BAS

GROUP OF COMPANIES

Bermuda Aviation Services Limited

ANNUAL REPORT
2005 - 2006

Aircraft Services Bermuda Ltd.

Crow Lane Bakery

BAS serco

IBC International Bonded Couriers

zipx

WEIR ENTERPRISES LTD.
AUTOMOTIVE PARTS DISTRIBUTORS

DIRECTORS

CHAIRMAN
Michael L. Darling [1]

DEPUTY CHAIRMAN
Richard S. L. Pearman [1]

E. Eugene Bean [1,2]
R. A. Jones [1]
Gerald D. E. Simons [1,2]
Jeffrey G. Conyers [1]
J. Patricia Lynn [2]
Alexander W. J. A. Swan
W. Neville Conyers
Gail E. M. Pantry [2]
N. Reeve Trott

SECRETARY
E. John Thompson

1 Executive Committee
2 Audit Committee

OFFICERS

E. Eugene Bean
GROUP PRESIDENT AND
CHIEF EXECUTIVE OFFICER
BAS GROUP OF COMPANIES

Richard D. Savard
VICE PRESIDENT AND
CHIEF EXECUTIVE OFFICER
BAS-SERCO LIMITED

Raymond C. Packwood
VICE PRESIDENT AND
HEAD OF GROUP FINANCE
BERMUDA AVIATION SERVICES LIMITED
CHIEF EXECUTIVE OFFICER
AIRCRAFT SERVICES BERMUDA LIMITED

Gordon R. Bussell
VICE PRESIDENT AND
CHIEF EXECUTIVE OFFICER
INTERNATIONAL BONDED COURIERS OF BERMUDA LIMITED

Frank Williams
VICE PRESIDENT OF BUSINESS
DEVELOPMENT & OPERATIONS
BAS-SERCO LIMITED

Ian D. Sharper
FINANCIAL CONTROLLER
BERMUDA AVIATION SERVICES LIMITED

Rick J. Craft
VICE PRESIDENT AND
CHIEF OPERATING OFFICER
INTERNATIONAL BONDED COURIERS OF BERMUDA LIMITED

Jamie Sapsford
DIRECTOR OF CORPORATE ASSURANCE
BAS-SERCO LIMITED

George H. Hammond
MANAGING DIRECTOR
WEIR ENTERPRISES LIMITED

Kameel A. Ahmad
MANAGER
CROW LANE BAKERY LIMITED

Bermuda Aviation Services Limited
2005 - 2006 Annual Report

To be presented to the
Annual General Meeting of
Bermuda Aviation Services Limited
to be held in the boardroom of
Conyers, Dill and Pearman
on Friday, July 28, 2006
at 9:00 a.m.

Bermuda Aviation Services Limited
is a public company
quoted on the Bermuda Stock Exchange
with over 400 shareholders

GROUP STRUCTURE

- Bermuda Aviation Services Limited
  - Aircraft Services Bermuda Limited
  - BAS-Serco Limited
  - Crow Lane Bakery Limited
  - Eastbourne Properties Limited
  - International Bonded Couriers of Bermuda Limited
  - Weir Enterprises Limited

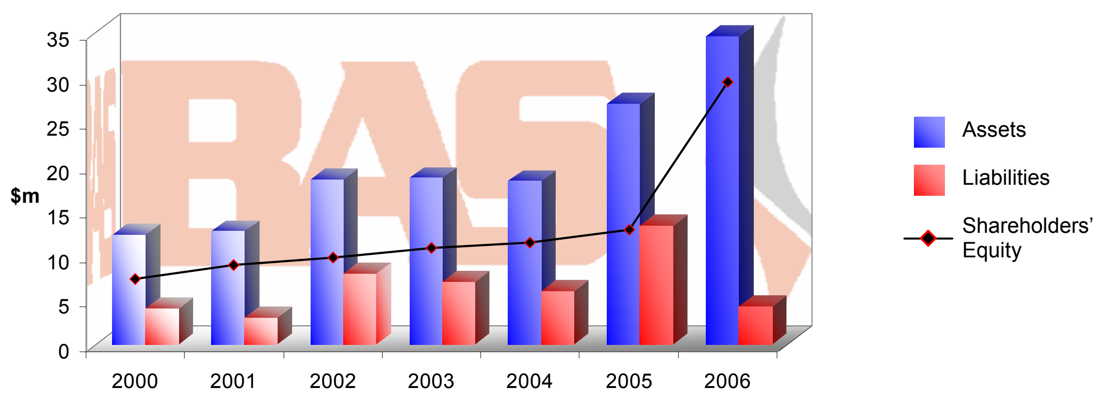
2005 - 2006 HIGHLIGHTS

- Record net earnings of $2.8 million
- Increased shareholder equity by 121%
- One for one rights issue
- Acquisition of non-controlling interests in Weir Enterprises
- Acquisition of non-controlling interests in Eastbourne Properties
- Acquisition of non-controlling interests in IBC
- Acquisition of additional shareholding in BAS-Serco

