

# BAS

GROUP OF COMPANIES



## Bermuda Aviation Services Limited

### ANNUAL REPORT 2010 – 2011



# DIRECTORS

CHAIRMAN

**Michael L. Darling**<sup>1</sup>

DEPUTY CHAIRMAN

**E. Eugene Bean**<sup>1,2,3</sup>

**Scott Pearman**<sup>1</sup>

**R. A. Jones**<sup>1,2,3</sup>

**Gerald D. E. Simons**<sup>1,2</sup>

**Kenneth L. Joaquin**<sup>1,2,3</sup>

SECRETARY

**Codan Services Limited**

**Jeffrey G. Conyers**<sup>1,3</sup>

**J. Patricia Lynn**<sup>2</sup>

**Alexander W. J. A. Swan**<sup>3</sup>

**David W. Pugh**<sup>2</sup>

**Gail E.M. Miller**<sup>2,3</sup>

**N. Reeve Trott**<sup>2</sup>

**Dr. James A.C. King**

- 1 Executive Committee
- 2 Audit & Pension Committee
- 3 Compensation Committee

# OFFICERS

**E. Eugene Bean**  
EXECUTIVE DIRECTOR  
*BAS GROUP OF COMPANIES*

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

**Andrew Griffith, CA**  
VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER  
*BAS GROUP OF COMPANIES*

**Rick Craft**  
VICE PRESIDENT AND  
CHIEF EXECUTIVE OFFICER  
*INTERNATIONAL BONDED COURIERS  
OF BERMUDA LTD.*

**George H. Hammond**  
MANAGING DIRECTOR  
*WEIR ENTERPRISES LTD.*

**Eugene Ball**  
VICE PRESIDENT AND  
CHIEF EXECUTIVE OFFICER  
*AIRCRAFT SERVICES BERMUDA LIMITED*

**Frank Williams**  
VICE PRESIDENT AND  
CHIEF EXECUTIVE OFFICER  
*BAS-SERCO LTD. and OTIS ELEVATOR  
COMPANY (BERMUDA), LTD.*

# **Bermuda Aviation Services Limited**

## **2010 - 2011 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 5, 2011 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

