



2017/2018 ANNUAL REPORT



Overseeing Bermuda's Gateway to the World

OUR PEOPLE OUR PURPOSE OUR PLAN

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Message from the Minister of Tourism and Transport

The Hon. Zane DeSilva JP MP



The formation of the Bermuda Airport Authority, its role in having oversight and ownership of the redevelopment of the L.F. Wade International Airport, and its responsibility

for the delivery of select services critical to the operation of the airport marks a new beginning for our island.

In just 13 months, the Airport Authority has made great strides in transitioning from the former Department of Airport Operations to an Authority charged with taking on and fulfilling Government's obligations under the Public-Private Partnership to construct a new air terminal. Such arrangements require effort, commitment and diligence by all parties. The Airport Authority has positioned itself as a resourceful and equal partner, thus laying the foundation for a sound working relationship going forward.

I am pleased with the performance of the Bermuda Airport Authority and what it has achieved in such a short period. The Airport Authority has demonstrated thoughtful and strategic leadership and vision, which can only be beneficial for Bermuda as the redevelopment project moves from construction to operational phases. The Authority has also been instrumental in assisting the Government to realise additional project benefits for the island.

I hope you will take the time to read through this first annual report to learn more about the Bermuda Airport Authority and its activities. Continuing on its current path, I have no doubt that we will see sustained growth and opportunity for Bermuda.

I would like to congratulate the Bermuda Airport Authority on a successful inaugural year. I would also like to thank the Management Team and Board of Directors for their dedication. I look forward to this continued partnership for the benefit of Bermuda and Bermuda's residents.

The Hon. Zane DeSilva JP MP

Chairman's Message

I am pleased to report on the Bermuda Airport Authority's inaugural year – Overseeing the construction and redevelopment of the L.F. Wade International Airport, Bermuda's Gateway to the World.

This is the Bermuda Airport Authority's first annual report covering the 13-month period from 2 March 2017, the date the Authority was established by the Bermuda Airport Authority Act 2017, to year-end 31 March 2018.

The Bermuda Airport Authority Act 2017 novated, or replaced, the original parties to the Public-Private Partnership (P3) Agreement for the redevelopment and operation of Bermuda's L.F. Wade International Airport. As a result, the Bermuda Airport Authority replaced the Government of Bermuda as the named public party to the Project Agreement. Bermuda Skyport Corporation Limited (Skyport), a wholly-owned local subsidiary of Aecon Concessions, a division of Aecon Group (Aecon), replaced Canadian Commercial Corporation as the private party.

The Bermuda Airport Authority is responsible for safeguarding Bermuda's interests in the redevelopment and operations of the L.F. Wade International Airport. The Bermuda Airport Authority owns the Airport, leasing the land and facilities to Skyport, and is mandated to oversee the performance of Skyport and Aecon to design, build, finance, operate, maintain and redevelop the Airport facility. 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. Additionally, the Bermuda Airport Authority retains responsibility for several mission-critical airport services including: Air Traffic Control, Airport Rescue and Firefighting Services, the Bermuda Weather Service, Ground Electronic Services and Aeronautical Information Services. The Bermuda Airport Authority also regulates Airport fees.

Our Beginning

The Bermuda Airport Authority began with the appointment of a Board of Directors and a Chief Executive Officer. In a very short period of time, we successfully pulled together a talented team of people committed to our strategic plan, goals, objectives and purpose, and capable of delivering on the processes and plans required to safeguard Bermuda's interests within a very complex Project Agreement between the Bermuda Airport Authority and Skyport.

As the overseer of one of Bermuda's largest infrastructure projects, the Airport Authority is committed to openness, transparency, fiscal prudence and accountability. Our Interest Register for Board members and our Public Access to Information (PATI) Statement are available on our website (www.airportauthority.bm). Our team follows strict financial instructions for the procurement of goods and services. Standards, policies and procedures are continually being developed to guide our activities and facilitate appropriate reporting and accountability.

Our Accomplishments

Our many achievements include hiring of key staff, establishing an office and presence, running a transparent process to select internationally respected technical consultants, formalising processes for monitoring and reporting on redevelopment and operational compliance and building our local team's capacity.

Mark Fields, Lester Nelson
and the Hon. Walter H. Roban

In October 2017, at the request of the Government of Bermuda, the Airport Authority, working with our global infrastructure advisors LeighFisher, conducted an extensive review of the L.F.Wade International Airport Project Agreement. The review identified opportunities to optimise aspects of the Agreement further aligning opportunities for Bermuda and Skyport. The Bermuda Airport Authority is also in the process of developing a Centre of Excellence (COE). The strategic plan, goals and objectives of the COE are to provide training opportunities and promote knowledge transfer to Bermudians working with our local and international advisory partners on the L.F.Wade International Airport project. Our goal is to build an organisation, staffed by Bermudians, that is sustainable and can take us through the duration of this 30-year Project Agreement and beyond.

Our Team

It has been my pleasure to serve as the Bermuda Airport Authority's first Chairman. At the request of the Minister, I will be leaving the Authority's Board at the end of July 2018 to take a position on another Board, and Board member, Lawrence Scott, JP, MP will assume the Chairmanship. The Bermuda Airport Authority has an extensively experienced and highly motivated Board of Directors. Our first-year achievements have been guided by their expertise in civil aviation, engineering, architecture, finance, business and human resources. Effective leadership by the management team and staff have earned the Board's approval for performance in the first year of operation. Our People are committed to Our Purpose and delivering on Our Plan. The Bermuda Airport Authority is actively championing Bermuda's best interests in the redevelopment and operation of the L.F.Wade International Airport – **Bermuda's Gateway to the World.**



Mark A. Fields

Chairman

Bermuda Airport Authority



Chief Executive Officer's Message

Construction on the L.F. Wade International Airport redevelopment project began in April 2017. We are pleased to report that as of 31 March 2018, the close of the Bermuda Airport Authority's first financial year, the redevelopment project is on schedule for substantial completion in July 2020.