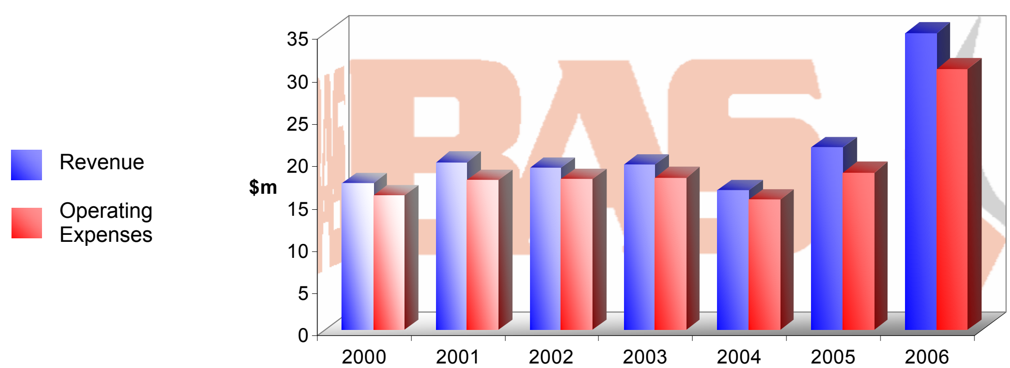
FINANCIAL HIGHLIGHTS

(Expressed in BDA$000)	2006	2005	2004	2003	2002	2001	2000
Revenue	34,967	21,513	16,429	19,462	19,060	19,751	17,219
Direct & Operating Expenses	30,743	18,542	15,357	17,907	17,703	17,597	15,836
Income from Operations	4,224	2,970	1,072	1,555	1,357	2,155	1,383
Net income	2,835	2,021	1,231	1,732	1,559	2,101	1,286
Assets	34,550	27,011	18,305	18,655	18,483	12,684	12,246
Liabilities	4,260	13,333	6,014	6,961	7,887	2,940	4,010
Shareholders' Equity	30,290	13,678	12,291	11,694	10,596	9,744	8,236

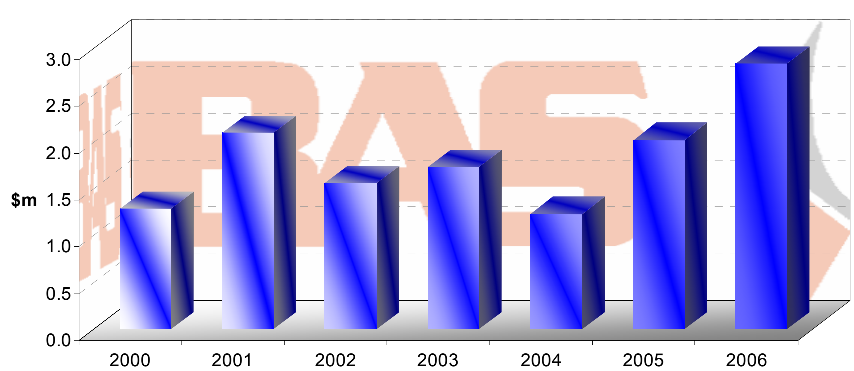
Assets vs Liabilities



Revenue vs Operating Expenses



Net Income



CHAIRMAN'S REPORT

May 31, 2006

I shall begin my annual letter by thanking all of you, our shareholders, for your support and your confidence in our Company. The result of our recent rights issue has been ample proof of this.

For the past twelve years we have seen BAS prosper despite the many challenges presented by external forces over which we have little or no control. There have been economic cycles to test us, but we have managed to overcome these too. Now, as a result of strategic planning and diversification, we have emerged with a strong performance and the best results to date.

- Revenues reached $35 million, an increase of 63% over 2005.
- Income from operations for the period was up 42% to $4.2 million.
- Net earnings were ahead 40%, to $2.8 million.
- Retained earnings were up 21% to $13 million.
- Shareholder equity was ahead 121% to $30 million.

The most important event this year was the rights issue. This was supported by 80% of current shareholders and the balance by those eager to participate in the future. On March 3 we were able to retire 100% of the Company's debt and on March 30 we purchased the bulk of the minority shareholdings. There remains a small holding, 10%, in one of the subsidiaries which we do not wish to acquire as it involves us in an important strategic partnership. There will be some funds remaining and these will be used to make further acquisitions when opportunities present themselves. Meanwhile, the surplus will help generate income. As a result of all these measures we can expect significant earnings growth in the next twelve months.

