BAS

GROUP OF COMPANIES

Bermuda Aviation Services Limited

ANNUAL REPORT
2008 – 2009

BAS serco

Aircraft Services Bermuda Ltd.

IBC zipx

Otis Bermuda

WEIR ENTERPRISES LTD. AUTOMOTIVE PARTS DISTRIBUTORS

CCS GROUP LIMITED

DIRECTORS

CHAIRMAN
Michael L. Darling [1,2]

DEPUTY CHAIRMAN
E. Eugene Bean [1,2,3]

Scott Pearman
R. A. Jones [1,2,3]
Gerald D. E. Simons [1,2]

Jeffrey G. Conyers [1,2,3]
J. Patricia Lynn [2]
Alexander W. J. A. Swan [3]

Gail E. M. Pantry [2,3]
N. Reeve Trott [2]
James King

SECRETARY
E. John Thompson

1 Executive Committee
2 Audit Committee
3 Compensation Committee

OFFICERS

E. Eugene Bean
EXECUTIVE DIRECTOR
BAS GROUP OF COMPANIES

Andrew Griffith
VICE PRESIDENT AND
CHIEF FINANICAL OFFICER
BAS GROUP OF COMPANIES

Kenneth L. Joaquin
GROUP PRESIDENT AND
CHIEF EXECUTIVE OFFICER
BAS GROUP OF COMPANIES

Chad Booth
GROUP FINANCIAL CONTROLLER
BAS GROUP OF COMPANIES

Frank Williams
VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER
BAS-SERCO LIMITED and OTIS BERMUDA LIMITED

Rick Craft
VICE PRESIDENT AND
CHIEF EXECUTIVE OFFICER
INTERNATIONAL BONDED COURIERS OF BERMUDA LIMITED

George H. Hammond
MANAGING DIRECTOR
WEIR ENTERPRISES LIMITED

Wayne Scott
VICE PRESIDENT AND
CHIEF EXECUTIVE OFFICER
CCS GROUP LIMITED

Bermuda Aviation Services Limited

2008 - 2009 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, August 7, 2009
at 9:00 a.m.

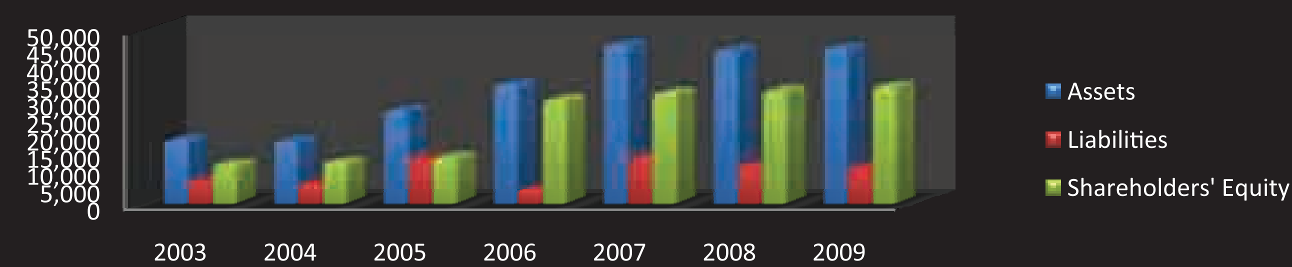
Bermuda Aviation Services Limited
is a Bermuda registered public company
quoted on the Bermuda Stock Exchange
with over 400 shareholders

GROUP STRUCTURE

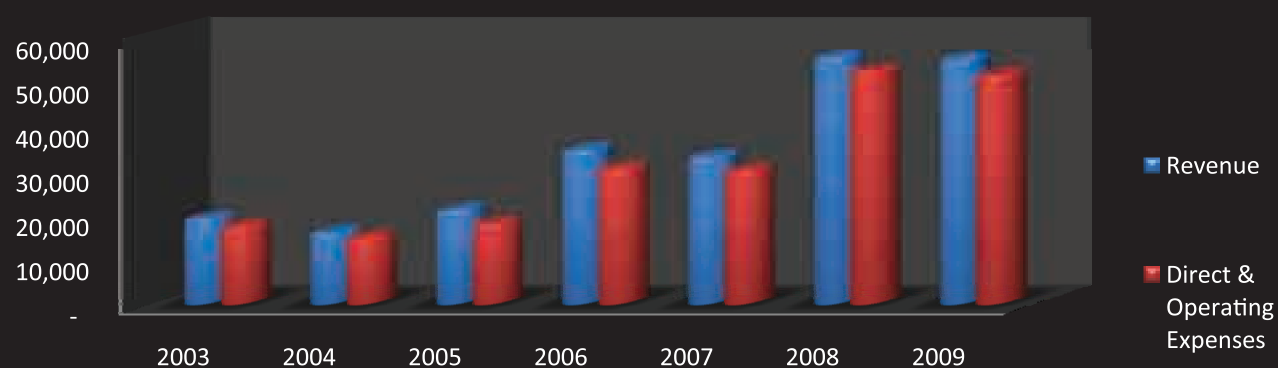
- BERMUDA AVIATION SERVICES LIMITED
  - AIRCRAFT SERVICES BERMUDA LIMITED
  - BAS-Serco Ltd.
  - THE CCS GROUP LTD.
  - EASTBOURNE PROPERTIES LTD.
  - INTERNATIONAL BONDED COURIERS OF BERMUDA LTD
  - OTIS ELEVATOR COMPANY (BERMUDA), LTD.
  - WEIR ENTERPRISES LTD.