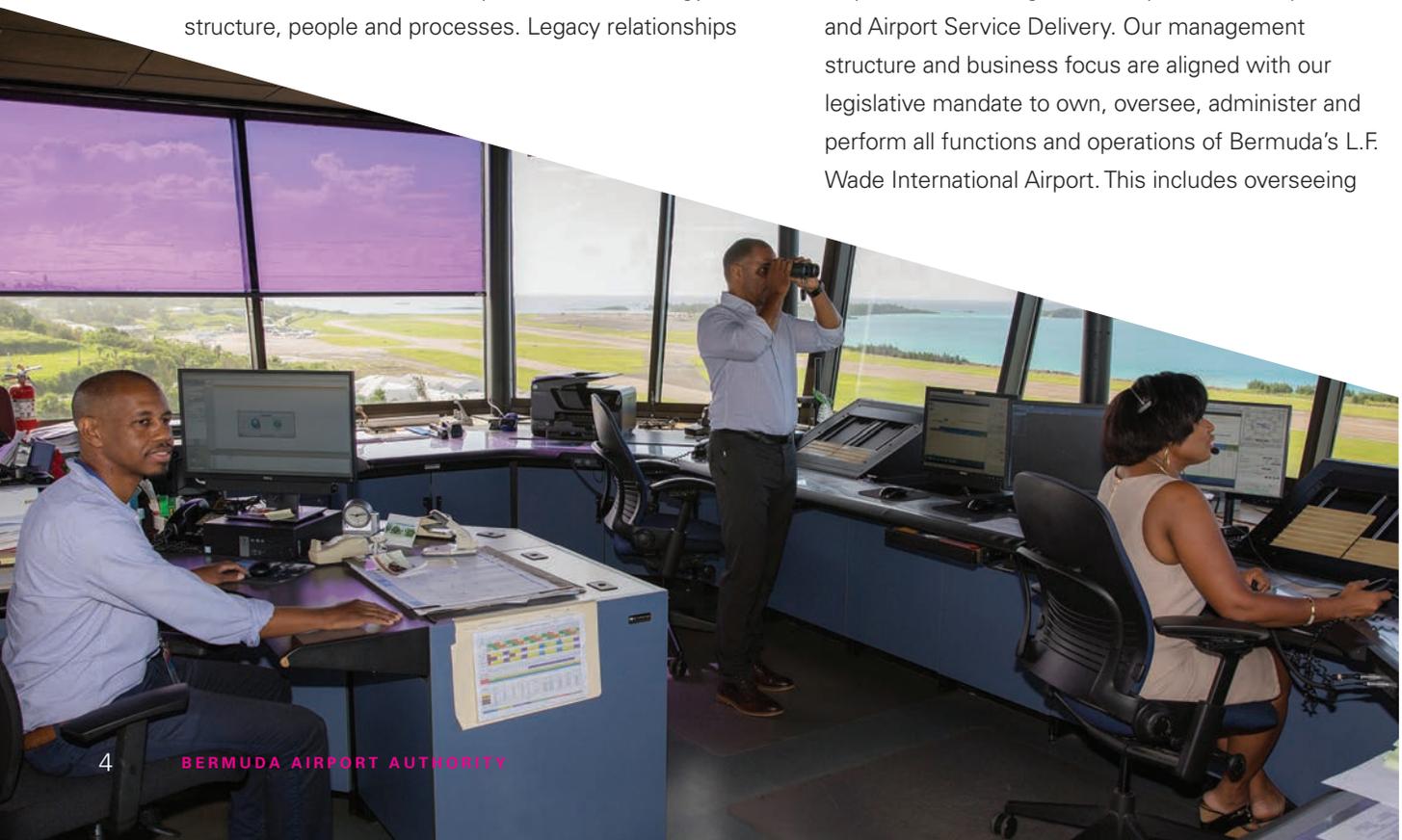
The Bermuda Airport Authority is a statutory corporation established in March 2017, in the national interest, to complete the transfer of management responsibility for the L.F. Wade International Airport from the Government of Bermuda's Department of Airport Operations to the Bermuda Airport Authority. The Airport Authority is a Quango, or quasi-autonomous non-governmental organisation.

In the Authority's inaugural year, we quickly grew our organisation to develop the capabilities required to effectively perform our mandate. This involved the transfer of assets and development of our strategy, structure, people and processes. Legacy relationships

with key vendors and stakeholders were reinforced and new vendor relationships were established. One such relationship was with internationally respected infrastructure firm Stantec Inc., the Authority's technical advisor on the Airport Redevelopment Project.

Our People

The Airport Authority is managed by a five-person management team led by the Chief Executive Officer who oversees a team of Directors with responsibility for Finance and Administration, Public-Private Partnership Contract Management, Airport Redevelopment and Airport Service Delivery. Our management structure and business focus are aligned with our legislative mandate to own, oversee, administer and perform all functions and operations of Bermuda's L.F. Wade International Airport. This includes overseeing



the airport redevelopment project, airport operations and maintenance as well as delivering a range of air navigation services. Essentially – Overseeing Bermuda’s Gateway to the World.

Our Purpose

As the owner of the L.F.Wade International Airport and on behalf of the Government and people of Bermuda, it is the Airport Authority’s job to safeguard Bermuda’s interests by overseeing the commercial performance of Bermuda Skyport Corporation Limited under the terms of a 30-year project agreement between the Airport Authority and Skyport. We accomplish this through a system of robust performance monitoring that covers airport operations, financing and construction progress. The agreement is structured as a Public-Private Partnership where the private party, Skyport, assumes the responsibilities and risks associated with operating, financing and redeveloping the airport. The Airport Authority is responsible for other airport services, known as retained government services. These include Air Traffic Control, Bermuda Weather Services, Ground Electronics Services and Aeronautical Information Services. These services are delivered under contract by Ci2 Aviation Bermuda.

