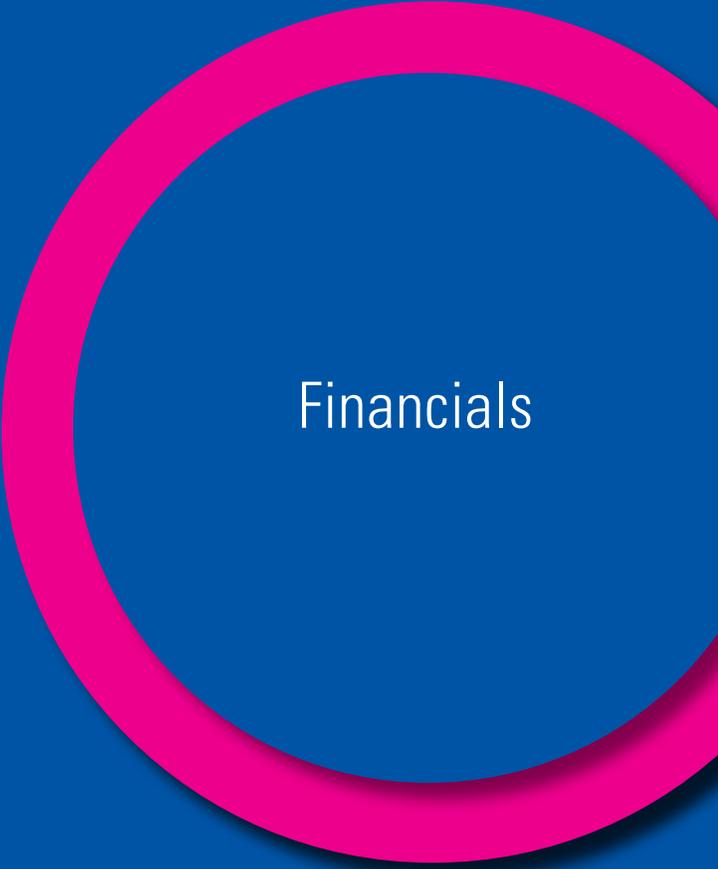
It also requires diligent representation of Government stakeholders to ensure sustainable operations in the old and new terminal buildings, including during the transition period. The Director will also be responsible for ongoing monitoring of key performance indicators for airport operations following the opening of the new passenger terminal building.

Our Airport Redevelopment team has a clear succession plan in place as our Designate Director Airport Redevelopment, a registered architect, continues to learn on the job and receives international, airport-specific, training and education while providing technical support around the airport.

The above examples of management level training and development support the Authority's leadership but, just as importantly, we continue to invest at all levels of our organisation. During the financial year we welcomed a Bermudian Graduate Trainee with a degree in Aviation Management, whose skills are being developed on the job through experiential learning. Another young Bermudian, who recently graduated with a Bachelor of Science in Atmospheric Science, has joined our Bermuda Weather Service and is in a year-long programme of in-house and overseas training to become a qualified operational meteorological forecaster. These represent exciting times at the Authority, and we look forward to continued "Building" in all areas during the next fiscal year.



Graduate Trainee Troy Anderson takes pointers from James Dodgson Director of Bermuda Weather Service



Financials



September 26, 2019

Management's Responsibility for the Financial Statements

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

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

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

The accompanying Independent Auditor's Report is presented herein.

A handwritten signature in black ink, appearing to read "Lester Nelson", written over a horizontal line.

Mr. Lester Nelson
Chief Executive Officer

Date 26 September 2019

A handwritten signature in blue ink, appearing to read "Carlos C. Lee", written over a horizontal line.