(Expressed in BDA $000)	2003	2004	2005	2006	2007	2008	2009
Revenue	19,462	16,429	21,512	34,967	33,400	56,125	55,650
Direct & Operating Expenses	17,907	15,357	18,542	30,743	30,318	52,983	52,018
Income from Operations	1,555	1,072	2,970	4,224	3,082	3,142	3,632
Net Income	1,732	1,231	2,021	2,835	3,384	2,375	3,011
Assets	18,655	18,305	27,011	34,550	45,999	44,405	45,050
Liabilities	6,961	6,014	13,333	4,260	13,803	11,515	10,918
Shareholders' Equity	11,694	12,291	13,678	30,290	32,196	32,890	34,132

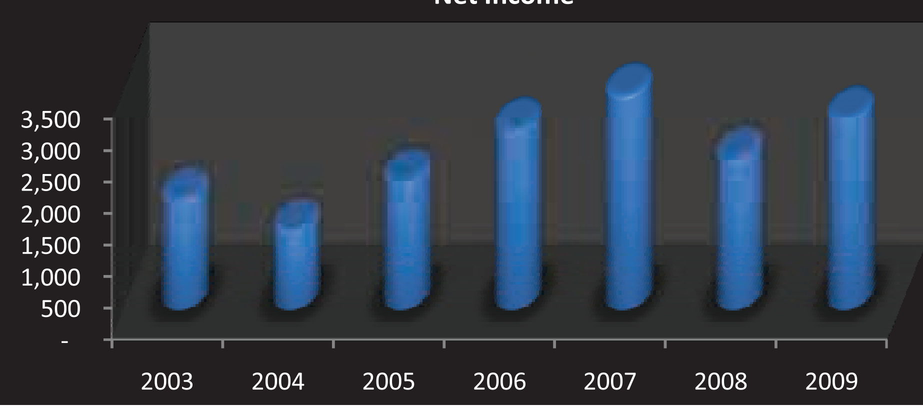
Assets vs Liabilities



Revenue vs Operating Expense



Net Income



CHAIRMAN'S REPORT

June 19, 2009

As I pen this message to our shareholders, the words on everyone's lips, with good reason, is "Global Recession". As the year progressed, in particular the latter half, revenues in the company slowed significantly. Despite this and other challenges BAS again proved it has the ability to operate and compete effectively in a difficult environment. Net income for this fiscal year improved 27% to 3.0 million dollars, reinforcing our confidence that our vision of being a profitable and leading services provider is well founded. Operating income was also ahead 16% to 3.6 million.

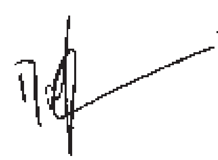
It was a truly tough environment for us as we experienced a decline in revenue of 475 thousand dollars, were forced to write down over 220 thousand dollars when Zoom Airlines failed, we incurred onetime costs in excess of 400 thousand for payments to Bermuda Customs for uncollected fees and incurred costs relating to an upgrade of the accounting system at CCS Ltd. Additionally the company has expended more than 200 thousand dollars defending its case against the Bermuda Government regarding its right of exclusivity pertaining to the operation of its private jet facility. We are relieved that this protracted ordeal has been settled in our favor with the arbitration panel ruling that we do have a lease until 2014 and that we have the right to operate exclusively until that time. Damages were awarded in our favor and we will also be able to recoup a large portion of our expenditure on legal costs. There may, however, have to be further expenditure on legal services as we go forward to enforce the awards of the arbitrators and the orders of the Bermuda Supreme Court.

I am pleased to be able to report that every one of our operating companies save Aircraft Services Bermuda Ltd. provided net income. Not surprisingly, our aviation business was hardest hit with a 1.6 million dollar decline in revenue as both private and commercial aircraft traffic plummeted. Greater efficiencies and improved income in Weir Enterprise, BAS-Serco and Otis Bermuda Ltd. lifted our results.

It is our belief that tighter corporate oversight of our operating companies assisted us in increasing operating income and effectively reducing costs to meet the challenges that still face nearly every company. We will continue to aggressively oversee the operations as we steer through these difficult times. Whilst the current outlook for the local economy is uncertain, there are several reasons for BAS to be cautiously optimistic. First the previously mentioned onetime costs including litigation are behind us. Second, our focus of reducing costs and gaining efficiency across the company has been executed and is showing the desired results. And, of most importance, the leadership of each operating company, having been reviewed and in some cases altered, is secure. Although the current environment may hinder our rate of growth in the short term, our confidence in sustained profitability is unmoved. We were surprised to see our shares trade below \$5 during the year considering our consistent profitability over the past few years. Comparatively however, the price has held up rather well.

It is expected that the year ahead will be as, or more difficult, with a decline in revenues for our companies involved in packaging, aviation and IT services. Management is already taking steps to minimize the impact. However, your Board is pleased to report that the company intends to maintain its dividend at the same level for the calendar year 2009. This fiscal year, BAS distributed 57 % of its net income in dividends, which by any company standard is generous. However, with so much uncertainty ahead we think it is prudent that we review our dividend distribution more closely during this period for we will have to balance the needs of our shareholders, some of whom rely on our dividend for income, with the company's need to conserve cash to get us through these difficult times, and our desire to make further acquisitions that create value for those same shareholders. Historically, acquisitions have been a major part of our growth, and during 2009 – 2010 we will continue to look for acquisitions that fit our business and provide acceptable returns. We are minded that in these times we will need to be more diligent in these pursuits, to ensure we continue to provide the value to which you are accustomed.

I shall close by again thanking the men and women who represent us so well as they carry out their daily tasks. They, along with our executive team have again done us proud.