It can be said that the businesses we are running are not for the faint of heart. They are labour intensive and, as I have said before, they are subject to forces beyond our control. I am both impressed and amazed by the energy and passion shown by our management team. They are a talented group who serve BAS well. They are both positive and optimistic and they lead from the front, while embracing change when this is needed. Having said that, we all know that a chain is only as strong as its weakest link. Our line staff are equally dedicated to a company that they have come to know as both fair and caring. On behalf of the directors I thank all our employees for their superb efforts.

At this time I should mention that the Board has set aside a block of 100,000 unissued shares for purchase by senior management over the next five years. All future compensation for senior management will be tied to results and will be a mixture of cash and shares at market value. As we all know there is tremendous competition for talent in all areas in the Island today. This will enable them to become shareholders in the company that they have been so involved in building.

We will ensure that we have strong management and a Board that is vigilant and committed to good governance. We are proud of our achievements and we will continue to ensure that your interests are foremost in our minds.

Michael L. Darling
Chairman

REPORT FROM MANAGEMENT

May 31, 2006

BAS had another remarkable year where we achieved all of the goals set in 2005. We retired our debt, grew our revenues and increased our earnings as we continued to actively manage our expenses.

The results for International Bonded Couriers of Bermuda Limited were 5% ahead of forecast. They have been a part of our group for 15 months now and we could not be more pleased with the ongoing performance of the company. Not only has it performed beyond our expectations, but we can proudly say we have an exceptionally proud and productive group of people as part of our family.

BAS-Serco Limited also had an exceptional year with a 7% growth in revenue. Earnings for 2007 are forecast to be higher. All major contracts for the company are in the process of being renewed.

Weir Enterprises Limited continues to perform to expectations. Revenues in the company grew 10% last year, however net earnings were tempered by higher cost of goods. Earnings growth for Weir, BAS-Serco and IBC will be further assisted by the repurchase of minority shareholdings in those companies.

Earnings in Aircraft Services Bermuda Limited fell 28% as we lost revenue servicing smaller aircraft and faced higher labour cost. Revenue from freight handling and related services were also lower. We do expect some improvement in earnings in 2007 with the anticipated increase in flight activity.

Earnings in Crow Lane Bakery Limited fell 35% as we continued to face higher cost of materials, energy and fuel costs. This year we also felt the effect of competition from some of our major customers. More and more of them are taking the production of baked goods in-house as frozen product becomes more available and of higher quality. To ensure continued profitability, we have taken the decision to close our East Broadway location. The location has not been profitable for some time. The discontinuation of some unprofitable lines and the introduction of some new product are expected to help improve earnings of the company in the next year.

You can tell by the commentary that our success this year did not come easily. The rise in fuel prices has had a direct effect on the importation of our goods, the delivery of the product to our customers, the running cost of our vehicles and the overhead of our facilities. These are the realities of the challenges in our business today.

What has made BAS successful is its ability to face its challenges. Our model is simple; build a portfolio of companies that is broad-based so that when one area is facing challenges the others will likely be stable or enjoying growth.

Our goals for the next three years are;

- to increase earnings per share by 30% over the period;
- to increase the return on investment for our shareholders;
- to improve return on revenue;
- to ensure stability for the future; and
- to generate strong cash flows for future expansion.

We thank you, our shareholders, for your support. We could not have enjoyed such success without you behind us. We would also like to acknowledge the men and women in our company who have supported our vision and helped us achieve our goals.

E. Eugene Bean
Group President

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Chartered Accountants
Dorchester House
7 Church Street
Hamilton HM 11
Bermuda
Telephone +1 (441) 295 2000
Facsimile +1 (441) 295 1242
www.pwc.com/bermuda

June 9, 2006

To the Shareholders of
Bermuda Aviation Services Limited

We have audited the consolidated balance sheet of Bermuda Aviation Services Limited as at March 31, 2006 and the consolidated statements of income and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

PricewaterhouseCoopers

Chartered Accountants

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2006

(Expressed in Bermuda Dollars)	March 31 2006	March 31 2005
CURRENT ASSETS		
Cash and short-term deposits	**6,252,970**	1,625,601
Accounts receivable and prepaid expenses	**6,614,363**	6,104,411
Inventories	**1,216,918**	1,102,556
	14,084,251	8,832,568
NON-CURRENT ASSETS		
Other receivables (note 11)	**1,225,007**	1,328,431
Capital assets (note 4)	**8,132,077**	9,428,595
Goodwill (note 5)	**11,108,878**	7,421,261
	20,465,962	18,178,287
TOTAL ASSETS	**34,550,213**	27,010,855