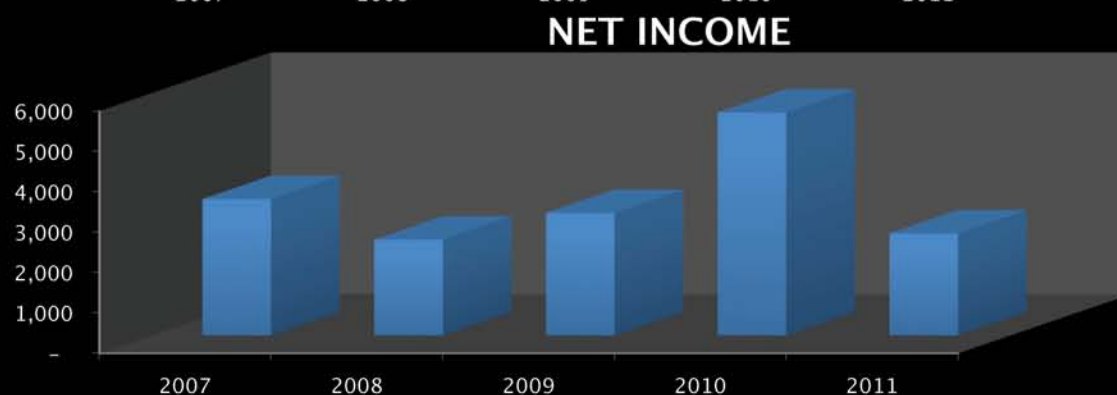
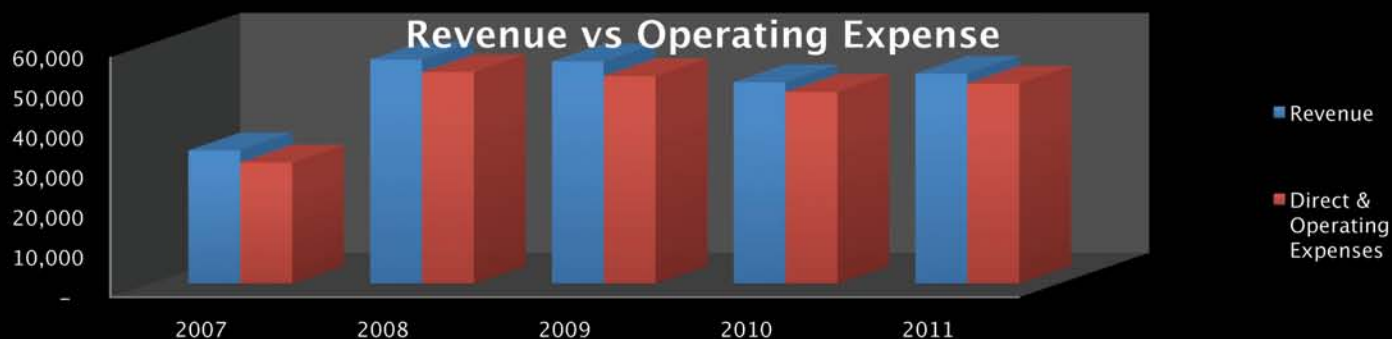
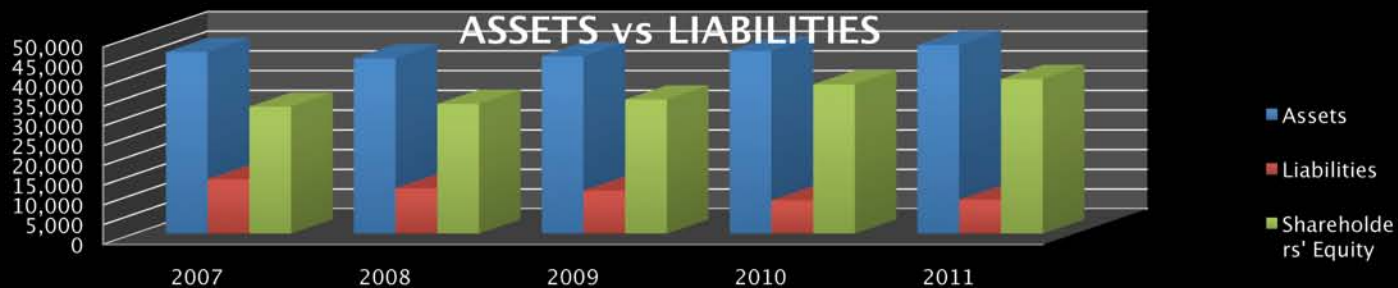
Certain statements in this report may be deemed to include 'forward-looking statements' and are based on Management's current expectations and are subject to uncertainty and change in circumstances. Actual results may differ materially from those included in these statements due to a variety of factors including worldwide economic conditions, success in business retention and obtaining new business and other factors.

# GROUP STRUCTURE



## FINANCIAL HIGHLIGHTS

(Expressed in BDA \$000)	2007	2008	2009	2010	2011
Revenue	33,400	56,125	55,650	50,460	52,627
Direct & Operating Expenses	30,318	52,983	51,990	48,013	50,113
Income from Operations	3,082	3,142	3,660	2,447	2,514
Net Income	3,384	2,375	3,038	5,528	2,532
Assets	45,999	44,405	44,920	46,300	47,812
Liabilities	13,803	11,515	10,918	8,470	8,611
Shareholders' Equity	32,196	32,890	34,002	37,830	39,201



## CHAIRMAN'S REPORT

June 24, 2011

It is once again, with a degree of satisfaction, that I am pleased to report that BAS has produced highly commendable results in the context of the local economy that is still finding its way through a recession. With a Net Income Before Extraordinary Items of \$2.5 Million surpassing last year's result by a credible 4.5 percent, BAS continues to prove its resolve and adaptability in the toughest of economic times.