Michael L. Darling
Chairman

REPORT FROM MANAGEMENT

June 19, 2009

Fiscal Year 2009 has without doubt been one of the most volatile years in recent memory for the Company. After what can only be described as a stellar first six-months which saw record operating earnings of over $2.5 million the company has persevered in this inhospitable economic environment to post commendable operating results of $3.6 million and a solid net income of $3.0 million, a 27% improvement over the previous year. In a period that has seen many established international and local companies, through varying industries, falter and in some instances fail, Management stands firmly behind its performance.

Six months ago, what was talked about as an economic slowdown has regressed to a full blown global recession which has had a detrimental impact on the local economy. Bermuda has seen its job market shrink as companies look for efficiencies and we have seen declining fiscal performance in many business sectors. BAS has not been immune.

Undoubtedly the hardest hit of our group has been ASB Ltd. The simple fact is that air travel is down. There has been a marked decline in both commercial and private jet traffic to Bermuda; key drivers of the company's revenue. These are drivers that we just do not control. The result has been a significant drop in revenue that has filtered its way to the bottom line. Despite best efforts at cost reduction and containment to mitigate the falling revenue, ASB Ltd. was beleaguered by two significant one-off items. The first was the collapse of Zoom Airlines that caused ASB to write-off over $220 thousand and the other, of similar magnitude, relates to a dispute with HMS Customs over historical landing fees that stretch back over 5 years. The result has been a negative bottom-line performance. Notwithstanding this year's performance, Management believes the future outlook for ASB Ltd. is sound. Whilst we do not expect the superlative bottom lines of previous years we do expect moderate and steady returns.

To every dark cloud there is a silver lining. Whilst economic hardship has played a hand in the underperformance of ASB Ltd. we have seen BAS-Serco Ltd., Otis Bermuda Ltd. and Weir Enterprises Ltd. thrive in this climate.

BAS-Serco Ltd., under the direction of Frank Williams, has moved from strength to strength with an impressive improvement on its prior year operating results of 25% and besting management expectations by 18%. The company has expanded its services having taken on a cleaning division and is, at this writing, looking at other opportunities.

A great deal of progress has been made with Otis Bermuda Ltd. since we have brought it under the auspices of BAS-Serco Ltd. Whilst there is still work to be done, we are extremely pleased with the progress to date and the performance of the company. Otis Bermuda has recorded its best earnings since its acquisition and is performing well ahead of management's expectations.

Weir Enterprises Ltd. has thus far proven to be immune to any detrimental changes in the economy. The company was able to post record earnings this year. On an operating basis the company exceeded last year's results by an impressive 18%.

For CCS Group Ltd., under the direction of recently appointed CEO Wayne Scott, it has been a year of re-engineering and shifting focus as the company is being brought in step with the broader corporate vision. Despite a year that has seen many changes and one in which many of CCS's core customers have been feeling their own pressures, the company was still able to produce respectable results. It is expected that many of the changes implemented over the last six months will yield tangible improvement in the first quarter of fiscal 2010.

IBC Ltd. has also performed commendably, having preserved their top-line in trying times and successfully contained their direct operating costs. However, they have felt the pressure in rising cost of sales driven in large part by growth in lower margin revenue operations and declining revenue in higher margin segments of the business. This trend reflects the changing landscape of IBC's business model which is indicative of a waning in the high margin document delivery segment and growth in the lower margin freight and Zip-X package delivery. It is still expected that over the long-run IBC will contribute positively to the group, however its performance will be more sensitive to the state of the local economy.

The second half of fiscal 2009 presented some formidable challenges. The economic landscape has changed significantly from what it was six months ago, let alone, a year ago. Consumer confidence has been shaken, credit more difficult to attain and fiscal conservatism has become a necessity.

Notwithstanding, the group was able to adjust and in most cases excel. Many of the changes made in the prior year put us in good stead to weather the challenges of fiscal 2009. As we progress into fiscal 2010, the only thing we are certain of is that within the global economy and closer to home there is a high degree of uncertainty.

Consequently our focus for the next 12 months will be on cost containment and cash preservation. Management is of the mindset that although the current economic climate will cause hardship, it will also present opportunity and fortune invariable favors those that are prepared.

Finally, it had always been management's position that BAS had been granted an exclusive right to operate a private jet facility at the L.F. Wade International Airport until 2014. We are pleased to advise that after lengthy legal proceedings, we can confirm that position, our rights have been affirmed by a distinguished arbitration panel and their Award has in turn been made a Judgment of the Bermuda Supreme Court. The Arbitrators having found comprehensively in our favor in respect of the exclusivity and have also awarded BAS both costs and damages. The amount of the award for damages and costs will be recorded when finally determined. It is our expectation that Government will abide by the ruling which has been supported by the Courts and take steps to ensure that BAS's right as the sole and exclusive service provider is protected. With this matter now resolved, we look forward to working closely with the Department of Airport Operations with whom we have always maintained a positive relationship.

In closing we would like to extend appreciation to our customers whom it is our privilege to serve. Additionally, we would express our gratitude to the employees of the BAS Group of Companies, for without their dedication and commitment none of what we have achieved would be possible.

Sincerely,

Kenneth Joaquin
Group President & Chief Executive Officer

ARTHUR MORRIS, CHRISTENSEN & CO.

CHARTERED ACCOUNTANTS

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HAMILTON HM HX, BERMUDA

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Bermuda Aviation Services Limited

We have audited the consolidated balance sheet of Bermuda Aviation Services Limited (the "Company") as at March 31, 2009, and the consolidated statement of income and retained earnings and the consolidated statement 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.

The consolidated financial statements for the year ended March 31, 2008, were audited by other auditors' whose report dated July 4, 2008, was unqualified.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Bermuda and Canada.

Arthur Morris, Christensen & Co.