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**4,193,323**	4,852,189
Current portion of long-term debt (note 7)	**-**	769,787
	4,193,323	5,621,976
NON-CURRENT LIABILITIES		
Long-term debt (note 7)	**-**	5,990,026
Non-controlling interests (note 8)	**67,340**	1,721,103
	67,340	7,711,129
SHAREHOLDERS' EQUITY		
Capital stock (note 9)	**5,074,082**	2,534,328
Share premium (note 9)	**12,691,113**	820,060
Retained earnings	**12,524,355**	10,323,362
	30,289,550	13,677,750
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**34,550,213**	27,010,855

Signed on behalf of the Board

Director

Director

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

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 2006

(Expressed in Bermuda Dollars)	**March 31 2006**	March 31 2005
REVENUE		
Sale of goods	**6,060,798**	5,980,821
Supply of services	**28,905,897**	15,532,014
Total revenue	**34,966,695**	21,512,835
DIRECT COST OF REVENUE		
Cost of goods sold	**2,277,360**	2,238,597
Direct cost of services revenue	**5,105,770**	1,455,371
Total direct cost of revenue	**7,383,130**	3,693,968
GROSS PROFIT	**27,583,565**	17,818,867
OPERATING EXPENSES		
Wages and benefits	**17,989,381**	11,533,547
Other direct expenses and overheads	**4,287,962**	2,628,861
Amortization	**1,002,135**	686,158
Loss (Gain) on disposal of capital assets	**80,533**	(400)
Total operating expenses	**23,360,011**	14,848,166
INCOME FROM OPERATIONS	**4,223,554**	2,970,701
NON-OPERATING ITEMS		
Equity earnings of affiliate	**-**	284,876
Other income	**267,773**	154,342
Interest expense on long-term debt	**(343,290)**	(245,343)
Non-controlling interests (note 8)	**(1,115,090)**	(476,535)
Insurance claim adjustment (note 19)	**(197,674)**	-
INCOME BEFORE DISCONTINUED OPERATIONS	**2,835,273**	**2,688,041**
LOSS FROM DISCONTINUED OPERATIONS		
Catering operations	**-**	(525,419)
Bar operations	**-**	(141,437)
NET INCOME FOR THE YEAR	**2,835,273**	**2,021,185**

RETAINED EARNINGS		
Beginning of the year	**10,323,362**	8,936,449
Net income for the year	**2,835,273**	2,021,185
Dividends	**(634,280)**	(634,272)
End of the year	**12,524,355**	10,323,362

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2006

(Expressed in Bermuda Dollars)	**March 31 2006**	March 31 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	**2,835,273**	2,021,185
Adjustments to convert to cash basis:		
Amortization	**1,002,135**	780,948
Loss (Gain) on disposal of capital assets	**80,533**	(400)
Equity earnings of affiliate	**-**	(284,876)
Interest expense on debt	**343,290**	245,343
Non-controlling interests (note 8)	**1,115,090**	476,535
Loss on discontinued operations	**-**	382,602
Changes in non-cash working capital:		
Accounts receivable and prepaid expenses	**(473,195)**	559,895
Inventories	**(114,362)**	(60,568)
Accounts payable and accrued liabilities	**(638,385)**	(669,590)
	4,150,379	3,451,074
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of non-controlling interests (note 3)	**(5,341,380)**	(4,645,259)
Investment in capital assets	**(936,150)**	(799,546)
Proceeds on disposal of capital assets	**1,150,000**	7,400
	(5,127,530)	(5,437,405)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease	**66,667**	44,444
Proceeds from long-term debt	**-**	5,000,000
Loan repayments	**(7,103,103)**	(1,073,128)
Dividends	**(634,280)**	(634,272)
Dividends paid to non-controlling interests	**(1,135,571)**	(246,578)
Net proceeds from rights issue (note 9)	**14,410,807**	-
	5,604,520	3,090,466
CASH & CASH EQUIVALENTS		
Increase during the year	**4,627,369**	1,104,135
Beginning of the year	**1,625,601**	521,466
End of the year	**6,252,970**	1,625,601

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

(Expressed in Bermuda Dollars)

1. Operations

The Company and its major subsidiary provide aircraft, passenger and cargo handling services, aircraft catering and food and beverage service at the Bermuda International Airport. Other subsidiaries produce a range of bakery products for sale to wholesalers, retailers and retail customers; distribute automotive parts and provide automotive services; provide facilities management services; and provide cargo and courier services.

2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada. Significant accounting policies are:

A) PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its subsidiaries. The subsidiaries and percentage ownership at March 31, 2006 are:

Aircraft Services Bermuda Limited	100%
BAS-Serco Limited	90%
Crow Lane Bakery Limited	100%
Eastbourne Properties Limited	100%
International Bonded Couriers of Bermuda Limited	100%
Weir Enterprises Limited	100%

B) BASIS OF PRESENTATION

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of income and expenses for the reported period. Actual results could differ from those estimates.