Airport Rescue and Firefighting Services, also the responsibility of the Authority, is provided under the terms of a Memorandum of Understanding with Bermuda Fire & Rescue Service. In addition, the Airport Authority is party to a Memorandum of Cooperation with the United States Federal Aviation Administration (FAA) for the operation and maintenance of FAA-loaned equipment used for communications and air navigation services in the vicinity of Bermuda.

Our Plan

Our first strategic plan was developed under the guidance of the Authority’s Board of Directors, focusing on four strategic priorities: Mandate Effectiveness, including monitoring and overseeing the performance of technical and maintenance activities in the existing and new passenger terminal buildings; Organisational Effectiveness, including human and information capital and quality assurance; Financial Stewardship, including cost control and reduction, contract compliance and business planning and execution; and Public Responsibility, including community and stakeholder engagement, and relationship management.

It has been an exciting 13 months since our beginning. The Bermuda Airport Authority team has worked diligently and swiftly to establish operations in its start-up year. Much of our success is due to our Board of Directors who, from day one, provided their unreserved commitment to guiding us through our first year. Together, we have built an organisation that is fully equipped to safeguard Bermuda’s interests in regard to the management, operations and redevelopment of our Airport, one of Bermuda’s most valuable assets and our Gateway to the World.

A handwritten signature in black ink, appearing to read "Lester Nelson".

Lester Nelson
Chief Executive Officer
Bermuda Airport Authority

Redevelopment

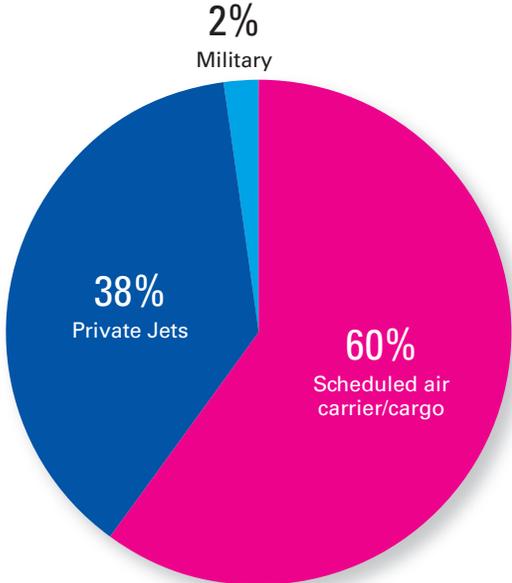
“The economy of Bermuda is reliant on international business and tourism. As such, both industries are heavily dependent on safe, secure and efficient air travel. The Airport Authority’s oversight of Bermuda’s Gateway to the World focuses on enabling Bermuda to meet and exceed travellers’ expectations, consistent with international airport standards, regulations, technological advancements and service trends.

Airport environments are microcosms of the communities they serve. Operating as mini-cities, they must be able to consistently meet changing safety and security requirements in response to geo-political uncertainties, adapt to changes in technology and respond to shifts in customer service preferences.” Bermuda Airport Authority

It is the mandate of the Bermuda Airport Authority to oversee the quality construction of the new passenger terminal building while ensuring that the existing facility is adequately maintained and operating in accordance with international civil aviation, safety, security and environmental standards.

Redevelopment of the L.F. Wade International Airport is one of the largest infrastructure investments in Bermuda’s history. At a cost of just under \$300 million, construction of the new two-level passenger terminal building is expected to take 40 months, with completion planned in July 2020.

2017 AIR TRAFFIC MOVEMENTS



When the new air terminal opens for business, the Airport Authority will continue to oversee Skyport’s daily operation of the new facility through to March 2047. The Authority monitors operational performance against critical key performance indicators contained within the Project Agreement. These key performance indicators include, but are not limited to, operational efficiency, energy consumption, increased passenger numbers and improved customer experience.

The overall floor area of the new air terminal building will be 263,608 square feet. The ground floor will house a new departures check-in hall, baggage handling, passenger screening and U.S. Customs and Border Protection. The arrivals area will include Bermuda Customs and Immigration and baggage claim.

Outside the secured areas, in the departure and arrivals areas there will be restaurants and retail outlets open to the public. The second floor of the air terminal building will house the U.S. departure lounges on the north side of the building and international departure lounges to the south, with a transit and overflow area. The lounge areas will include retail shops, dining facilities and enclosed boarding bridges for passengers egress to and exit from the aircraft.

At the close of the Authority's first financial year, the redevelopment project was on schedule.

Redevelopment Project Snapshot (31 March 2018):

- Approximately 25% complete
- 702 metric tons of steel erected
- Underground services just under 50% complete
- Construction of the raw water tank completed