Without doubt this has been a trying year, not just for BAS, but for the local economy in general. This has been a year in which not many local business sectors can claim to have been immune from contractions in the local market. However, it is one that has justified our conservative fiscal approach and one in which we have weathered remarkably well.

Shareholders seldom welcome the news of a dividend reduction. Nevertheless there are times when prudent judgment must be exercised for the best welfare of the Company. Recognizing the economic environment in which we are now operating and appreciating the fact that cash management will be a pivotal part of the on-going fiscal success for BAS, the Board of Directors made the decision to reduce the annual dividend in the year to \$0.235 per share from \$0.34 per share. At the same time Management has done an excellent job of, once again, controlling operational costs. These two factors have played a large part in BAS's success and putting the Company in a healthy position for the future.

This year, all of the companies of our Group contributed positively to BAS's net earnings. BAS-Serco and Weir, for the second consecutive year, have been our over achievers while CCS, IBC and Otis have also had solid performances this year. Management's efforts have seen ASB return to profitable form but this member of our group will continue to be challenged by many external factors not within our control. Fortunately, as we have grown, our strength has come from our diversity and in fact, very little of what we do is now based in Aviation. I believe it is safe to say that the future of BAS lies beyond the scope of this narrow business segment.

I would like to congratulate all of the management teams for their outstanding efforts in this tough environment. I thank all of our men and women who get the job done and I am sure I speak for all our shareholders.

I do not doubt that we will continue to face challenges in the year ahead as the local economy remains depressed but I also believe that we are well poised to take advantage of any opportunities

should they arise. With continued progressive thinking management, BAS will continue to strive forward in these adverse times.

On behalf of the Directors, I congratulate and thank management for their hard work and excellent results.

Sincerely,



Michael L. Darling  
Chairman

# REPORT FROM MANAGEMENT

June 24, 2011

With Net Earnings of \$2.5 Million, BAS, after adjusting for last year's Extraordinary Item relating to the Government Settlement, has managed a 4.5 percent improvement over its prior year's performance.

In an environment where many local companies have felt economic pressures that have eroded their earnings, BAS has, once again, proven its resilience.

This has been a solid result, one that was achieved as a consequence of foresight, forward planning and decisive action. The story to be told is quite simple. As readers of our previous reports will know, BAS has had a deliberate focus throughout the Group, for the last two years, on cash control and cost containment whilst maintaining our ability to provide our customers with good value for their money.

Consequently, it was from this sense of responsible fiscal conservatism that we elected to reduce our quarterly dividend from the second quarter by \$0.035 per share to bolster our cash position. In conjunction, we have been able to constrain our operating costs by achieving greater efficiency, effective synergies and the rationalization of business processes and organizational structures. Accordingly, readers will note an overall reduction in our consolidated operating expenses of approximately 8.5 percent. With a keen eye still focused on providing great service, BAS has made it through this year as a much leaner and more frugal organization.

In a contracting economy, readers will note that the consolidated gross revenues are up by more than 4.2 percent over the prior year surpassing \$52.6 Million. This increase in revenue has been driven principally by CCS, which had to be extremely aggressive in the Information Technology (IT) product market. Due to high sales volumes, their revenue was up materially. However, they were challenged by a highly competitive business sector, which drove their margins down commensurately. Therefore, despite the fact that overall consolidated revenue was up against last year, the consolidated net margin was slightly down from the prior year.

As we enter the first quarter of the 2012 fiscal year, there is a strong expectation that the local economy will continue to be sluggish thereby diminishing opportunities for strong sales figures and BAS's consolidated revenues are anticipated to contract accordingly. We believe our continued focus on cost constraint will continue to allow BAS to fare well in the current economic climate.

Looking at each company in the Group, there were no surprises that arose this fiscal year as each company either performed as expected or better.

ASB produced a modest profit this year, which was far better than its negative result in the prior year. The reality for ASB will be that constantly declining commercial airline volumes and competition from a rival airline handler, with a lower non-unionized cost base, will always prove to be difficult obstacles. Segments of ASB performed extremely well and generated an excellent return while others, despite best attempts, continue to be challenged by the nature of their operating environments. It is on those challenged segments that Management continues to focus.