Mr. Carlos C. Lee
Director, Finance and Administration



Office of the Auditor General

Reid Hall, Penthouse
3 Reid Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148

Fax: (441) 295-3849

Email: oag@oagbermuda.bm

Website: www.oagbermuda.bm

INDEPENDENT AUDITOR'S REPORT

To the Minister of Tourism and Transport

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of the Bermuda Airport Authority, which comprise the statement of financial position as at March 31, 2019, and the statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bermuda Airport Authority as at March 31, 2019, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

As required by Section 22 of the Bermuda Airport Authority Act 2017, I also report that, in my opinion, proper accounting and supporting records have been kept and that the receipt, expenditure of moneys and the acquisition of assets by the Bermuda Airport Authority during the year ended March 31, 2019, have been in accordance with the provisions of the Bermuda Airport Authority Act 2017.

Hamilton, Bermuda
September 26, 2019

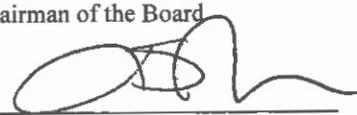


Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA AIRPORT AUTHORITY
 STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019
(Expressed in Bermuda dollars)

	2019	2018
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 5)	5,629,352	3,382,727
Accounts receivable, net (Note 4)	285,240	245,277
Due from the Government of Bermuda (Note 10)	<u>19,926</u>	<u>19,926</u>
TOTAL FINANCIAL ASSETS	<u>5,934,518</u>	<u>3,647,930</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,320,039	3,304,343
Due to the Government of Bermuda (Note 10)	46,181	59,243
Deferred revenues (Note 10)	749,000	-
Other non-current liability (Note 9)	<u>213,758,769</u>	<u>97,764,070</u>
TOTAL LIABILITIES	<u>216,873,989</u>	<u>101,127,656</u>
NET DEBT	<u>(210,939,471)</u>	<u>(97,479,726)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses and other assets	269,300	202,366
Tangible capital assets (Note 6)	<u>258,798,214</u>	<u>116,792,565</u>
TOTAL NON-FINANCIAL ASSETS	<u>259,067,514</u>	<u>116,994,931</u>
ACCUMULATED SURPLUS	<u>48,128,043</u>	<u>19,515,205</u>
CONTRACTUAL OBLIGATIONS AND CONTINGENCIES (Note 8)		

 _____ Chairman of the Board	26 Sept 2019 — _____ Date
 _____ Chief Executive Officer	26 Sept 2019 — _____ Date

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

BERMUDA AIRPORT AUTHORITY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2019

(Expressed in Bermuda dollars)

	Budget 2019	Actual 2019	Actual 2018
	\$	\$	\$
	(Note 15)		(Note 16)
REVENUES			
Foregone revenues (Note 3)	46,127,000	52,038,777	42,168,425
Government of Bermuda grants (Notes 7, 10)	15,800,000	15,051,000	15,870,311
Other revenues	<u>407,270</u>	<u>931,034</u>	<u>607,803</u>
TOTAL REVENUES	<u>62,334,270</u>	<u>68,020,811</u>	<u>58,646,159</u>
EXPENSES			
Terminal operating cost contribution (Note 3)	23,847,000	25,464,750	25,464,750
Retained services (Note 3)	6,864,830	6,536,425	7,047,122
General and administrative (Note 13)	2,168,990	2,445,507	2,246,497
Energy subsidy	2,040,000	1,807,074	1,888,279
Redevelopment consultants	2,633,450	1,026,038	2,376,405
Amortisation of tangible capital assets (Note 6)	<u>-</u>	<u>2,128,179</u>	<u>108,281</u>
TOTAL EXPENSES	<u>37,554,270</u>	<u>39,407,973</u>	<u>39,131,334</u>
OPERATING SURPLUS	<u>24,780,000</u>	28,612,838	19,515,205
ACCUMULATED SURPLUS, BEGINNING OF YEAR		<u>19,515,205</u>	<u>-</u>
ACCUMULATED SURPLUS, END OF YEAR		<u>48,128,043</u>	<u>19,515,205</u>

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

BERMUDA AIRPORT AUTHORITY

STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2019

(Expressed in Bermuda dollars)