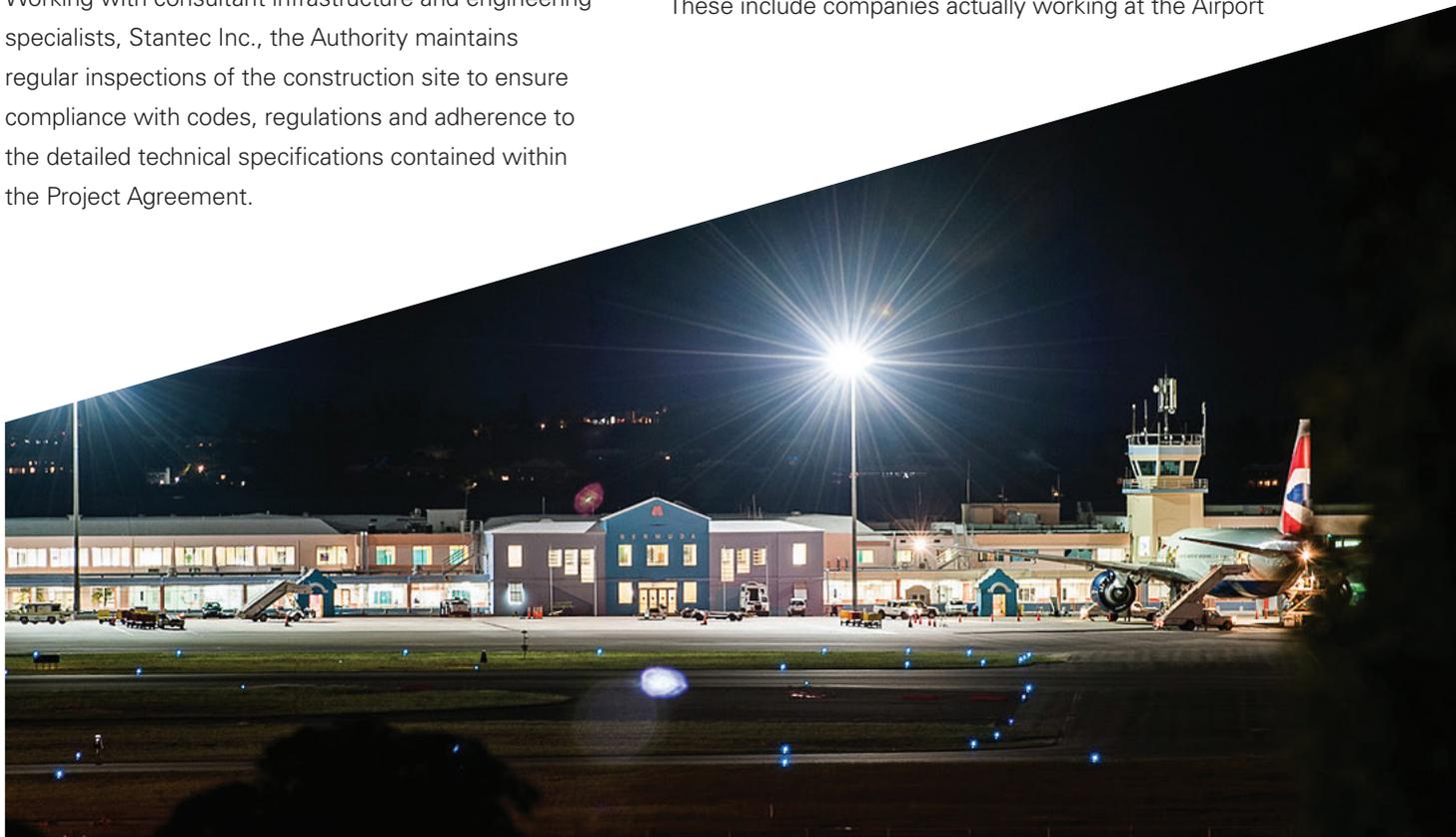
Working with consultant infrastructure and engineering specialists, Stantec Inc., the Authority maintains regular inspections of the construction site to ensure compliance with codes, regulations and adherence to the detailed technical specifications contained within the Project Agreement.

The Airport Authority also monitors conditions at the existing air terminal to ensure appropriate maintenance and operational standards are being met. The Authority regularly receives reports on agreed-to maintenance and operational capital projects carried out at the Airport by Skyport to confirm that schedules and jobs are completed within quality specifications and allocated budgets. Projects to date include completion of Phase One of cosmetic upgrades to the interior of the existing air terminal building, involving replacement of ceiling tiles, painting and the installation of energy-efficient LED lighting.

Opportunities

Our People, Our Purpose, Our Plan

It is estimated that approximately 200 local companies have so far benefitted from the expanded economic activity stemming from the airport redevelopment. These include companies actually working at the Airport





site and others providing products and services required as a result of new and increased Airport activities.

The Bermuda Airport Authority is working closely with Skyport and Aecon to further optimise opportunities for Bermudians in the redevelopment and operations of the Airport, targeting 65% Bermudian hires on the Airport construction site and 90% Bermudian hires at Skyport.

The Airport Authority is keenly focused on expanded development and training for Bermudians.

Six young Bermudians recently concluded internship programmes in engineering and architecture, working with Aecon and several consultancy firms across Ontario, Canada. All six interns received job offers upon their return home.

The Bermuda Airport Authority, in cooperation with the Bermuda Government's Department of Workforce Development, will also be providing opportunities for young Bermudians to participate in one-year internship programmes focused on engineering, design and construction.

The Airport Authority is putting into place a "P3 Centre of Excellence" programme. The objective is to provide opportunities for Bermudians working at the Airport and within the industry to shadow and learn from the many local and international technical specialists participating in the development of the new air terminal, the repurposing of the existing terminal and the overall management of the 30-year Project Agreement.

L to R: Aaron Adderley *President of Skyport*, Steve Nackan *Chairman of Skyport and President Aecon Concessions*, Mark Fields *Chairman of Bermuda Airport Authority* and Lester Nelson *CEO Bermuda Airport Authority*



Project Agreement

A Public-Private Partnership, commonly referred to as a PPP or P3, is a long-term, performance-based service delivery agreement to develop public infrastructure, usually between a government or public entity and the private sector. In P3 agreements, the private-sector party typically assumes design, construction, maintenance and sometimes operational risk, and ensures the effective performance of the infrastructure asset from the design and construction phase to the long-term operational phase. Remuneration is typically linked to performance-based availability payments or revenue-based payments as set out in the Project Agreement.

The Project Agreement for Bermuda’s new air terminal building is a 30-year design, build, finance, operate and maintain P3 concession using a revenue-risk model with project funding sourced from revenue generated by airport operations.

There are thousands of standards and requirements governing the quality assurances that need to pass detailed acceptance criteria throughout the life of the 30-year Project Agreement. It is the Airport Authority’s job to ensure Skyport delivers on all contractual obligations, and that the contract is optimised so that

value for money is received from both the redevelopment and operations of Bermuda’s Gateway to the World.

The Bermuda Airport Authority is comprised of a team of professionals with technical, financial, airport management and P3 expertise who, together with internationally renowned external resources, are actively monitoring, measuring and ensuring compliance with the technical and design specifications contained within the Project Agreement. Our technical international advisors, Stantec Inc., complement our in-house team in providing the specialised expertise required to examine and determine performance compliance with mechanical, electrical, civil, structural and design specifications contained within the Agreement.