C) GOODWILL AND INTANGIBLE ASSETS

Intangible assets identified in a business combination may be determined to have definite or indefinite useful lives. Intangible assets determined to have definite lives are amortized over their useful lives. Goodwill, which is not amortized, represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired in a business combination. Goodwill is tested for impairment at least annually based upon estimates of fair values. Any impairment is written off against earnings in the period in which it is identified.

D) AMORTIZATION

Amortization is provided on a straight-line basis and is calculated to write off the cost of the capital assets over their expected useful lives, which are as below:

Buildings	40 years
Leasehold Improvements	10 years
Fixtures and Fittings	From 3 to 10 years
Plant and Machinery	From 3 to 15 years

E) INVENTORY

Inventory is valued at the lower of cost and net realisable value. Inventory costs are calculated either on a first-in/first-out basis or a weighted average basis.

F) LEASED ASSETS

Where capital assets are leased under arrangements that give rights approximating to ownership, the capital assets are treated as if they had been acquired/disposed outright and the corresponding amount due to/from the lessor/lessee is included as a liability/asset in the balance sheet.

G) PENSION BENEFITS

As described in note 11, the Company maintains pension plans covering all employees. The cost to provide pension benefits under the defined benefit sections of the plans is accrued and charged to earnings so as to reflect the manner in which the service giving rise to the benefits is rendered. In addition, member contributions to the defined contribution sections of the plans accumulate to provide a money purchase pension.

3. Acquisitions

On March 30, 2006, the Company exercised its options to purchase the non-controlling interests of Weir Enterprises Limited, Eastbourne Properties Limited and International Bonded Couriers of Bermuda Limited. On the same date, the Company purchased an additional 7½% of the shares of BAS-Serco Limited.

Details of the acquisitions are as follows:

	Cash Consideration	Non-Controlling Interest Acquired (Note 8)	Goodwill (Note 5)
Weir Enterprises Limited	463,979	82,993	380,986
Eastbourne Properties Limited	830,000	830,000	-
International Bonded Couriers of Bermuda Limited	3,466,000	690,265	2,775,735
BAS-Serco Limited	581,401	50,505	530,896
	5,341,380	1,653,763	3,687,617

4. Capital Assets

Capital assets and related accumulated amortization are classified as follows:

	Cost	Accumulated Amortization	**2006 Net**	2005 Net
Buildings	5,277,959	1,192,307	**4,085,652**	5,384,211
Machinery and equipment	8,410,602	6,032,916	**2,377,686**	2,054,425
Furniture and fixtures	776,247	664,666	**111,581**	167,596
Leasehold improvements	3,801,831	2,244,673	**1,557,158**	1,822,363
	18,266,639	10,134,562	**8,132,077**	9,428,595

Capital assets include fully amortized items with an original cost of approximately $4,453,253 (2005 - $4,421,334) which are being utilised in current operations.

5. Goodwill

Goodwill is classified as follows:

	March 31 2006	March 31 2005
Food and Beverage Wholesaling	**774,285**	774,285
Automotive Garages	**1,941,945**	1,560,959
Facilities Management	**1,406,738**	875,842
Cargo Handling	**6,985,910**	4,210,175
	11,108,878	7,421,261

6. Bank Overdrafts

The Company has obtained bank overdraft facilities totalling $262,000 to finance operations at 2.0% per annum over the Bank's Bermuda Dollar Base Rate to expire August 31, 2006. The Bank's Bermuda Dollar Base Rate at year end was 4.75%.

7. Long-Term Debt

At March 31, 2005, the Company had negotiated loan facilities totalling $8,996,000 to finance its acquisitions. On March 2, 2006, these loan facilities were repaid in full from the proceeds of the Rights Issue (note 9).

Bank loans outstanding at the year end are as follows:

	March 31 2006	March 31 2005
Bank loan #1	**-**	2,296,832
Bank loan #2	**-**	4,462,981
	-	6,759,813
Less: Current portion	**-**	769,787
	-	5,990,026

These loans were secured with fixed and floating charges over the assets of the Company, which included charges over shareholdings in the subsidiaries, as well as registered mortgages on its properties. All Company obligations and commitments surrounding these loan facilities were satisfied and assets restricted in the securitisation of these loans have been released.