	Budget 2019	Actual 2019	Actual 2018
	\$	\$	\$
	(Note 15)		(Note 16)
Operating surplus for the period	24,780,000	28,612,838	19,515,205
Acquisition of tangible capital assets (Note 6)	(146,995,000)	(144,133,828)	(116,900,846)
Amortisation of tangible capital assets (Note 6)	-	2,128,179	108,281
Change in prepaid expenses and other assets	<u>-</u>	<u>(66,934)</u>	<u>(202,366)</u>
Movement in net debt	<u>(122,215,000)</u>	(113,459,745)	(97,479,726)
NET DEBT, BEGINNING OF YEAR		<u>(97,479,726)</u>	<u>-</u>
NET DEBT, END OF YEAR		<u>(210,839,471)</u>	<u>(97,479,726)</u>

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

BERMUDA AIRPORT AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

(Expressed in Bermuda dollars)

	2019 \$	2018 \$ (Note 16)
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating surplus for the period	28,612,838	19,515,205
Adjustments made for:		
Amortisation of tangible capital assets	2,128,179	108,281
Changes in non-cash working capital:		
Increase in accounts receivable	(39,963)	(245,277)
(Decrease) increase in accounts payable and accrued liabilities	(984,304)	3,304,343
Increase in due from the Government of Bermuda	-	(19,926)
(Decrease) increase in due to the Government of Bermuda	(13,062)	59,243
Increase in prepaid expenses and other assets	(66,934)	(202,366)
Increase in deferred revenues	749,000	-
Increase in other non-current liability	<u>115,994,699</u>	<u>97,764,070</u>
Net cash provided by operating activities	<u>146,380,453</u>	<u>120,283,573</u>
CASH FLOWS FROM CAPITAL ACTIVITIES		
Additions to tangible capital assets	<u>(144,133,828)</u>	<u>(116,900,846)</u>
Net cash used in capital activities	<u>(144,133,828)</u>	<u>(116,900,846)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,246,625	3,382,727
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,382,727</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>5,629,352</u></u>	<u><u>3,382,727</u></u>

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

1. OPERATIONS

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements are prepared in accordance with Public Sector Accounting Standards generally accepted in Bermuda and Canada as provided by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada (“CPA Canada”) and reflect the results of operations for the year ended March 31, 2019 and for the period from March 2, 2017, commencement of operations, to March 31, 2018.

(b) Measurement uncertainty

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

(c) Cash and cash equivalents

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

(d) Financial instruments

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

Management makes an allowance for impairment of accounts receivable balances, based on historical collection experience with each customer (Note 4).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Non-financial assets

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

Tangible capital assets and amortisation

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

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

Assets under development are included in tangible capital assets as construction in progress and are not amortised until the asset is available for productive use. Amortisation of purchased assets is charged from the date of acquisition or from the date the asset is placed into service.

Contributions of tangible capital assets

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

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

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

(f) Government contributions

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

(g) Revenue recognition

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue recognition (continued)

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

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

Investment income is recorded on an accrual basis and recognised when earned.

(h) Statement of re-measurement gains and losses

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

(i) Changes in accounting standards

Effective April 1, 2018, the Authority adopted new accounting standard *PS 3430 Restructuring Transactions*, which establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related programme or operating responsibilities.

The adoption of this accounting standard had no significant impact on the financial statements.

(j) Future changes in accounting standards

Each year new standards and amendments to standards may be issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The standards following are not yet effective and have not been applied in preparing these financial statements.

New standards effective for fiscal years beginning on or after April 1, 2021 include:

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Future changes in accounting standards (continued)

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

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

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

3. L.F. WADE INTERNATIONAL AIRPORT REDEVELOPMENT

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

The Project Partner assigned its obligations under the Project Agreement to a special purpose vehicle, Bermuda Skyport Corporation Limited (“Skyport”), which has been established for the purposes of completion of the Project. The Government has assigned its responsibilities under the Agreement to the Authority. Under the terms of the Agreement, Skyport is to design, build, finance, operate and maintain the Airport for a period of 30 years from the date the concession commences. The period of construction must not be more than 40 months and the period of operation of the new assets will commence thereafter.