Weir continues to cut against the grain of the local economy proving that conscientious consumers are prepared to spend money on reasonably priced parts and good service. Weir's results were very strong and were only marginally down from last year's record earning year. Management is extremely pleased by Weir's results and Jeff Cook and George Hammond are to be commended for providing sound leadership.

BAS-Serco has, much like Weir, fared well in this economy. Under the innovative leadership of Frank Williams, BAS-Serco continues to expand upon its services and generate new business opportunities and this year's results reflect those efforts. BAS-Serco has exceeded budgetary expectation with results that were on par with the previous fiscal year's stellar results. That said, we are mindful that as the economy has changed, we are seeing new start-up organizations looking to compete in the facilities maintenance market that we dominate. Obviously new entrants bring competition and we are cognizant not to take any of them lightly. We vehemently believe that quality of service is the deciding factor in this industry and we are constantly looking to raise the bar by not only providing top tier service but a wider range of services that will bring added value to our customers.

IBC is keenly sensitive to the consumer demands of the local market. As the economy has contracted and people have become more spend conscious, IBC's revenue base has contracted in like fashion. However, sound planning and decisive action has precipitated cost containment throughout the company that has seen it produce satisfactory results. With Rick Craft at the helm, Management remains confident that IBC will continue to provide consistent and steady results and when the local economy turns the corner it will be poised to take advantage of it.

Otis has remained sturdy and has had an acceptable performance this year. Although we have seen some contraction in the earnings this year, this was not unexpected. As construction and development has slowed down we fully anticipated the knock-on impact to Otis with a decline in the sale of new equipment. The company was also impacted by the write-off of a few accounts to bad debt expense as some customers have become delinquent in payment. In this conservative environment we felt it more prudent to make allowances as we pursued collection. All in all, Otis still holds a sturdy maintenance portfolio and with a few projects scheduled for the 2012 fiscal year, Management remains confident that Otis will continue to generate a consistent return.

CCS had quite a strong performance this year having exceeded budgetary expectations and last year's performance by 5 percent and 11 percent respectively. Of particular note is that the company's revenue was some 21 percent higher than the previous year which is quite remarkable given the state of the economy. Due to the highly competitive nature of the industry, these sales came with much thinner margins. Notwithstanding, the curtailment of operating expenses by nearly 8 percent below last year has made a marked difference that has helped to increase earnings. As we head into fiscal 2012, the IT industry will only become more competitive from both local and international players. IT has become like a commodity and can be traded anywhere in the world from outsource stations in the Americas and Asia. Management is focused on keeping CCS relevant in the local market by ensuring we provide value for money and widening the array of services that we provide.

It seems as though we have been talking about "economic slowdowns" and "recessionary economies" since 2008 and as we ended our fiscal 2011 and embark on fiscal 2012, the conversation has not changed. The enigmatic question looms as to where the bottom is when it comes to Bermuda's economic prospects. While we have guided BAS to a satisfactory result for the fiscal year just ended, the fact remains that significant uncertainty still remains in the Bermuda market place. Uncertainty which will no doubt cause some financial discomfort to players in the market, but will also conversely present new opportunities to those who are in a position to take advantage of them.

Opportunities and change in this economic axiom are almost synonymous in that in order to seize the moment or to tackle the next venture by definition one must be willing to make a change. It is with that mindset that Management is looking at the local economy, reviewing the business sectors in which BAS operates and asking critical questions. Do we wish to remain in certain sectors? If we do, then how do we adjust to Bermuda's new economic position? If not, then how do we strategically exit? To face the recessionary element of Bermuda's economy and

its eventual rebound how should BAS be best positioned? Management is certain in their knowledge of what BAS is and is confident in what BAS is becoming and as such the answers to the aforementioned questions are clear. Consequently, we are excited by the opportunities for BAS and are keen to continue to deliver the value and results our Shareholders' have come to expect.