8. Non-Controlling Interests

Non-controlling interests represents the following:

	March 31 2006	March 31 2005
Weir Enterprises Limited		
Non-controlling equity shareholders' share (20%) of net asset value not purchased on February 1, 2002	**82,993**	82,993
Proportionate share of results of operations since acquisition	**557,378**	430,229
Proportionate share of dividends paid since acquisition	**(557,378)**	(430,229)
Purchase of non-controlling shareholders' shares (note 3)	**(82,993)**	-
	-	82,993
Eastbourne Properties Limited		
Non-controlling equity shareholders' share (20%) of net asset value not purchased on February 1, 2002	**830,000**	830,000
Proportionate share of results of operations since acquisition	**-**	-
Purchase of non-controlling shareholders' shares (note 3)	**(830,000)**	-
	-	830,000
BAS-Serco Limited		
Non-controlling equity shareholders' share (17.5%) of net asset value not purchased on December 1, 2004	**117,845**	117,845
Proportionate share of results of operations since acquisition	**341,623**	76,583
Proportionate share of dividends paid since acquisition	**(341,623)**	(76,583)
Purchase of non-controlling shareholders' shares (note 3)	**(50,505)**	-
	67,340	117,845
International Bonded Couriers of Bermuda Limited		
Non-controlling equity shareholders' share (40%) of net asset value not purchased on November 26, 2004	**690,265**	690,265
Proportionate share of results of operations since acquisition	**981,816**	258,915
Proportionate share of dividends paid since acquisition	**(981,816)**	(258,915)
Purchase of non-controlling shareholders' shares (note 3)	**(690,265)**	-
	-	690,265
Total Non-Controlling Interests	**67,340**	1,721,103

Non-controlling interests of $1,115,090 (2005 - $476,535), as shown in the Statement of Income, comprises $127,149 (2005 - $141,037) from Weir Enterprises Limited, $265,040 (2005 - $76,583) from BAS-Serco Limited and $722,901 (2005 - $258,915) from International Bonded Couriers of Bermuda Limited.

As part of the acquisition of BAS-Serco Limited in December 2004 the Company also granted options to the non-controlling shareholders to sell their shareholdings to the Company. These options are exercisable during the period December 1, 2004 to December 1, 2025 at an arm's length price to be mutually agreed between the Company and the non-controlling shareholder at the time that the option is exercised.

9. Capital Stock

Capital stock is as follows:

	March 31 2006	March 31 2005
Authorized- 9,999,996 shares (2005 - 1,150,000 shares), par value of $1.00 (2005 - $2.40) each	**9,999,996**	2,760,000
Issued and fully paid- 5,074,082 shares (2005 - 1,055,970 shares)	**5,074,082**	2,534,328

At a Board meeting held on October 28, 2005 the directors approved a stock split whereby 2.4 new ordinary shares with a par value of $1 each were issued to shareholders of record at November 15, 2005 for each share of par value $2.40 owned. Fractional shares aggregating 47 shares were settled in cash.

At a Board meeting held on October 28, 2005 the directors approved an increase in the authorized share capital of the Company up to $9,999,996 representing the creation of an additional 7,239,996 shares of par value $1 each. On the same date, the directors approved an offering of new shares to Qualifying Shareholders on the basis that each Qualifying Shareholder of record as at the close of business on January 31, 2006 be granted the right to acquire one new share for each share registered in their name on that date at a price to be determined pursuant to the issuance of a prospectus. On March 1, 2006 2,537,041 shares of par value $1.00 each were issued at $6.25 per share. Net cash proceeds to the Company of $14,410,807 were allocated $2,539,754 to share capital and $11,871,053 to share premium.

Information on the number of shares and income per share has been adjusted in the financial statements to reflect these subsequent events.

10. Per Share Amounts

	March 31 2006	March 31 2005
Income per share	**1.03**	0.80

Income per share has been calculated on net income for the year of $2,835,273 (2005 - $2,021,185) on 2,752,516 (2005 - 2,537,041) shares, being the weighted average number of shares in issue after giving retroactive effect to the stock split effective November 15, 2005.

11. Pension Plans

The Company maintains several pension plans covering all employees of the Company and its subsidiaries.

For the employees of; Weir Enterprises Limited, BAS-Serco Limited and International Bonded Couriers of Bermuda Limited, the Company opted to retain the defined contribution plans in place at the time of acquisition. The net benefit plan expenses for these companies are as follows:

	March 31 2006	March 31 2005
Current service cost, net of employee contributions:		
Weir Enterprises Limited	**23,622**	19,645
BAS-Serco Limited	**187,290**	60,009
International Bonded Couriers of Bermuda Limited	**145,662**	43,046

The Company operates two pension plans covering the employees of Bermuda Aviation Services Limited, Aircraft Services Bermuda Limited and Crow Lane Bakery Limited. The plans provide pension benefits based upon length of service and final average earnings for senior management and pension benefits based on length of service and career average earnings for regular employees. Member contributions to the plans accumulate to provide a money purchase pension.