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

Skyport raised financing for the Project through a combination of senior debt and equity, with at least 35% of the latter being held by the Project Partner. If the new terminal is not completed by the agreed completion date, the Project Partner must pay damages of between \$5,000 and \$15,000 per day of delay.

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

Skyport receives all revenues generated from the Airport operations during this time (“foregone revenues”) and is responsible for the majority of Airport related expenses during this period, including employee remuneration, debt service and maintenance costs. The excess of foregone revenues over capital expenditures, maintenance expenses and interest expense incurred by Skyport is recognised in the statement of operations as an operating cost contribution. Until completion of the new terminal building, the expense for the current period represents the annual amortisation on a straight-line basis of the original estimated total operating costs to be incurred over the life of the contract. This operating cost contribution will be revalued at least annually once the new terminal building is placed into operation.

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

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

Minimum revenue guarantee

The Authority guarantees certain minimum levels of revenue to ensure sufficient liquidity is maintained by Skyport on a quarterly basis to repay the Senior Debt incurred by Skyport to fund the project. If the revenue generated in any quarter is less than the minimum guaranteed amount, the Authority is required to transfer an amount equal to the difference into a Skyport bank account (the “Guaranteed Revenue Reserve Account”) which has been opened for this purpose.

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

Revenue sharing

The Authority, subject to certain conditions precedent which must be satisfied, will be entitled to a portion of the amount by which “Actual Regulated Revenues” (as defined in the Agreement) exceed certain annual revenue sharing thresholds.

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

	2019	2018
	\$	\$
STATEMENT OF OPERATIONS		
Foregone revenues	52,038,777	42,168,425
Terminal operating cost contribution	(25,464,750)	(25,464,750)
Amortisation of tangible capital assets	(1,974,119)	(55,091)
STATEMENT OF FINANCIAL POSITION		
Tangible capital assets (Note 6)	255,592,082	114,870,184
Other non-current liability (Note 9)	(213,758,769)	(97,764,070)

4. ACCOUNTS RECEIVABLE

Receivables are comprised as follows:

	2019	2018
	\$	\$
Accounts receivable – retained services	285,240	245,277
Less: impairment allowance (Note 12)	<u>-</u>	<u>-</u>
Net receivable	<u>285,240</u>	<u>245,277</u>
Accounts receivable, net	285,240	245,277
Due from the Government of Bermuda (Note 10)	<u>19,926</u>	<u>19,926</u>
	<u>305,166</u>	<u>265,203</u>

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

MARCH 31, 2019

5. CASH AND CASH EQUIVALENTS

	2019 \$	2018 \$
Cash at bank	5,579,784	3,360,048
Call account	49,068	22,179
Petty cash	<u>500</u>	<u>500</u>
Total cash and cash equivalents	<u>5,629,352</u>	<u>3,382,727</u>

The effective interest rate for Authority cash and cash equivalents was less than 0.01% at March 31, 2019 and 2018.