The Bermuda Airport Authority conducts weekly site visits. The Joint Airport Construction Committee meets monthly to assess construction progress and work through any technical issues, or potential issues, and agree solutions. At these meetings, Skyport and Aecon report on key performance indicators contained within the Authority’s growing Requirements Compliance Matrix document.

At the existing air terminal, operational updates on activities are reviewed weekly by the Airport Operators Working Group. These include reports on passenger statistics, facilities maintenance activities, operational expenses and capital projects.

There is nothing standard in a P3 contract, as each is uniquely structured. Bermuda’s Project Agreement with Skyport covers not only construction, but also design, operations and maintenance and there are extensive performance criteria to measure success. Once the new terminal is completed in 2020, this will include initiatives to increase passenger numbers, expand airlift to and from Bermuda and enhance the Airport’s role in promoting tourism, economic development and airport investment.

Project Agreement Review

Concerned about the lack of competitive bidding for the redevelopment and operations of the Airport, and the relinquishment of airport revenues as a part of the Project Agreement, the current Progressive Labour Party (PLP) Government pledged it would review the Project Agreement to see if Bermuda could get a better deal. Accordingly, after the PLP won the 18 July 2017 General Election, it instructed the Bermuda Airport Authority to initiate the review.

Working with global infrastructure advisors, Leigh-Fisher, the Authority led the review process from August to December 2017. The L.F. Wade International Airport Redevelopment Project Review Report was presented to the Bermuda Government and subsequently released to the public in February 2018. (A copy is available on the Bermuda Airport Authority's website, www.airportauthority.bm).

The Project Agreement Review Report advised against terminating the Agreement, but recommended that Bermuda pursue a portfolio of optimisation initiatives. The Review concluded that:

- Terms and conditions of the Project Agreement are broadly consistent with other similar contracts;
- The Airport revenues are being used to fund the design, construction and financing of the new airport terminal building, as well as operating and maintaining the airport, including the existing terminal, and once complete, the new terminal;
- The interest rate for the long-term debt is within market range;
- The return on investment for the equity sponsor, Aecon, is within market range;
- The balance of risk/reward is consistent with other similar projects;
- This project was not competitively procured. The Report said that typically these types of P3 projects are competitively procured by a public sector



procuring agency to retain control of the procurement process, to retain competitive tension, increase Government's negotiating leverage, and ultimately garner best value for money;

- Unlike similar PPP projects, this Project Agreement doesn't allow changes; it doesn't have variation provisions, which is unusual for a 30-year concession agreement. The only way to make substantive changes to its terms and conditions is to terminate the agreement;
- Terminating the Agreement would be extensively costly and would have far reaching negative consequences for Bermuda; and
- Notwithstanding the inability to change the contract, there are opportunities for optimising the Project Agreement, but it will require cooperation from Skyport and Aecon.

The review recommended that the Bermuda Airport Authority target six areas of optimisation representing

approximately \$15 million worth of enhancements for Bermuda. These include: Jobs for Bermudians; Workforce Development and Training; Energy Costs; Passenger Traffic Growth and Revenue Sharing; Social Investment and, upon completion of the new air terminal and re-purposing of the legacy terminal facility, provision of accommodations for Bermuda Airport Authority offices.

Skyport and Aecon have committed to increasing minimum targets for Bermudian employment on the construction site from 60% to 65% and to 90% for positions at Skyport. A \$6 million training budget has been put into place to expand internship and mentorship programmes. A Joint Energy Task Force will be formed to identify and advance energy consumption reductions to provide direct cost saving to Government.

The optimisation portfolio includes a \$1.3 million investment by Skyport in air service development and tourism promotional activities. The objective is to increase traffic and, ultimately, the benefit Bermuda will receive from participation in revenue-sharing opportunities.

Skyport has also committed \$4 million for additional social investment programmes and will be working with the Bermuda Department of Workforce Development in adopting new environment, health and safety programmes to serve as a benchmark for health and safety practices. When construction of the new air terminal and renovations to the existing facility are completed, Skyport will provide Bermuda Airport Authority with office space for a peppercorn rent valued at approximately \$3.8 – \$4 million over the years remaining in the 30-year project agreement.



Bermuda Airport Authority – Retained Government Services

As part of the Project Agreement for the redevelopment and operations of the Airport, several mission-critical responsibilities were retained by the Government of Bermuda when the Department of Airport Operations (DAO) ceased to exist and Skyport assumed the day-to-day operations. These services are now the direct responsibility of the Bermuda Airport Authority and account for the largest share of the Authority's annual budget. Included in the Bermuda Airport Authority's Strategic Plan are objectives to review the delivery models of the technical services it retains, with a view toward identifying efficiencies and new revenue opportunities. The Authority's oversight activities focus on:

- Adding value with respect to compliance;
- Ensuring a safe and efficient delivery of air services;
- Assurance of public sector oversight of private contracts;
- Protecting legacy infrastructure;
- Cost efficiency; and
- Building capability and reputation.

Overseeing Bermuda's Gateway to the World

Our People, Our Purpose, Our Plan

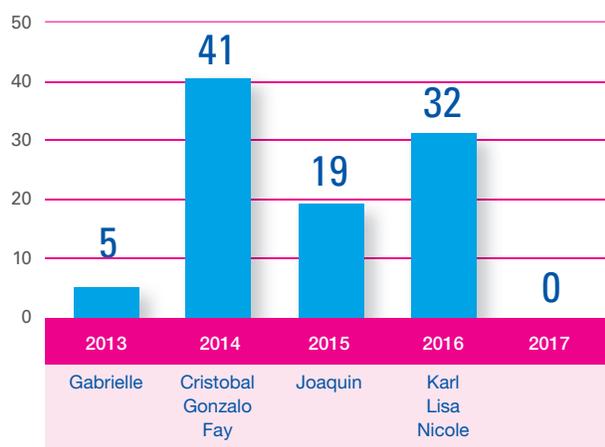
Air Traffic Control, the Bermuda Weather Service and Ground Electronics Services are managed under a vendor contract with Ci2 Aviation Bermuda. The Bermuda Fire Service operates Airport Rescue and Firefighting Services. It is the responsibility of the Authority to ensure that each of these services is operating effectively and within appropriate aviation codes, standards and regulations to continually support the safe operation of Bermuda's airport.