As usual, in closing we would like to extend appreciation to our customers whom it is our privilege to serve. Additionally, we 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 L. Joaquin  
Group President & Chief Executive Officer



# ARTHUR MORRIS, CHRISTENSEN & CO.

CHARTERED ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Bermuda Aviation Services Limited

We have audited the accompanying consolidated financial statements of Bermuda Aviation Services Limited which comprise the consolidated balance sheets as at March 31, 2011 and 2010, and the consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

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

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Bermuda Aviation Services Limited as at March 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

*Arthur Morris, Christensen & Co.*

**Hamilton, Bermuda**  
**June 24, 2011**

# CONSOLIDATED BALANCE SHEETS

AS AT MARCH 31, 2011

(Expressed in Bermuda Dollars)	March 31 2011	March 31 2010
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (note 6)	6,538,524	4,333,570
Accounts receivable and prepaid expenses (note 18)	10,020,691	10,776,327
Inventories	2,071,312	2,183,035
	<b>18,630,527</b>	<b>17,292,932</b>
<b>NON-CURRENT ASSETS</b>		
Other receivables (note 13 and 18)	4,349,221	3,755,030
Capital assets (note 3)	6,678,489	7,099,345
Goodwill (note 4)	18,153,648	18,153,648
	<b>21,181,358</b>	<b>29,008,023</b>
<b>TOTAL ASSETS</b>	<b>47,811,885</b>	<b>46,300,955</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	4,516,683	5,396,790
Deferred revenue	3,424,814	2,685,094
Bank loan (note 7)	323,694	-
	<b>8,265,191</b>	<b>8,081,884</b>
<b>NON-CURRENT LIABILITIES</b>		
Non-controlling interests (note 8)	345,677	388,702
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 9)	5,083,021	5,076,659
Share premium	12,722,979	12,697,531
Retained earnings	21,395,017	20,056,179
	<b>39,201,017</b>	<b>37,830,369</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>47,811,885</b>	<b>46,300,955</b>

Signed on behalf of the Board



Director



Director

# CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEAR ENDED MARCH 31, 2011

(Expressed in Bermuda Dollars)	March 31 2011	March 31 2010
<b>REVENUE</b>		
Supply of services	35,393,592	36,554,111
Sale of goods	17,232,974	13,906,280
Total revenue	52,626,566	50,460,391
<b>DIRECT COST OF REVENUE</b>		
Direct cost of services revenue	11,644,091	11,432,170
Cost of goods sold	13,412,556	9,171,844
Total direct cost of revenue	25,056,647	20,604,014
<b>GROSS PROFIT</b>	27,569,919	29,856,377
<b>OPERATING EXPENSES</b>		
Wages and benefits	18,059,789	19,900,472
Other direct expenses and overheads	5,767,520	5,912,915
Amortization	1,228,600	1,431,259
Loss on disposal of capital assets	-	164,738
Total operating expenses	25,055,909	27,409,384
<b>INCOME FROM OPERATIONS</b>	2,514,010	2,446,993
<b>NON-OPERATING ITEMS</b>		
Other income (note 15)	270,016	313,760
Interest expense on bank loan	(31,970)	(71,792)
Non-controlling interests (note 8)	(219,567)	(267,238)
<b>NET INCOME BEFORE EXTRAORDINARY ITEMS</b>	2,532,489	2,421,723
<b>EXTRAORDINARY GAIN</b>		
Extraordinary gain (note 18)	-	3,105,790
<b>NET INCOME</b>	2,532,489	5,527,513

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED MARCH 31, 2011

	Capital Stock	Share Premium	Retained Earnings	Shareholders' Equity
Balance March 31, 2009	5,071,374	12,676,391	16,254,282	<b>34,002,047</b>
Issuance of share capital (note 20)	5,285	-		<b>5,285</b>
Surplus contributed during the year	-	21,140		<b>21,140</b>
Dividends paid during the year	-	-	(1,725,616)	<b>(1,725,616)</b>
Net Income for the year	-	-	5,527,513	<b>5,527,513</b>
Balance March 31, 2010	5,076,659	12,697,531	20,056,179	<b>37,830,369</b>
Issuance of share capital (note 20)	6,362	-	-	<b>6,362</b>
Surplus contributed during the year	-	25,448	-	<b>25,448</b>
Dividends paid during the year	-	-	(1,193,651)	<b>(1,193,651)</b>
Net Income for the year	-	-	2,532,489	<b>2,532,489</b>
	5,083,021	12,722,979	21,395,017	<b>39,201,017</b>

# CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2011

(Expressed in Bermuda Dollars)	March 31 2011	March 31 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	2,532,489	2,421,723
Adjustments to convert to cash basis:		
Amortization	1,228,600	1,431,259
Loss on disposal of capital assets	-	164,738
Non-controlling interests (note 8)	219,567	267,238
Cash from extraordinary gain (note 18)	-	3,105,790
Changes in non-cash working capital:		
Accounts receivable and prepaid expenses	193,255	(1,879,893)
Inventories	111,723	223,457
Accounts payable and accrued liabilities	(921,521)	(619,633)
Deferred revenue	739,720	567,261
	<b>4,103,833</b>	<b>5,681,940</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in capital assets	(807,744)	(945,892)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends	(1,193,651)	(1,725,616)
Dividends paid to non-controlling interests	(221,178)	(128,998)
Proceeds from the issuance of bank loan	900,000	-
Repayment of bank loan	(576,306)	(2,533,571)
	<b>(1,091,135)</b>	<b>(4,388,185)</b>
<b>CASH &amp; CASH EQUIVALENTS</b>		
Increase during the year	2,204,954	347,863
Beginning of the year	4,333,570	3,985,707
End of the year	<b>6,538,524</b>	<b>4,333,570</b>
<b>Supplemental Information:</b>		
Interest paid during the year	<b>31,970</b>	71,792

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2011

(Expressed in Bermuda Dollars)

## 1. Operations

Bermuda Aviation Services Limited ("BAS") 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 elevator maintenance and installation; provide cargo and courier services; and provide cabling, networking and telephony 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, 2011 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.

The interest in the Joint Venture is recorded using proportional consolidation in accordance with the terms of the Joint Venture Alliance Agreement as described in note 5.

### B) CASH AND CASH EQUIVALENTS

Cash and cash equivalents 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 realizable value. Costs of goods sold are calculated either on a first-in/first-out basis or a weighted average basis. Inventory is comprised of fuel, auto parts, elevator parts and computer parts. During the year, the Company expensed inventory in the amount of \$12,674,466 (2010 - \$9,159,554) and is included in cost of goods sold on the Consolidated Statement of Income.

**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 as calculated by management using a multiple of earnings. 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 13, the Company maintains pension plans covering all employees. Employer contributions to the defined contribution plan are expensed as incurred and are included in wages and benefits.

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. The Company's net benefit plan expenses are included in wages and benefits.

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. Accounts receivable and prepaid expenses includes unbilled revenue established using the percentage of completion method of \$1,215,797 (2010 - \$1,668,372).

**H) DEFERRED REVENUE**

Collection of sales revenue from customers for future products and services are recorded as deferred revenue until the contracts are completed or the products and services are delivered.

**I) FOREIGN CURRENCY TRANSLATION**

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the date of the financial statements. Non-monetary assets and liabilities denominated in foreign currencies are translated at historical rates of exchange. Transactions in foreign currencies are translated at the rates of exchange prevailing at the time of the transaction. Exchange gains and losses are included in the net income for the consolidated statement of income and retained earnings.

**J) 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 March 31, 2011:

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.



### **Fair Value Hierarchy of Financial Assets and Liabilities**

The fair value of a financial instrument is the price a willing buyer would pay a willing seller if neither was under any compulsion to buy or sell, under arm's length conditions. During 2009, CICA Handbook Section 3862 was amended to include new requirements about disclosures of the data used to measure the fair values of its financial instruments, and includes the classification of financial instruments measured at fair value on the balance sheet within the following hierarchies:

Level 1: Measurement according to unadjusted quoted price in active markets for identical assets or liabilities.

Level 2: Measurement methods based primarily on inputs, other than quoted prices, that are observable either directly or indirectly on the market.