6. TANGIBLE CAPITAL ASSETS

	Land \$	New terminal \$	Other buildings and structures \$	Leasehold improve- ments \$	Furniture and fixtures \$	Vehicles, machinery and equipment \$	Computer equipment and software \$	Total \$
Year ended March 31, 2019								
<u>Capital cost</u>								
Opening balance	1	112,548,486	1,803,128	2,376,788	50,720	37,396	84,327	116,900,846
Additions	–	137,885,605	1,140,604	4,810,413	4,118	40,109	252,979	144,133,828
Disposals	–	–	–	–	–	–	–	–
Closing balance	<u>1</u>	<u>250,434,091</u>	<u>2,943,732</u>	<u>7,187,201</u>	<u>54,838</u>	<u>77,505</u>	<u>337,306</u>	<u>261,034,674</u>
<u>Accumulated amortisation</u>								
Opening balance	–	–	23,859	55,091	5,433	7,005	16,893	108,281
Amortisation	–	–	90,040	1,974,118	7,688	11,112	45,221	2,128,179
Closing balance	–	–	<u>113,899</u>	<u>2,029,209</u>	<u>13,121</u>	<u>18,117</u>	<u>62,114</u>	<u>2,236,460</u>
Net book value	<u>1</u>	<u>250,434,091</u>	<u>2,829,833</u>	<u>5,157,992</u>	<u>41,717</u>	<u>59,388</u>	<u>275,192</u>	<u>258,798,214</u>
Period ended March 31, 2018								
<u>Capital Cost</u>								
Opening balance	–	–	–	–	–	–	–	–
Additions	1	112,548,486	1,803,128	2,376,788	50,720	37,396	84,327	116,900,846
Disposals	–	–	–	–	–	–	–	–
Closing balance	<u>1</u>	<u>112,548,486</u>	<u>1,803,128</u>	<u>2,376,788</u>	<u>50,720</u>	<u>37,396</u>	<u>84,327</u>	<u>116,900,846</u>
<u>Accumulated amortisation</u>								
Opening balance	–	–	–	–	–	–	–	–
Amortisation	–	–	23,859	55,091	5,433	7,005	16,893	108,281
Closing balance	–	–	<u>23,859</u>	<u>55,091</u>	<u>5,433</u>	<u>7,005</u>	<u>16,893</u>	<u>108,281</u>
Net book value	<u>1</u>	<u>112,548,486</u>	<u>1,779,269</u>	<u>2,321,697</u>	<u>45,287</u>	<u>30,391</u>	<u>67,434</u>	<u>116,792,565</u>

6. TANGIBLE CAPITAL ASSETS (continued)

Land and other tangible capital assets transferred to the Authority from the DAO in 2018 were recorded on the books of the Authority at a nominal value of \$1. Capital expenditure of \$137,885,605 (2018 – \$112,548,486) incurred by Skyport in relation to construction of the new airport terminal (Note 3), includes capitalised interest of \$13,404,907 (2018 – 13,115,008) paid on the financing facility entered into by Skyport in support of the project. Leasehold improvements includes construction in progress at the existing air terminal building of \$494,711 (2018 – \$1,110,052) incurred by Skyport. Other buildings and structures includes construction in progress comprising \$1,483,604 (2018 – \$625,594) incurred by the Authority for replacement of the weather radar system (Note 8) and \$200,161 (2018 – \$nil) for replacement of other airfield communication equipment infrastructure.

7. GOVERNMENT OF BERMUDA GRANTS

The Government provides non-refundable annual grants to the Authority to meet its operating expenses and to purchase capital assets. The Authority is economically dependent on these contributions to enable it to fulfill its mandate. The total amount of the grants received for the year ended March 31, 2019 were \$13,300,000 for operations and \$2,500,000 for capital expenditures (2018 – \$13,683,460 and \$2,186,851 respectively).

8. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The Authority has entered into multi-year contracts with several vendors for the provision of technical support and other professional services during the construction phase of the Airport redevelopment project (Note 12e).

The Authority has entered into a contract with Leonardo Germany GmbH (formerly Selex ES GmbH), a German corporation, for the manufacture, delivery, installation and commissioning of a new Doppler Weather Radar system, at a cost of Euro 1.35 million (or approximately \$1.57 million). The system is being installed at the Airport to replace the current Bermuda Weather Service equipment, which is approaching the end of its useful life. A 30% deposit was due at contract signing in March 2018, with a further payment of 60% due on completion of factory acceptance testing and shipping of the equipment in March 2019 and a final payment of 10% due on satisfactory completion of installation, training and site acceptance testing in June 2019.

The Authority has also entered into a contract with Frequentis AG, an Austrian corporation, for a mid-life upgrade of the Air Traffic Control Voice Switch, at a cost of Euro 0.39 million (or approximately \$0.44 million). A 30% deposit was due at contract signing in March 2019, with a further payment of 60% due on completion of factory acceptance testing and shipping of the equipment in September 2019 and a final payment of 10% due on satisfactory completion of installation, training and site acceptance testing in November 2019.