In the transfer of responsibilities in March 2017, the Airport Authority assumed, and successfully completed, four major capital projects during its first year. New high-mast lighting was installed at the Apron IV private jet facility and, critical to aviation safety, the Automated Weather Observing System (AWOS) was replaced. Manufactured in Finland, the AWOS system consists of an array of sensors around the runway that collect weather data on the airfield including wind, temperature and visibility. The AWOS also measures cloud height and feeds its data to the Bermuda Weather Service for automated production of hourly weather reports that are broadcast on aviation information networks.

The Airport Authority also replaced Bermuda’s Geostationary Operational Environmental Satellite (GOES) receiving station. The GOES system is operated by the United States’ National Oceanic and Atmospheric Administration (NOAA). The GOES system supports weather forecasting, severe storm tracking and meteorological research. Images captured by GOES are shared with the public on the Bermuda Weather Service’s website.

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



Bermuda’s Doppler Weather Radar system, installed in 2004, is a popular resource for weather tracking for both the Bermuda Weather Service and the wider community. When the Airport Authority assumed responsibility for the Bermuda Weather Service from the DAO, the system was experiencing prolonged outages. Within the first few months of operation, the Authority arranged for an engineer from the manufacturer, Selex ES in Germany, to effect repairs and provide a determination as to its ongoing reliability. The assessment concluded that the system was close to reaching the end of its useful life and should be replaced. Following an open-bidding process, the Authority has contracted with Selex ES to replace the weather radar system at a cost of approximately \$2 million. Manufacturing of the new radar system began in March 2018 and installation is scheduled for July 2019.

The Airport Authority’s management and staff and those working within its retained services are critical to operations. With 13 personnel, the Bermuda Weather Service operates a 24-hour service providing important data to the local and international aviation community and Bermuda residents. With a staff of six, Ground Electronics operates and maintains all navigational equipment at the L.F. Wade International Airport, including surveillance radar, which is used by the U.S. FAA to control aircraft arriving, departing and flying over Bermuda. Air Traffic Control, operating with a complement of six employees, guide aircraft in and out of Bermuda and liaise with the FAA facility in New York to coordinate safe air travel. Airport Rescue and Firefighting Services are always readily on hand to service scheduled aircraft flying in and out of Bermuda and deal with emergency situations, including those requiring unscheduled flight diversions to Bermuda. The Airport Authority also oversees Bermuda’s agreement with the FAA, as well as the operation and maintenance of a network of monitoring stations for the United Nations Comprehensive Test Ban Treaty Organisation that monitors the planet for evidence of nuclear explosions.

Financial Statements



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 Board of Directors through the Finance Committee, are 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

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

Mr. Carlos Lee
Director, Finance and Administration

December 13, 2018

Date



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 Airport Authority, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in accumulated surplus, change in net debt and cash flows for the period from March 2, 2017 (Commencement of Operations) to March 31, 2018, 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 Airport Authority as at March 31, 2018, and the results of its operations, changes in its net debt and its cash flows for the period from March 2, 2017 (Commencement of Operations) to March 31, 2018 in accordance with public sector accounting standards generally accepted in Bermuda and Canada.



Hamilton, Bermuda
December 13, 2018

Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA AIRPORT AUTHORITY

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2018

(Expressed in Bermuda dollars)

	2018
	\$
FINANCIAL ASSETS	
Cash and cash equivalents (Note 5)	3,382,727
Accounts receivable, net (Note 4)	245,277
Due from the Government of Bermuda (Note 10)	<u>19,926</u>
TOTAL FINANCIAL ASSETS	<u>3,647,930</u>
LIABILITIES	
Accounts payable and accrued liabilities	3,304,343
Due to the Government of Bermuda (Note 10)	59,243
Other non-current liability (Note 9)	<u>97,764,070</u>
TOTAL LIABILITIES	<u>101,127,656</u>
NET DEBT	<u>(97,479,726)</u>
NON-FINANCIAL ASSETS	
Prepaid expenses and other assets	202,366
Tangible capital assets (Note 6)	<u>116,792,565</u>
TOTAL NON-FINANCIAL ASSETS	<u>116,994,931</u>
ACCUMULATED SURPLUS	<u>19,515,205</u>
CONTRACTUAL OBLIGATIONS AND CONTINGENCIES (Note 8)	



Chairman of the Board



Chief Executive Officer

Dec 13 2018

Date

December 13, 2018

Date

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

BERMUDA AIRPORT AUTHORITY

STATEMENT OF OPERATIONS

FOR THE PERIOD FROM MARCH 2, 2017 (COMMENCEMENT OF OPERATIONS) TO MARCH 31, 2018
(Expressed in Bermuda dollars)

	Budget 2018	Actual 2018
	\$	\$
	(Note 15)	
REVENUES		
Foregone revenues (Note 3)	43,419,000	42,168,425
Government of Bermuda grants (Note 7)	15,617,157	15,870,311
Other revenues	<u>450,000</u>	<u>607,803</u>
TOTAL REVENUES	<u>59,486,157</u>	<u>58,646,539</u>
EXPENSES		
Terminal operating cost contribution (Note 3)	26,379,000	25,464,750
Retained services (Note 3)	6,522,753	7,047,122
Redevelopment consultants	2,469,340	2,376,405
General and administrative (Note 13)	3,039,662	2,246,497
Energy subsidy	2,101,705	1,888,279
Amortisation of tangible capital assets (Note 6)	<u>-</u>	<u>108,281</u>
TOTAL EXPENSES	<u>40,512,460</u>	<u>39,131,334</u>
OPERATING SURPLUS	<u>18,973,697</u>	<u>19,515,205</u>