The pension benefit obligations and assets are measured each year as of March 31. Pension benefit obligations are determined based on certain assumptions including interest rates, salary increases, mortality and retirement age. The value of the assets will fluctuate as the result of changes in the market value of investments.

The following tables provide a summary of the estimated financial position of the pension plans as of March 31, 2006:

	March 31 2006	March 31 2005
Accrued Benefit Obligation		
Balance - beginning of the year:		
Defined benefit portion	**6,210,000**	5,933,000
Defined contribution portion	**2,408,000**	2,226,000
	8,618,000	8,159,000
Current service cost (defined benefit)	**244,800**	224,000
Employee contributions (defined contribution)	**300,968**	308,147
Interest cost	**362,526**	360,420
Benefits paid	**(509,302)**	(769,437)
Actuarial losses (gains) and increase (decrease) in defined contribution accounts	**948,008**	335,870
Balance - end of the year:		
Defined benefit portion	**7,214,000**	6,210,000
Defined contribution portion	**2,751,000**	2,408,000
	9,965,000	8,618,000

	March 31 2006	March 31 2005
Plan Assets		
Fair value - beginning of the year	**7,700,504**	7,814,177
Actual return on plan assets	**1,458,590**	167,218
Employee contributions	**300,968**	308,147
Company contributions	**233,229**	180,399
Benefits paid	**(509,302)**	(769,437)
Fair value - end of the year	**9,183,989**	7,700,504

	March 31 2006	March 31 2005
Accrued Benefit Asset		
Funded status – plan deficit	**(781,011)**	(917,496)
Unamortized transitional asset	**(1,586,640)**	(1,696,819)
Unrecognised experience loss	**3,493,373**	3,762,467
Accrued benefit asset	**1,125,722**	1,148,152

The accrued benefit asset is included in other receivables on the consolidated balance sheet.

Information about how the plan assets are invested as of March 31, 2006 is as follows:

	March 31 2006	March 31 2005
Plan Assets by Asset Category		
Equity securities (principally US and Bermuda equities)	**93%**	77%
Debt securities (principally fixed deposits and cash)	**7%**	23%
Total	**100%**	100%

Plan assets include common shares of the Company having a fair value of $1,048,257 at March 31, 2006 (2005 - $146,210).

The significant actuarial assumptions adopted in measuring the Company's net benefit plan expenses and the pension plan's accrued benefit obligations are as follows:

	March 31 2006	March 31 2005
Assumptions for Expense		
Discount rate	**5.75%**	6.00%
Expected long-term rate of return on plan assets	**7.50%**	7.50%
Rate of compensation increase	**2.75%**	2.75%

	March 31 2006	March 31 2005
Assumptions for Disclosure		
Discount rate	**6.00%**	5.75%
Rate of compensation increase	**3.25%**	2.75%

The Company's net pension expense is as follows:

	March 31 2006	March 31 2005
Current service cost, net of employee contributions	**244,800**	224,000
Interest cost	**362,526**	360,420
Actual return on plan assets	**(1,353,325)**	(293,365)
Actuarial loss on accrued benefit obligation	**842,743**	462,017
Costs arising in the year	**96,744**	753,072
Differences between costs arising in the year and costs recognised in the year in respect of:		
- Return on plan assets [1]	**949,075**	(124,624)
- Actuarial loss [2]	**(679,980)**	(327,536)
- Transitional asset [3]	**(110,179)**	(110,179)
Net pension expense recognised	**255,660**	190,733

1 Actual return on plan assets of $1,353,325 (2005 - $293,365) less expected return on plan assets of $404,250 (2005 - $417,989).

2 Actuarial loss on accrued benefit obligation arising in the year of $842,743 (2005 - $462,017) less actuarial loss recognised in the year of $162,763 (2005 - $134,481).

3 Amortization of transitional asset.

Actuarial valuation reports for funding purposes have been prepared as of December 31, 2004 and the dates of the next required actuarial valuations for funding purposes are December 31, 2005 and December 31, 2007.

12. Lease Commitments

Certain of the Company's premises are leased from the Government of Bermuda. The Company has a lease commitment for the administration offices for five years commencing June 1, 2004. The Company has a lease covering a private jet base and adjoining ramp area from February 15, 1998 to May 31, 2014. The Company holds various leases on premises used by its bakery operations and related outlets. The principal bakery leases are each for ten years, from September 1, 1998 and from March 16, 1999 and are both with options to renew for a further five years. The Company has a lease on premises used by its cargo and courier operations for a period of five years from November 1, 2001.

Minimum annual commitments under long-term leases are as follows:

Year ending March 31, 2007	**520,237**
Year ending March 31, 2008	**225,026**
Year ending March 31, 2009	**171,422**
Year ending March 31, 2010	**75,745**
Year ending March 31, 2011	**75,745**

At March 31, 2006, the total future minimum lease payments under long-term leases is $1,308,034.