Level 3: Assessment methods that are not based primarily on observable market data.

The classification of a financial instrument's fair value is determined on the basis of the lowest level input that is significant to the fair value measurement of this financial instrument in its entirety. The Company classified its cash, cash equivalents within fair value level 1, since they are based on inputs that are observable in an active market.

### **K) USE OF ESTIMATES**

The preparation of financial statements in accordance with generally accepted accounting principles in Bermuda and Canada 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.

- i) Accruals: Amounts accrued for certain expenses are based on estimates and are included in account payable and accrued liabilities.
- ii) Capital assets: Management exercises judgment in determining whether costs incurred can accrue future economic benefits to the Company to enable the value to be treated as a capital expense. Further judgement is applied in the annual review of the useful lives of all categories of capital assets and the resulting calculation of annual amortization.
- iii) Allowance for doubtful accounts: The Company provides an allowance on accounts receivable by specific evaluation of individual customer accounts and invoices.
- iv) Goodwill: Management evaluation of whether goodwill is impaired is based upon their determination of fair value of certain subsidiaries which requires judgment in their selection of the adopted multiple of earnings ratio

### **L) Recent pronouncements**

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. In addition, the CICA issued Sections 1601, Consolidated Financial Statements, and 1602, Non-Controlling Interests, which replaces the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements, while section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

These statements apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier application permitted. The Company is currently

evaluating the new sections to determine the potential impact 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. As a result IFRS will be adopted by the Company on April 1, 2011 and its first set of IFRS compliant financial statements will be for the year ending March 31, 2012. The Company is in the process of assessing the impact on itself of this convergence.

**M) 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	2011 Net	2010 Net
Land and Buildings	4,596,445	744,362	3,852,083	3,884,904
Machinery and equipment	10,460,068	8,430,035	2,030,033	2,207,170
Furniture and fixtures	594,392	470,556	123,836	129,016
Leasehold improvements	3,548,200	2,875,663	672,537	878,255
	19,199,105	12,520,616	6,678,489	7,099,345

Capital assets include fully amortized items, which continue to provide an economic benefit to the Company, with an original cost of approximately \$7,393,678 (2010 - \$4,272,650). During the year, the Company recognized impairment of assets in the amount of \$nil (2010 - \$164,738). The Company determined that these assets had no future economic benefit to ongoing operations.

**4. Goodwill**

Goodwill is classified as follows:

	March 31 2011	March 31 2010
Automotive Garages	1,941,945	1,941,945
Facilities Management	4,755,833	4,755,833
Cargo Handling	6,985,909	6,985,909
IT Services	4,469,961	4,469,961
	18,153,648	18,153,648

**5. Joint Venture**

In April of 2009, a subsidiary of the Company, CCS, and a third party, Logic Communications Ltd (“Logic”), responded jointly to a request for proposal from the Government of Bermuda, Ministry of Energy, Telecommunications & E-commerce, Information Technology Office (the “ITO”) to re-engineer and replace Government’s network infrastructure island-wide. The ITO accepted the CCS/Logic joint venture proposal and subsequently the parties jointly entered into a Network Infrastructure Re-engineer Service Agreement (the “Project”) between themselves and the ITO pursuant to a Network Infrastructure Rebuild Statement of Work in accordance with the request for proposal from the ITO.

On March 1, 2010, CCS entered into a Joint Venture Alliance Agreement (the “JV”) with Logic in order to establish a framework to regulate their collaboration regarding the project for the ITO. Under the terms of

the agreement, the JV provides various professional services and hardware components. Profits derived from the provision of services are recognized by the individual parties to the JV. Profits on the sale of hardware is distributed equally amongst the parties.

**6. Bank Overdrafts**

The Company has obtained bank overdraft facilities totalling \$250,000 to finance operations. The overdraft facility accrues interest at 2.0% per annum over the bank's Bermuda dollar base rate to expire August 31, 2011. The bank's Bermuda dollar base rate at year end was 3.75% (2010- 3.75%).