Hamilton, Bermuda
June 4, 2009

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2009

(Expressed in Bermuda Dollars)	**March 31 2009**	March 31 2008
CURRENT ASSETS		
Cash and short-term deposits (note 2)	**3,985,707**	2,623,836
Accounts receivable and prepaid expenses	**10,247,909**	10,979,868
Inventories (note 2)	**2,406,492**	2,399,026
	16,640,108	16,002,730
NON-CURRENT ASSETS		
Other receivables (note 12)	**2,377,131**	1,696,738
Capital assets (note 3)	**7,879,290**	8,551,859
Goodwill (note 4)	**18,153,648**	18,153,648
	28,410,069	28,402,245
TOTAL ASSETS	**45,050,177**	44,404,975
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**5,915,889**	6,097,967
Deferred revenue	**2,117,833**	1,752,327
Current portion of long-term debt (note 6)	**774,607**	718,103
	8,808,329	8,568,397
NON-CURRENT LIABILITIES		
Non-controlling interests (note 7)	**350,997**	328,224
Long-term debt (note 6)	**1,758,964**	2,618,336
	2,109,961	2,946,560
SHAREHOLDERS' EQUITY		
Capital stock (note 8)	**5,071,374**	5,078,332
Share premium	**12,676,391**	12,712,681
Retained earnings	**16,384,122**	15,099,005
	34,131,887	32,890,018
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**45,050,177**	44,404,975

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, 2009

(Expressed in Bermuda Dollars)	**March 31 2009**	March 31 2008
REVENUE		
Supply of services	**52,733,391**	53,300,002
Sale of goods	**2,917,052**	2,824,598
Total revenue	**55,650,443**	56,124,600
DIRECT COST OF REVENUE		
Direct cost of services revenue	**21,217,881**	21,735,774
Cost of goods sold	**1,195,798**	1,198,441
Total direct cost of revenue	**22,413,679**	22,934,215
GROSS PROFIT	**33,236,764**	33,190,385
OPERATING EXPENSES		
Wages and benefits	**21,359,409**	22,896,279
Other direct expenses and overheads	**6,812,907**	5,995,300
Amortization	**1,430,505**	1,144,842
Loss on disposal of capital assets	**1,350**	12,310
Total operating expenses	**29,604,171**	30,048,731
INCOME FROM OPERATIONS	**3,632,593**	3,141,654
NON-OPERATING ITEMS		
Other (loss) income	**(158,646)**	202,077
Interest expense on long-term debt	**(156,626)**	(270,269)
Non-controlling interests (note 7)	**(306,753)**	(190,992)
NET INCOME BEFORE DISCONTINUED OPERATIONS	**3,010,568**	2,882,470
DISCONTINUED OPERATIONS		
Income from discontinued operations	**-**	190,157
Loss on sale of subsidiary	**-**	(697,283)
NET INCOME	**3,010,568**	2,375,344

RETAINED EARNINGS		
Beginning of the year	**15,099,005**	14,424,377
Net income for the year	**3,010,568**	2,375,344
Dividends	**(1,725,451)**	(1,700,716)
End of the year	**16,384,122**	15,099,005

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

CONSOLIDATED
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2009

(Expressed in Bermuda Dollars)	March 31 2009	March 31 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	**3,010,568**	2,375,344
Adjustments to convert to cash basis:		
Amortization	**1,430,505**	1,144,824
Loss on disposal of capital assets	**1,350**	12,310
Interest expense on debt	**156,626**	270,269
Non-controlling interests (note 7)	**306,753**	190,992
Loss on sale of subsidiary	**-**	697,283
Changes in non-cash working capital:		
Accounts receivable and prepaid expenses	**8,318**	(497,887)
Inventories	**(7,466)**	(420,465)
Accounts payable and accrued liabilities	**(220,567)**	518,693
Deferred revenue	**365,506**	236,810
	5,051,593	4,528,191
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions	**-**	(6,328,225)
Investment in capital assets	**(762,286)**	(1,114,567)
Proceeds on disposal of capital assets	**3,000**	400
Disposal of subsidiary	**-**	983,230
	(759,286)	(6,459,162)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease	**-**	16,667
Dividends	**(1,725,451)**	(1,700,716)
Dividends paid to non-controlling interests	**(245,491)**	(77,085)
Proceeds from long-term debt	**-**	5,000,000
Repayment of long-term debt	**(959,494)**	(1,933,830)
	(2,930,436)	1,305,036
CASH & SHORT TERM DEPOSITS		
Increase (decrease) during the year	**1,361,871**	(625,935)
Beginning of the year	**2,623,836**	3,249,771
End of the year	**3,985,707**	2,623,836

Supplemental Information:

Interest paid during the year	**156,626**	270,269

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

1. Operations

Bermuda Aviation Services Limited and its subsidiaries (the "Company") provide aircraft, passenger and cargo handling services at L.F. Wade International Airport, distribute automotive parts and provide automotive services; provide facilities management services; provide cargo and courier services; and provide computer cabling services and maintenance.

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, 2009 are:

AIRCRAFT SERVICES BERMUDA LIMITED ("ASB")	100%
BAS-Serco Ltd. ("BAS-Serco")	90%
THE CCS GROUP LTD. ("CCS")	100%
EASTBOURNE PROPERTIES LTD.	100%
INTERNATIONAL BOUNDED COURIERS OF BERMUDA LTD ("IBC")	100%
OTIS ELEVATOR COMPANY (BERMUDA), LTD. ("Otis")	80.1%
WEIR ENTERPRISES LTD. ("Weir")	100%

Subsidiaries are consolidated from the date the Company obtains control until such time as control ceases. All significant transactions and balances between subsidiaries have been eliminated on consolidation. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

B) CASH AND SHORT TERM DEPOSITS

Cash and short term deposits consist of cash balances with banks and highly liquid money market instruments. The Company maintained bank accounts with two financial institutions in Bermuda. All cash and short term deposits are classified as held for trading. These instruments are accounted for at fair value.