During the term of the Agreement, a contingent asset may arise for the Authority under certain revenue sharing provisions of the Agreement. Where all the conditions precedent are deemed to be met, the Authority will be entitled to 50% of the amount by which Actual Regulated Revenues exceed certain annual revenue thresholds, as defined in the Agreement. As at March 31, 2019, all the conditions have not been met and no contingent asset has been recognised or disclosed.

9. OTHER NON-CURRENT LIABILITY

Other non-current liability of \$213,758,769 (2018 – \$97,764,070) comprises the Authority's obligation to Skyport for costs incurred in the construction of the new airport terminal (Note 3). The liability is reduced by the net present value of the revenues from airport operations (less interest and operating expenses incurred), which the Authority is required to forego in favour of Skyport over the life of the Project.

10. RELATED PARTY TRANSACTIONS

On October 19, 2018, an Assignment and Transfer Agreement (“ATA”) was made between the Authority and the Government of Bermuda. This ATA re-assigned and re-transferred certain DAO financial assets and liabilities back to the Government, effective March 15, 2017. These assets and liabilities should have remained with the Government even though they formed part of the Airport property assigned and transferred to the Authority under the Project Agreement.

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

The Authority enters into transactions with these entities in the normal course of business and such transactions are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

	2019 \$	2018 \$
Transactions during the period		
Revenue		
Government of Bermuda grants	<u>15,051,000</u>	<u>15,870,311</u>
Expenses		
Redevelopment consultants	4,315	222,565
Salaries, wages, employee benefits and related		
Accounting services	-	41,913
Payroll tax	97,345	56,154
Social insurance	16,323	8,859
Work permit fees	24,100	32,664
Leasehold expenses	<u>78,142</u>	<u>80,052</u>
	<u>523,792</u>	<u>442,297</u>
Balances at end of period		
Retained services costs receivable	19,031	19,031
Other	<u>895</u>	<u>895</u>
Due from the Government of Bermuda	<u>19,926</u>	<u>19,926</u>
Consulting fees payable	-	30,589
Payroll tax payable	<u>46,181</u>	<u>28,654</u>
Due to the Government of Bermuda	<u>46,181</u>	<u>59,243</u>
Deferred revenues	<u>749,000</u>	<u>-</u>

Retained services expense reimbursements are included in amounts due from the Government of Bermuda. Consulting fees and payroll tax payables are included in amounts due to the Government of Bermuda. These balances are unsecured, interest-free and with no fixed repayment terms. Deferred revenues represent the unspent portion of current year grants committed for certain capital projects due to be completed post year-end.

11. EMPLOYEE BENEFITS

a) Pension Plans

Employees participate in a company sponsored defined contribution plan. Contributions to this plan are required equally from both the employee and the Authority at a rate of 5% of gross salary. These contributions represent the total liability of the Authority and are recognised in the financial statements on the accruals basis. During the year, the Authority's contributions to the plan, as recorded in salaries, employee benefits and related costs were \$58,814 (2018 – \$30,773). Contributions payable at March 31, 2019 were \$nil (2018 – \$nil).

b) Post-employment benefits and compensated absences

The Authority does not currently offer post-employment benefits to its employees. Compensated absences include maternity leave, paternity leave, sick leave and vacation days. All of these benefits are unfunded.

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

Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability at March 31, 2019 was \$45,740 (2018 – \$35,664) and is included in accounts payable and accrued liabilities.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Authority has designated its financial instruments as follows:

	2019	2018
	Carrying	Carrying
	value	value
	\$	\$
Financial assets		
Cash and cash equivalents	5,629,352	3,382,727
Accounts receivable	285,240	245,277
Due from the Government of Bermuda	19,926	19,926
Financial liabilities		
Accounts payable	2,320,039	3,304,343
Due to the Government of Bermuda	46,181	59,243

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

a) *Interest rate risk*

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

b) *Credit risk*

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

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Credit risk (continued)

The aging of these receivables at the reporting date was:

	Current to past 30 days \$	Past 60 days \$	Past 90 days \$	Total \$
As at March 31, 2019				
Accounts receivable	285,240	-	-	285,240
Less: impairment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>285,240</u>	<u>-</u>	<u>-</u>	<u>285,240</u>
As at March 31, 2018				
Accounts receivable	245,277	-	-	245,277
Less: impairment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>245,277</u>	<u>-</u>	<u>-</u>	<u>245,277</u>

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

c) Foreign exchange risk

The Authority is exposed to foreign exchange risk on the Euro-denominated contracts with Leonardo Germany GmbH (formerly Selex ES GmbH) and Frequentis AG (Note 8) for the manufacture, delivery and installation of new tangible capital assets and on a GBP-denominated contract with the UK Met Office for the supply of weather modelling data. The cumulative estimated impact of a 3% movement in foreign exchange rates on the total remaining foreign currency contract costs would be \$15,172.

d) Price risk

The Authority is not exposed to significant price risk.

e) Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulties meeting its financial obligations as they become due. Balances due within 12 months are met within the Authority's normal 30-day cycle of disbursements.

The following are contractual maturities of financial liabilities and obligations as at March 31, 2019:

	Carrying amount \$	Contractual cash flows			Total \$
		12 months or less \$	1-2 years \$	2-5 years \$	
Financial liabilities					
Accounts payable	2,320,039	2,320,039	-	-	2,320,039
Due to the Government of Bermuda	<u>46,181</u>	<u>46,181</u>	<u>-</u>	<u>-</u>	<u>46,181</u>
Total financial liabilities	<u>2,366,220</u>	<u>2,366,220</u>	<u>-</u>	<u>-</u>	<u>2,366,220</u>

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	Carrying amount \$	Contractual cash flows			
		12 months or less \$	1–2 years \$	2–5 years \$	Total \$
Obligations (Note 8)					
Retained services	165,896	158,720	7,176	-	165,896
Redevelopment consultants	2,269,130	1,360,662	883,118	25,350	2,269,130
Purchase of capital assets	468,214	468,214	-	-	468,214
Rental of premises	128,700	64,350	64,350	-	128,700
Communication	105,000	61,620	43,380	-	105,000
Professional fees	71,004	71,004	-	-	71,004
Office expenses, repairs and maintenance	<u>31,908</u>	<u>23,376</u>	<u>5,612</u>	<u>2,920</u>	<u>31,908</u>
Total obligations	<u>3,239,852</u>	<u>2,207,946</u>	<u>1,003,636</u>	<u>28,270</u>	<u>3,239,852</u>

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

13. GENERAL AND ADMINISTRATIVE EXPENSES

	Budget 2019 \$	Actual 2019 \$	Actual 2018 \$
Salaries and employee benefits	1,401,864	1,524,610	937,567
Minimum revenue guarantee	-	-	453,329
Insurance	253,295	303,566	306,090
Professional fees	239,900	206,388	163,727
Communication and information technology related	35,240	86,089	73,240
Travel and accommodation	42,000	82,964	63,210
Rent and service charges	76,533	76,749	76,971
Other general and administrative	61,970	71,677	78,270
Office expenses, repairs and maintenance	58,188	69,667	70,050
Foreign exchange loss	<u>-</u>	<u>23,797</u>	<u>24,043</u>
	<u>2,168,990</u>	<u>2,445,507</u>	<u>2,246,497</u>

14. CAPITAL MANAGEMENT

The Authority's objective when managing capital is to hold sufficient accumulated surplus to enable it to withstand negative unexpected financial events. The Authority seeks to achieve this objective through receipt of airport and other revenues, grants from the Government and from operating surplus. The Authority is not subject to any externally imposed capital requirements.

15. BUDGET

The Budget amounts for foregone revenues and operating cost contribution are as per the Project Agreement financial model. All other Budget amounts were approved by the Board on March 15, 2018 and funded by Government grant contributions (Note 7).