13. Contractual Obligation

The Company is committed to space on an air charter freighter at a rate of $4,410 per flight, with flights scheduled every weekday (excluding Bermuda public holidays). The arrangement is subject to a sixty day notice period.

14. Directors' Share Interests and Service Contracts

Pursuant to Regulation 6.8(3) of Section IIB of the Bermuda Stock Exchange Listing Regulations, the total interests of all directors and officers of the Company as at March 31, 2006 were 497,204 shares. No rights to subscribe for shares in the Company have been granted to or exercised by any director or officer, except for the rights granted to all shareholders as described in note 9.

During the year, the Company purchased 7½% of the shares of BAS-Serco Limited and 5% of the shares of International Bonded Couriers of Bermuda Limited from one of the directors.

The Company has no service contracts with directors.

There are no contracts of significance subsisting during or at the end of the financial year in which a director was materially interested, either directly or indirectly.

15. Information About Major Customers

The Company entered into sales contracts during the year with one major customer which accounted for more than 10% of total revenue. The revenue from this customer was 16.9% of total revenue and falls in the Facilities Management segment. For the year ending March 31, 2005, there were no customers which accounted for more than 10% of total revenue.

16. Fair Value of Financial Assets and Liabilities and Credit Risk

The carrying amounts of cash and short-term deposits, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these balances. The carrying amount of other receivables - non-current approximates its fair value as the interest rates approximate market values and there are set terms for repayment. The maximum credit risk associated with all the Company's financial instruments is limited to their carrying amount.

17. Segment Reporting

The Company has six reportable segments as shown below. The Company's management has identified the operating segments based on the goods and services they provide. The accounting policies of each of the segments are the same as those described in the summary of significant accounting policies. All business activities are conducted in Bermuda and all inter-segment transactions are accounted for at arm's length.

For the year ended March 31, 2006:

	Revenue from External Customers	Inter-Segment Revenue	Amortization of Capital Assets	Net Income	Total Assets
Administrative Services	324,277	731,684	132,760	(745,703)	5,952,706
Aircraft and Passenger Handling	7,212,225	-	246,241	1,147,910	3,264,083
Automotive Garages	2,652,158	677,963	64,592	530,152	5,211,957
Cargo Handling	14,100,234	32,354	382,341	1,978,781	3,514,000
Facilities Management	7,171,005	7,500	9,641	1,508,213	2,784,126
Food and Beverage Wholesaling	3,506,796	-	166,560	59,861	1,604,107
	34,966,695	1,449,501	1,002,135	4,479,214	22,330,979

For the year ended March 31, 2005:

	Revenue from External Customers	Inter-Segment Revenue	Amortization of Capital Assets	Net Income	Total Assets
Administrative Services	318,141	650,227	103,896	(517,876)	3,120,801
Aircraft and Passenger Handling	7,184,484	-	217,926	1,544,049	2,723,373
Automotive Garages	2,709,852	518,631	59,017	667,437	5,156,517
Cargo Handling	5,282,085	-	132,033	913,363	3,283,438
Facilities Management	2,358,927	-	8,510	436,653	2,492,225
Food and Beverage Wholesaling	3,659,346	-	164,776	117,808	1,688,661
	21,512,835	1,168,858	686,158	3,161,434	18,465,015

Reconciliations

	March 31 2006	March 31 2005
Net Income Before Discontinued Operations		
Total net income for reportable segments	**4,479,214**	3,161,434
Pension plan benefit expense (note 11)	**(255,660)**	(190,733)
Equity earnings of affiliate	**-**	284,876
Other income	**267,773**	154,342
Interest expense on debt	**(343,290)**	(245,343)
Non-controlling interests (note 8)	**(1,115,090)**	(476,535)
Insurance claim adjustment (note 19)	**(197,674)**	-
Total group net income before discontinued operations	**2,835,273**	2,688,041

	March 31 2006	March 31 2005
Total Assets		
Total assets for reportable segments	**22,330,979**	18,465,015
Inter-segment balances	**(15,366)**	(23,573)
Goodwill (note 5)	**11,108,878**	7,421,261
Pension plan accrued benefit asset (note 11)	**1,125,722**	1,148,152
Total group assets	**34,550,213**	27,010,855

18. Comparative Amounts

Certain comparative figures have been restated to conform with the current presentation.

19. Insurance Claim Adjustment

The Company recorded a charge in the current fiscal year for an adjustment to the insurance settlement received for property damage at the Company's airport facilities during Hurricane Fabian in 2004.

Items included in the settlement which were agreed and paid in 2004, were later determined by the insurance adjusters to be in excess of the sum insured. This excess was returned to the insurers on December 30, 2005.