C) INVENTORIES

Inventory is valued at the lower of cost and net realisable value. Costs of goods sold are calculated either on a first-in/first-out basis or a weighted average basis. Inventory is comprised of office supplies, uniforms, fuel, auto parts, elevator parts and computer parts.

D) GOODWILL

Goodwill arising on the purchase of subsidiaries is measured at unamortized cost less any accumulated impairment loss. Goodwill is tested for impairment at least annually based upon estimates of fair values. The Company has determined that there is no impairment in the unamortized portion of goodwill at the end of the current fiscal year.

E) CAPITAL ASSETS

Capital assets are being amortized over their estimated useful lives, which are as follows:

Buildings	40 years
Leasehold Improvements	10 years
Fixtures and Fittings	From 3 to 10 years
Plant and Machinery	From 3 to 15 years
Motor Vehicles	From 3 to 5 years

Capital assets are reviewed annually for impairment. The Company has determined that there was no impairment in the capital assets at the end of the current fiscal year.

F) PENSION BENEFITS

As described in note 12, the Company maintains pension plans covering all employees. Employer contributions to the defined contribution plan are expensed as incurred. The defined benefit plan is accounted for as follows:

The actuarial determination of the accrued benefit obligations for the pensions uses the projected benefit method prorated on service (which incorporates management's estimate of future salary levels, other cost escalations, retirement ages of employees and other actuarial factors).

For the purpose of calculating the expected return on plan assets, those assets are measured at fair value.

Actuarial gains (losses) arise from the difference between the actual long-term rate of return on plan assets for a period and the expected long-term rate for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of the plan assets is amortized over the average remaining service period of active employees.

On January 1, 2000, the company adopted the new accounting standard on employee future benefits using the prospective application method. The company is amortizing the transitional obligation on a straight-line basis over the average remaining service period of employees expected to receive benefits under the benefit plan.

G) REVENUE RECOGNITION

Revenues are recorded when services are provided and goods are sold and are shown net of returns and discounts..

Net, rather than gross, revenues are reported for projects where the Company acts as an agent of the customer and manages a project on the clients' behalf.

Revenues from long-term development, maintenance and service contracts are recorded using the percentage of completion method.

H) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and Company's designation of such instruments. The standards require that all financial assets and financial liabilities be classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables or other liabilities.

Classification of Financial Instruments
The following summarizes that accounting model the company has elected to apply to each of its significant categories of financial instruments outstanding as of April 1, 2007:

Cash and cash equivalents	Held-for-trading
Accounts and Other receivables	Loans and receivables
Long term debt	Other liabilities
Accounts payable and accrued liabilities	Other liabilities

Held-for-trading
Financial assets that are acquired with the intention of generating profits in the near term are accounted for at fair value. Interest earned or accrued is included in other income.

Loans and receivables
Loans and receivables are accounted for at amortized cost.

Other liabilities
Other liabilities are recorded at amortized cost and include all liabilities other than derivatives or liabilities, which are required to be accounted for at fair value.

Transaction costs
Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to Loans and receivables and other liabilities are netted against the carrying value of the asset or liability and amortized over the expected life of the instruments using the effective interest method.

Determination of fair value
The fair value of a financial instrument on initial recognition is generally the transaction price, which is the fair value of the consideration given or received.

I) Use of estimates

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.

J) Recent pronouncements

CICA Handbook Section 3064, Goodwill and Intangible Assets, has been issued and replaces Section 3062, Goodwill and Other Intangible Assets, and 3450, Research and Development. The new section establishes standards for the recognition, measurement, presentation, and disclosure of goodwill and intangible assets. The new section will be applicable to interim and annual financial statement relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact of the adoption of this section on its consolidated financial statements.

In February 2008, the CICA announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by the International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011. The Company is in the process of assessing the impact on itself of this convergence.

K) **Changes in accounting policies**

Effective April 1, 2008, the Company adopted the CICA Handbook Section 1535, Capital Disclosures, which specifies the disclosure of an entity's objectives, policies, and procedures for managing capital and what the Company regards as capital (see Note 10).

Effective April 1, 2008, the company adopted the CICA Handbook Section 3862, Financial Instruments – Disclosures, and 3863, Financial Instruments – Presentation. These sections require the disclosure of information with regards to the significance of financial instruments on the Company's financial position and performance (see Note 2(H)) and for the Company to increase disclosure on the nature, extent, and risk arising from the Company's financial instruments and how the entity manages those risks (see Note 11).

The CICA amended Handbook section 1400, General Standards of Financial Statement Presentation, to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. Management has performed their assessment and concluded that the financial statements should be prepared on the basis that the Company is a going concern and that all material risks and uncertainties are disclosed. In making this assessment management did not identify any material risks and uncertainties that were not disclosed in the previous year.

L) **Stock based compensation**

When stock based compensation awards are granted, the portion of the award that vests immediately is recognized as an expense and the remainder is recognized in future periods when the vesting requirements are met.

3. Capital Assets

Capital assets and related accumulated amortization are classified as follows:

	Cost	Accumulated Amortization	**2009 Net**	2008 Net
Land and Buildings	5,272,778	1,319,855	**3,952,923**	3,995,537
Machinery and equipment	9,494,445	6,862,524	**2,631,921**	3,130,059
Furniture and fixtures	550,989	396,560	**154,429**	65,744
Leasehold improvements	3,732,361	2,592,344	**1,140,017**	1,360,519
	19,050,573	11,171,283	**7,879,290**	8,551,859

Capital assets include fully amortized items with an original cost of approximately $5,713,978 (2008 - $4,961,372).