16. COMPARATIVE FIGURES

The Authority was established on March 2, 2017 and, as such, the comparative figures are for the 13-month period ended March 31, 2018.

17. SUBSEQUENT EVENTS

The Authority had a three-year contract with CI² Aviation (Bermuda) Limited (“CI²”), which expired on March 31, 2019, for the provision of certain Retained Services required at the Airport. Effective April 1, 2019, all remaining Bermuda staff of CI² became direct employees of the Authority and the Authority purchased additional Aviation liability insurance coverage in respect of these Retained Services at a total annual cost of approximately \$385,000. The Authority has withheld payment of 50% of the final billing from CI² for the month ended March 31, 2019, while it undertakes an audit of third-party vendor payments during the final year of the contract.

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

Between March 31, 2019 and the date of issuance of the financial statements of the Authority, no other events occurred that in the opinion of management could have a significant effect on the financial statements.

Board Members



Lawrence Scott, JP, MP
Chairman



Andrew D. Parsons, MBA, FCPA, FCA
Deputy Chairman



Judith Hall-Bean, OBE, MIPM, ClOD
Secretary



Kimberley D. Caines-Best, LLB



Ian D. MacIntyre



Marshall E. Minors, B.Eng, P.Eng



Lester Nelson
Chief Executive Officer



Robert Steynor, C.Eng

Corporate Information

• *Chairman*

Directors	Finance	Governance	Strategic Initiatives	Technical	Human Resources
Lawrence Scott	•	•	•		
Andrew Parsons	•	•			
Judith Hall-Bean			•		•
Kimberley Caines-Best		•			•
Ian MacIntyre				•	•
Marshall Minors	•		•	•	
Robert Steynor		•		•	

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

Governance: assists the Board in fulfilling its oversight responsibilities through the Authority’s governance framework, including determining and reviewing the organisation’s policies, systems, and processes, and providing recommendations on Board appointments, development, assessment, and remuneration.

Strategic Initiatives: assists the Board in determining, advising, overseeing, and reviewing strategically important initiatives for the organisation’s mid-term future (2-5 years). The Strategic Initiatives Committee reviews key information from Authority Management and other key stakeholders to fulfil its mandate.

Technical: assists the Board in determining the Authority’s key technical objectives and ensures the Authority has the necessary management systems, processes, documents, and standards to effectively oversee risk management, quality assurance, and occupational health, safety & environmental practises. The Technical Committee also oversees the Authority’s Retained Government Services and Skyport-facing activities to ensure compliance with Aerodrome certification requirements.

Human Resources: assists the Board in determining the Authority’s key talent and human resources objectives, including ensuring that there is organisational alignment to the Bermuda Employment Act and related legislation, as well as overseeing the development of appropriate organisational human resources policies. Additionally, the Human Resources Committee recommends the Chief Executive Officer and Authority Director appointments. The Committee ensures effective performance evaluation and oversees staff compensation processes, as well as general oversight of performance reviews, diversity initiatives, and other activities.

Senior Management



Lester Nelson
Chief Executive Officer



Michele Bean
Director,
PPP Contract Management



Mark Bourne
Director,
Aviation Service Delivery



Wendell Burchall
Director,
Airport Redevelopment Oversight



James Campbell
Director,
PPP Project



Carlos C. Lee, MBA, CPA, CGMA
Director,
Finance and Administration



Jamie Sapsford
Director,
Airport Service Assurance



Justin Simons
Director,
Policy, Performance and
Compliance



Ari Ming
Director Designate,
Airport Redevelopment
(Technical)

“We are all focused on the completion of the new terminal in 2020 and on the ongoing safe and efficient operations of the L.F. Wade International Airport’s terminal and air navigation services.”

Design and Production:
Advantage Ltd.

Coordination and Writing:
Linda Smith Associates Limited

Photography:
Charles Anderson



Bermuda Airport Authority
Bldg. 332 East
11 Waller's Point Road
St. George's DD03
Bermuda
T: 441-242-2000
www.airportauthority.bm
E: info@airportauthority.bm