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

BERMUDA AIRPORT AUTHORITY

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

FOR THE PERIOD FROM MARCH 2, 2017 (COMMENCEMENT OF OPERATIONS) TO MARCH 31, 2018
(Expressed in Bermuda dollars)

	2018
	\$
ACCUMULATED SURPLUS, BEGINNING OF PERIOD	-
Operating surplus	<u>19,515,205</u>
ACCUMULATED SURPLUS, END OF PERIOD	<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 PERIOD FROM MARCH 2, 2017 (COMMENCEMENT OF OPERATIONS) TO MARCH 31, 2018
(Expressed in Bermuda dollars)

	2018
	\$
Operating surplus	19,515,205
Acquisition of tangible capital assets (Note 6)	(116,900,846)
Amortisation of tangible capital assets (Note 6)	108,281
Change in prepaid expenses and other assets	<u>(202,366)</u>
Movement in net debt	(97,479,726)
NET DEBT, BEGINNING OF PERIOD	<u>-</u>
NET DEBT, END OF PERIOD	<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 PERIOD FROM MARCH 2, 2017 (COMMENCEMENT OF OPERATIONS) TO MARCH 31, 2018
(Expressed in Bermuda dollars)

	2018
	\$
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating surplus for the period	19,515,205
Adjustments made for:	
Amortisation of tangible capital assets	108,281
Changes in non-cash working capital:	
Increase in accounts receivable	(245,277)
Increase in accounts payable and accrued liabilities	3,304,343
Increase in due from the Government of Bermuda	(19,926)
Increase in due to the Government of Bermuda	59,243
Increase in prepaid expenses and other assets	(202,366)
Increase in other non-current liability	<u>97,764,070</u>
Net cash provided by operating activities	<u>120,283,573</u>
CASH FLOWS FROM CAPITAL ACTIVITIES	
Additions to tangible capital assets	<u>(116,900,846)</u>
Net cash used in capital activities	<u>(116,900,846)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	3,382,727
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<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 period from March 2, 2017, commencement of operations, to March 31, 2018.

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.

(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; temporary or permanent	3 or 20-40 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.

Foregone revenues represent all 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue recognition (continued)

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.

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 has 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 must raise financing for the Project through 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 to Skyport (for remittance to the Authority) 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.

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.

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

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

Minimum revenue guarantee

The Authority guarantees certain minimum levels of revenue to Skyport per quarter for the “Revenue Guarantee Term”, which starts on the effective date and continues until the final repayment of the Senior Debt received 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. At the end of the Revenue Guarantee Term, the balance of funds remaining in this account will be returned to the Authority.

Funds deposited into this account remain the property of the Authority until drawn by Skyport in accordance with the Agreement.

Revenue sharing

The Authority will be entitled to a portion of “Actual Regulated Revenues” (as defined in the Agreement) if they exceed certain thresholds, as defined by the Agreement. The Authority will be entitled to 50% of the amount by which actual revenue exceeds the threshold subject to certain conditions which must be satisfied.

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

	2018
	\$
STATEMENT OF OPERATIONS	
Foregone revenues	42,168,425
Terminal operating cost contribution	(25,464,750)
STATEMENT OF FINANCIAL POSITION	
Tangible capital assets (Note 6)	114,870,184
Other non-current liability (Note 9)	(97,764,070)

4. ACCOUNTS RECEIVABLE

Receivables are comprised as follows:

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

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

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

5. CASH AND CASH EQUIVALENTS

	2018
	\$
Cash at bank	3,360,048
Call account	22,179
Petty cash	<u>500</u>
Total cash and cash equivalents	<u><u>3,382,727</u></u>

The effective interest rate for the Authority's cash and cash equivalents is less than 0.01% at March 31, 2018.

6. TANGIBLE CAPITAL ASSETS

	Land	New terminal	Other buildings and structures	Leasehold improvements	Furniture and fixtures	Vehicles, machinery and equipment	Computer equipment and software	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Opening balance, March 7, 2017	–	–	–	–	–	–	–	–
Additions	1	112,548,486	1,803,128	2,376,788	50,720	37,396	84,327	116,900,846
Disposals	–	–	–	–	–	–	–	–
Closing balance, March 31, 2018	1	112,548,486	1,803,128	2,376,788	50,720	37,396	84,327	116,900,846
Accumulated amortisation								
Opening balance, March 7, 2017	–	–	–	–	–	–	–	–
Amortisation	–	–	23,859	55,091	5,433	7,005	16,893	108,281
Closing balance, March 31, 2018	–	–	23,859	55,091	5,433	7,005	16,893	108,281
Net book value	1	112,548,486	1,779,269	2,321,697	45,287	30,391	67,434	116,792,565

Land and other tangible capital assets transferred to the Authority from the DAO are recorded on the books of the Authority at a nominal value of \$1. Capital expenditure of \$112,548,486 incurred by Skyport in relation to construction of the new airport terminal (Note 3), includes capitalised interest of \$13,115,008 paid on the financing facility entered into by Skyport in support of the project. Other construction in progress comprises \$1,337,347 for leasehold improvements at the old terminal, and \$625,594 incurred by the Authority for replacement of the weather radar system (Note 8).

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 period ended March 31, 2018 were \$13,683,460 for operations and \$2,186,851 for capital expenditures.

8. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The Authority has one year remaining of a three-year contract with CI² Aviation (Bermuda) Limited, which expires on March 31, 2019, for the provision of certain Retained Services required at the Airport. The Authority has also entered into multi-year contracts with several vendors during the period 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 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 \$1.67 million). The system is to be 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 (currently scheduled for March 2019) and a final payment of 10% due on satisfactory completion of installation, training and site acceptance testing (currently scheduled for June 2019).