4. Goodwill

Goodwill is classified as follows:

	March 31 2009	March 31 2008
Automotive Garages	**1,941,945**	1,941,945
Facilities Management	**3,095,700**	3,095,700
Cargo Handling	**8,646,042**	8,646,042
IT Services	**4,469,961**	4,469,961
	18,153,648	18,153,648

5. **Bank Overdrafts**

The Company has obtained bank overdraft facilities totalling $250,000 to finance operations at 2.0% per annum over the Bank's Bermuda Dollar Base Rate to expire August 31, 2009. The Bank's Bermuda Dollar Base Rate at year end was 3.75% (2008- 4.25%).

6. **Long-Term Debt**

Bank loan, bearing interest at 1.25% above the quoted Bermuda Dollar base rate, repayable in equal blended monthly installments of principal and interest of $73,650, secured by the total shares of CCS. in addition to a fixed and floating charge in the amount of $5,000,000 over the Company's assets, due April 2012.

Principal repayments due in each of the next four years are as follows:

Year ending March 31, 2010	**774,607**
Year ending March 31, 2011	**814,238**
Year ending March 31, 2012	**855,864**
Year ending March 31, 2013	**88,862**

7. **Non-Controlling Interests**

Non-controlling interests represent the following:

	March 31 2009	March 31 2008
BAS-Serco		
Non-controlling equity shareholders' share (10%) of net asset value not purchased on December 1, 2004	**67,340**	67,340
Proportionate share of results of operations since acquisition	**774,642**	638,541
Proportionate share of dividends paid since acquisition	**(696,678)**	(560,580)
	145,304	145,301
Otis.		
Non-controlling equity shareholders' share (19.90%) of net asset value not purchased on February 28, 2007	**86,339**	86,339
Proportionate share of results of operations since acquisition	**277,892**	107,240
Proportionate share of dividends paid since acquisition	**(158,538)**	(10,656)
	205,693	182,923
Total Non-Controlling Interests	**350,997**	328,224

Non-controlling interests of $306,753 (2008- $190,992), as shown in the Statement of Income, comprise $136,101 (2008- $102,943) from BAS-Serco and $170,652 (2008- $88,049) from Otis .

As part of the acquisition of BAS-Serco 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.

As part of the acquisition of Otis on February 28, 2007 the Company also granted options to the non-controlling shareholders to sell their shareholdings to the Company. These options are open-ended and exercisable from the first anniversary of the agreement 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

8. Capital Stock

Capital stock is as follows:

	March 31 2009	March 31 2008
Authorized- 9,999,996 shares (2008– 9,999,996 shares), par value of $1.00 (2008- $1.00) each	**9,999,996**	9,999,996
Issued and fully paid- 5,071,374 shares (2008–5,078,332 shares)	**5,071,374**	5,078,332

During the year, the Company issued 3,042 shares to senior management as part of the executive stock compensation scheme. Also see note 19.

During the year, the Company purchased and cancelled 10,000 shares pursuant to the terms of the Company's share repurchase program.

9. Per Share Amounts

	March 31 2009	March 31 2008
Income per share before discontinued operations– basic and fully diluted	**0.59**	0.57
Income per share from discontinued operations– basic and fully diluted	**-**	(0.10)
Income per share after discontinued operations– basic and fully diluted	**0.59**	0.47

Income per share has been calculated on net income for the year of $3,010,568 (2008 - $2,375,344) on 5,074,291(2008 – 5,077,109) shares, being the weighted average number of shares in issuance.

10. Capital Disclosures

The Company's objectives when managing capital are:

1. to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

2. to provide an adequate return to shareholders by pricing products and services while maintaining the associated costs to reasonable levels.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

As the Company's subsidiaries experience cyclical business cycles, it is necessary to manage its cash flows. The Company's management makes regular projections of its cash flows and adjusts its operations in order to meet its obligations. The Company has also obtained bank overdraft facilities to assist with this aim (see note 5).

The Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (share capital, share premium, and retained earnings) other than amounts in accumulated other comprehensive income relating to cash flow hedges, and includes some forms of subordinated debt.

During 2009, the Company's strategy, which was unchanged from 2008, was to maintain the dividend payout at $0.085 per share per quarter and to pay any additional funds on the long-term debt. The debt-to-adjusted capital ratios at March 31, 2009 and at March 31, 2008 were as follows:

	March 31 2009	March 31 2008
Total Debt	**2,533,571**	3,336,439
Less: Cash and cash equivalents	**(3,985,707)**	(2,623,836)
Net debt	**(1,452,136)**	712,603
Total equity	**34,131,887**	32,890,018
Debt-to-adjusted capital ratio	**(0.05)**	0.02

11. Financial Instruments – risk management

The Company's activities may expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, and liquidity risk as follows:

I. **Fair Values:** Fair value is the amount for which a financial asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of cash and cash equivalents, accounts receivable, inventories, accounts payable and accrued liabilities and bank loan are reasonable estimates of their fair values due to the short-term maturity of these instruments

II. **Credit Risk:** Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company has one customer whose share of total Company revenues are approximately 10.2% (2008 – 8.2%) and falls in the facilities management segment. Cash and short term deposits are held with reputable financial institutions. The primary concentration of the Company's credit risk is with its receivables, which is mitigated by ongoing reviews of these balances. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

III. **Interest rate risk:** Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates. This risk is mainly concentrated to the bank loan. At the balance sheet date, the Company has no significant interest rate risk exposure as the interest on the long-term debt is at 1.25% above the quoted Bermuda Dollar base rate, as noted in Note 2 (b). The Bermuda Dollar base rate was 3.75% at the balance sheet date.

IV. **Liquidity risk:** Liquidity risk is the risk that sufficient funds will not be available to meet financial requirements as they become due. The Company manages liquidity risk by continually monitoring actual and projected cash flows. At the balance sheet date, the Company had no significant liquidity risk exposure.

V. **Price risk:** Price risk arises from change in market risks, other than interest rate risk and credit risk, causing fluctuations in the fair value of future cash flows of the financial instruments. At the balance sheet date, the Company had no significant price risk exposure.

VI. **Currency risk:** Foreign currency risk is the risk that the value of the financial instrument will fluctuate because of changes in foreign exchange rates. At the balance sheet date, the Company had no significant currency risk exposure.

12. Pension Plans

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

For the employees of Weir, BAS-Serco, IBC and Otis, 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 2009	March 31 2008
Current service cost, net of employee contributions:		
Weir Enterprises Ltd.	**14,980**	20,440
BAS-Serco Limited	**171,100**	153,339
International Bonded Couriers of Bermuda Ltd	**139,225**	144,030
Otis Elevator (Company) Bermuda, Ltd.	**24,960**	17,109

The Company operates two pension plans covering the employees of Bermuda Aviation Services Limited and ASB. For services to December 31, 2007, 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. For service from January 1, 2008, company contributions accumulate in members' accounts to provide a defined contribution pension. Member contributions to the plans from January 1, 1992 accumulate to provide a defined contribution pension.

The assets held within BAS Pension Plan Trust have been segregated into two separate group pension plans, one for senior management, and one for all other employees. The assets of the BAS Pension Plan Trust are allocated between these group plans based on historic and current contributions to, and distributions from, the plans. Pension contributions and distributions are specifically identified and allocated to the appropriate group plan. Expenses that are specific to a group plan are also allocated to that plan. Income, fees, and other expenses that are not specifically related to a group plan are allocated to each group plan on a pro-rated basis, based on the value of assets within the group plan.

BAS Pension Plan Trust, which is a registered legal entity, is liable for the debts of the pension plan for employees and pension plan for senior management employees.

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. Pension assets consist principally of US equities, mutual funds, Bermuda equities, fixed deposits and money market investments. 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, 2009:

	March 31 2009	March 31 2008
Accrued Benefit Obligation		
Balance - beginning of the year:		
Defined benefit portion	**7,723,425**	7,640,906
Defined contribution portion	**2,592,782**	3,208,000
	10,316,207	10,848,906
Current service cost (defined benefit)	**-**	186,036
Employee contributions (defined contribution)	**293,842**	363,870
Employer contributions (defined contribution)	**318,201**	75,464
Interest cost	**484,472**	461,844
Benefits paid	**(1,130,820)**	(617,082)
Actuarial losses and increase in defined contribution accounts	**(1,082,469)**	(1,002,831)
Balance - end of the year:		
Defined benefit portion	**6,635,017**	7,723,425
Defined contribution portion	**2,564,416**	2,592,782
	9,199,433	10,316,207

	March 31 2009	March 31 2008
Plan Assets		
Fair value - beginning of the year	**9,925,843**	10,300,449
Actual return on plan assets	**(1,670,430)**	(359,675)
Employee contributions (defined contribution)	**293,842**	363,870
Employer contributions (defined contribution)	**318,201**	75,464
Employer contributions (defined benefit)	**712,050**	162,817
Benefits paid	**(1,130,820)**	(617,082)
Fair value - end of the year	**8,448,686**	9,925,843

Since the service accrual under the defined benefit provision of the plans ceased effective December 31, 2007, the amount shown for fiscal 2008 reflects only 9 months worth of service cost under the defined benefit provision.

	March 31 2009	March 31 2008
Accrued Benefit Asset		
Funded status – plan deficit	**(750,747)**	(390,364)
Unamortized transitional asset	**(1,256,103)**	(1,366,282)
Unamortized net actuarial loss	**4,327,566**	3,351,621
Accrued benefit asset	**2,320,716**	1,594,975

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, 2009 is as follows:

	March 31 2009	March 31 2008
Plan Assets by Asset Category		
Equity securities (principally US and Bermuda equities)	**64%**	80%
Debt securities (principally fixed deposits and cash)	**36%**	20%
Total	**100%**	100%

Plan assets include common shares of the Company having a fair value of $923,465 at March 31, 2009 (2008 - $1,048,257).

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 2009	March 31 2008
Assumptions for Expense		
Discount rate	**6.50%**	6.00%
Expected long-term rate of return on plan assets	**7.50%**	7.50%
Rate of compensation increase	**3.25%**	3.25%

	March 31 2009	March 31 2008
Assumptions for Disclosure		
Discount rate	**7.50%**	6.00%
Rate of compensation increase	**3.25%**	3.25%

The Company's net pension expense is as follows:

	March 31 2009	March 31 2008
Current service cost, net of employee contributions	**-**	186,036
Interest cost	**484,472**	461,844
Actual return on plan assets	**1,285,244**	124,754
Actuarial loss on accrued benefit obligation	**(697,282)**	(767,911)
Costs arising in the year	**1,072,434**	4,723
Differences between costs arising in the year and costs recognized in the year in respect of:		
- Return on plan assets [1]	**(1,829,194)**	(675,063)
- Actuarial loss [2]	**853,248**	935,609
- Transitional asset [3]	**(110,179)**	(110,179)
Net defined benefit pension expense recognized	**(13,691)**	155,090
Defined contribution pension expense	**318,201**	75,464
Total pension expense	**304,510**	230,554

1 Actual return on plan assets of ($1,285,244) (2008 – $(124,754)) less expected return on plan assets of $543,950 (2008 - $550,309).