During the term of the Agreement (Note 3), a contingent asset may arise for the Authority under certain revenue sharing provisions of the Agreement. The Authority will be entitled to a portion of Actual Regulated Revenues if they exceed certain revenue thresholds as defined by the Agreement, and certain other conditions are met. Where all these conditions are deemed to be met, the Authority will be entitled to 50% of the amount by which actual revenue exceeds the threshold. There is future uncertainty regarding whether these amounts will actually be received by the Authority, subject to the conditions under the Agreement. As at March 31, 2018, 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 \$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 favor of Skyport over the life of the Project.

10. RELATED PARTY TRANSACTIONS

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

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

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

10. RELATED PARTY TRANSACTIONS (continued)

	2018
	\$
Transactions during the period	
Revenue	
Government of Bermuda grants	<u>15,870,311</u>
Expenses	
Aviation and public liability insurance	306,090
Redevelopment consultants	222,565
Salaries, wages, employee benefits and related	
Accounting services	41,913
Payroll tax	56,154
Social insurance	8,859
Work permit fees	32,664
Leasehold expenses	<u>80,052</u>
	<u>748,297</u>
Balances at end of period	\$
Retained services costs receivable	19,031
Other	<u>895</u>
Due from the Government of Bermuda	<u>19,926</u>
Consulting fees payable	30,589
Payroll tax payable	<u>28,654</u>
Due to the Government of Bermuda	<u>59,243</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.

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 \$30,773. Contributions payable at March 31, 2018 were \$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.

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

11. EMPLOYEE BENEFITS (continued)

b) Post-employment benefits and compensated absences (continued)

Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability at March 31, 2018 was \$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:

	2018
	Carrying value
	\$
Financial assets	
Cash and cash equivalents	3,382,727
Accounts receivable	245,277
Due from the Government of Bermuda	19,926
Financial liabilities	
Accounts payable	3,304,343
Due to the Government of Bermuda	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.

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, 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>

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Credit risk (continued)

There have been no significant changes during the period 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 contract with Selex ES GmbH (Note 8) for the manufacture, delivery and installation of a new Doppler Weather Radar system. The estimated impact of a 3% movement in Euro foreign exchange rates on the total contract cost would be \$50,127.

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:

	Contractual cash flows				
	Carrying amount \$	12 months or less \$	1–2 years \$	2–5 years \$	Total \$
As at March 31, 2018					
Financial liabilities					
Accounts payable	3,304,343	3,304,343	-	-	3,304,343
Due to the Government of Bermuda	<u>59,243</u>	<u>59,243</u>	<u>-</u>	<u>-</u>	<u>59,243</u>
Total financial liabilities	<u>3,363,586</u>	<u>3,363,586</u>	<u>-</u>	<u>-</u>	<u>3,363,586</u>
Obligations (Note 8)					
Retained services	6,801,230	6,801,230	-	-	6,801,230
Redevelopment consultants	3,735,467	1,618,744	1,254,634	862,089	3,735,467
Purchase of capital assets	1,254,944	1,087,854	167,090	-	1,254,944
Rental of premises	<u>193,050</u>	<u>64,350</u>	<u>64,350</u>	<u>64,350</u>	<u>193,050</u>
Total obligations	<u>11,984,691</u>	<u>9,572,178</u>	<u>1,486,074</u>	<u>926,439</u>	<u>11,984,691</u>

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

BERMUDA AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

13. GENERAL AND ADMINISTRATIVE EXPENSES

	Budget 2018	Actual 2018
	\$	\$
Salaries and employee benefits	1,484,721	937,567
Minimum revenue guarantee	499,331	453,329
Insurance	454,295	306,090
Professional fees	281,025	163,727
Other general and administrative	64,890	78,270
Rent and service charges	78,839	76,971
Communication and information technology related	83,942	73,240
Office expenses, equipment repairs and maintenance	53,219	70,050
Travel and accommodation	39,400	63,210
Foreign exchange loss	-	24,043
	<u>3,039,662</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 April 13, 2017 and funded by Government grant contributions (Note 7).

16. COMPARATIVE FIGURES

The Authority was established on March 2, 2017 and the current period figures are for the 13-month period ended March 31, 2018. As such, there are no comparative figures.

17. SUBSEQUENT EVENTS

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.

Between March 31, 2018 and the date of issuance of the financial statements of the Authority, on December 13, 2018, no other events occurred that in the opinion of management could have a significant effect on the financial statements.

Corporate Information

Board Members



L to R: Judith Hall-Bean, Lester Nelson, Andrew D. Parsons, Mark A. Fields, Robert B. Steynor, Lawrence Scott, JP, MP, Ian D. MacIntyre
(Missing from photo: Marshall E. Minors)

Mark A. Fields

Chairman

- Chairman, Governance Committee
- Member, Finance Committee
- Member, Human Resources Committee

Andrew D. Parsons, MBA, FCPA, FCA

Deputy Chairman

- Chairman, Finance Committee
- Member, Governance Committee

Judith Hall-Bean, OBE, MIPM, ClO

Secretary

- Chairman, Human Resources Committee
- Member, Governance Committee

Ian D. MacIntyre

- Member, Human Resources Committee
- Member, Technical Committee

Marshall E. Minors, B.Eng, PEng

- Member, Technical Committee

Lester Nelson

Chief Executive Officer

Lawrence Scott, JP, MP

Robert Steynor, C.Eng

- Chairman, Technical Committee
- Member, Finance Committee
- Member, Governance Committee

Senior Management



Lester Nelson
Chief Executive Officer



Wendell Burchall
Director,
Airport Redevelopment Oversight



James Campbell
Director,
PPP Contract Management



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



Jamie Sapsford
Director,
Airport Service Delivery



Michele Bean
Designate Director,
PPP Contract Management

Team Members



Nicola Flood
Office Administrator



Ari Ming
Airport Redevelopment
Manager (Technical)



Nancy Segal
Vendor Manager



Sherrita Steede
Executive Assistant to the CEO

Design and Production:
Advantage Ltd.

Coordination and Writing:
Linda Smith Associates Limited

Photography:
Ann Spurling Photography Studio

Other photographs courtesy of:
Wendell Burchall
Government of Bermuda
Department of Communications
Kevin MacDonald
Linda Smith



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