2 Actuarial loss on accrued benefit obligation arising in the year of $697,282 (2008 - $767,911) less actuarial loss recognized in the year of $155,966 (2008 - $167,698).

3 Amortization of transitional asset.

Actuarial valuation reports for funding purposes have been prepared as of December 31, 2005 and December 31, 2007 and the dates of the next required actuarial valuations for funding purposes are December 31, 2010 and December 31, 2012.

13. Lease Commitments

Certain of the Company's premises are leased from the Government of Bermuda. The Company has a lease covering a private jet base and adjoining ramp area from February 15, 1998 to February 14, 2014. The Company has a lease on premises used by its cargo and courier operations for a period of one year from April 1, 2009.

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

Year ending March 31, 2010	**610,050**
Year ending March 31, 2011	**454,990**
Year ending March 31, 2012	**454,990**
Year ending March 31, 2013	**118,480**
Year ending March 31, 2014	**75,750**

At March 31, 2009, the total future minimum lease payments under long-term leases are $1,713,260.

14. **Rental Income**

Rental income from owned and sublet property is recognized on a straight-line basis over the term of the lease.

Estimated future income from rental properties is as follows:

Year ending March 31, 2010	**96,530**
Year ending March 31, 2011	**80,720**
Year ending March 31, 2012	**81,900**
Year ending March 31, 2013	**75,550**
Year ending March 31, 2014	**32,360**

15. **Contractual Obligation**

The Company is committed to space on an air charter freighter at a rate of $4,900 per flight, expiring December 31, 2009, with flights scheduled every weekday (excluding Bermuda public holidays). The arrangement is subject to a sixty day notice period.

16. **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, 2009 were 317,773 (2008 – 304,417) shares.

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.

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, 2009:

	Revenue from External Customers	Inter-Segment Revenue	Amortization of Capital Assets	Net Income	Total Assets
Administrative Services	369,133	999,784	228,828	(1,040,944)	1,884,711
Aircraft and Passenger Handling	6,662,033	-	262,752	116,767	2,004,982
Automotive Garages	3,043,514	630,591	75,154	448,531	5,474,379
Cargo Handling	14,374,242	50,377	307,195	949,659	3,108,293
Facilities Management	11,177,478	(8,294)	43,510	2,214,068	4,035,024
IT Services	20,024,043	15,293	513,066	930,821	8,248,989
	55,650,443	1,687,751	1,430,505	3,618,902	24,756,378

For the year ended March 31, 2008:

	Revenue from External Customers	Inter-Segment Revenue	Amortization of Capital Assets	Net Income	Total Assets
Administrative Services	387,909	1,074,729	195,431	(1,842,969)	1,575,876
Aircraft and Passenger Handling	8,158,109	-	287,942	1,222,058	2,811,807
Automotive Garages	2,957,511	641,010	67,979	321,565	5,486,671
Cargo Handling	14,681,395	22,327	323,667	1,256,088	3,413,830
Facilities Management	8,585,232	3,805	23,744	1,469,946	4,284,367
IT Services	21,354,444	35,727	246,079	707,239	7,076,334
	56,124,600	1,777,598	1,144,842	3,133,927	24,648,885

Reconciliation

	March 31 2009	March 31 2008
Net Income		
Total net income for reportable segments	**3,618,902**	3,133,927
Pension plan benefit expense (note 10)	**13,691**	7,727
Other income	**(158,646)**	202,077
Interest expense on debt	**(156,626)**	(270,269)
Non-controlling interests (note 7)	**(306,753)**	(190,992)
Discontinued operations	**-**	(507,126)
Total group net income	**3,010,568**	2,375,344
Total Assets		
Total assets for reportable segments	**24,756,378**	24,648,885
Inter-segment balances	**(180,566)**	7,467
Goodwill (note 4)	**18,153,648**	18,153,648
Pension plan accrued benefit asset (note 12)	**2,320,717**	1,594,975
Total group assets	**45,050,177**	44,404,975

18. Related Party Transactions

During the year, BAS-Serco provided facilities management services to a company related by a common Directorship. These services were provided in the normal course of business for the consideration amount of $420,908 (2008 - $372,987), the amount contracted between the parties. As of March 31, 2009, the amount due to BAS-Serco Ltd. was $33,707 (2008 - $34,284).

19. Stock Based Compensation

The Company has a stock based compensation plan whereby senior management of the Company and its subsidiaries are awarded an annual bonus comprising of common stock of the Company. When awarded, 25% of the bonus is given to the employee by issuing stock and the remainder vests over the next three years in equal installments. However, the balance of the bonus is forfeited if the employee leaves employment of the Company or its subsidiaries before the bonus vests. As at March 31, 2009, $22,553 in stock-based compensation had been granted to employees, but had not yet vested. At the current trading price of $5.00 per share, this would equate to 4,511 shares. During the current year, $3,042 and $15,210 were credited to capital stock and share premium respectively as a result of the issuance of shares for stock-based compensation. There are no amounts receivable from employees in respect of stock-based employee compensation awards. There have been no significant modifications to outstanding awards except for employee forfeitures upon cessation of employment with the Company.

20. Subsequent Event

On June 2, 2009, the Company was awarded damages in the sum of $148,770 for the Government's breach of the exclusive right of the company's subsidiary, ASB, to operate the executive jet facility. The company was also awarded further damages and costs relating to the defence of their exclusive rights.

The Company has not recorded amounts recoverable relating to the judgement. The amount of the award for damages and costs will be recorded in the financial statement when finally determined.

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