**7. Bank Loan**

During the year, the company borrowed \$900,000 to finance redundancies. This Bank loan bears interest at 2.0% above the quoted Bermuda dollar base rate of 3.75% and is repayable in equal blended monthly installments of principal and interest of \$40,000. It is secured by a fixed and floating charge in the amount of \$5,200,000 over the Company's assets and will be repaid in full by December 2011.

**8. Non-Controlling Interests**

Non-controlling interests represent the following:

	March 31 2011	March 31 2010
<b>BAS-Serco</b>		
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	1,081,760	931,081
Proportionate share of dividends paid since acquisition	(984,790)	(837,462)
	<b>164,310</b>	<b>160,959</b>
<b>OTIS</b>		
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	457,579	388,691
Proportionate share of dividends paid since acquisition	(362,551)	(247,287)
	<b>181,367</b>	<b>227,743</b>
<b>Total Non-Controlling Interests</b>	<b>345,677</b>	<b>388,702</b>

Non-controlling interests of \$219,567 (2010- \$267,238), as shown in the Consolidated Statement of Income, comprise \$150,679 (2010- \$156,439) from BAS-Serco and \$68,888 (2010- \$110,799) 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

## 9. Capital Stock

Capital stock is as follows:

	March 31 2011	March 31 2010
Authorized- 9,999,996 shares (2010 - 9,999,996 shares), par value of \$1.00 (2010 - \$1.00) each	9,999,996	9,999,996
Issued and fully paid- 5,083,021 shares (2010 - 5,076,659 shares)	5,083,021	5,076,659

Dividends declared and paid during the year amounted to \$0.235 per share (2010 - \$0.34).

During the year, the Company issued 6,362 shares to senior management as part of the executive stock compensation scheme. Also see note 20.

## 10. Per Share Amounts

	March 31 2011	March 31 2010
Income per share before extraordinary items– basic and fully diluted	0.50	0.48
Income per share from extraordinary items – basic and fully diluted	-	0.61
Income per share after extraordinary items – basic and fully diluted	0.50	1.09

Income per share has been calculated on net income for the year after extraordinary items of \$2,532,489 (2010 - \$5,527,513) on 5,080,354 (2010 - 5,075,776) shares, being the weighted average number of shares in issuance.

## 11. Capital Management

The Company's capital base comprises share capital, share premium and retained earnings. 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 maintain investor, creditor and market confidence so as to sustain the future development of the business.

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.

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 6).

During 2011, the Company's strategy was to maintain a dividend payout at \$0.05 per share per quarter.

## 12. 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 7.3% (2010 – 14.5%) 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. **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.
- IV. **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.
- V. **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.

## 13. 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 plan expenses for these companies are as follows:

	March 31 2011	March 31 2010
Current service cost, net of employee contributions:		
Weir Enterprises Ltd.	16,647	15,954
BAS-Serco Limited	188,809	188,638
International Bonded Couriers of Bermuda Ltd	129,496	139,577
Otis Elevator (Company) Bermuda, Ltd.	23,109	31,599

The Company operates three pension plans covering the employees of Bermuda Aviation Services Limited and ASB. For services to December 31, 2007, the plans provide a defined benefit pension 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. During 2010, the plan for all other employees was split with a separate plan and trust created for ASB 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, 2011:

	March 31 2011	March 31 2010
<b>Accrued Benefit Obligation</b>		
Balance - beginning of the year:		
Defined benefit portion	8,030,755	6,635,017
Defined contribution portion	3,239,917	2,564,416
	<b>11,270,672</b>	9,199,433
Employee contributions (defined contribution)	253,743	288,132
Employer contributions (defined contribution)	246,308	267,553
Interest cost	445,901	477,301
Benefits paid	(1,747,393)	(723,985)
Actuarial losses and increase in defined contribution accounts	329,480	1,762,238
Balance - end of the year:		
Defined benefit portion	7,934,964	8,030,755
Defined contribution portion	2,863,747	3,239,917
	<b>10,798,711</b>	11,270,672

	March 31 2011	March 31 2010
<b>Plan Assets</b>		
Fair value - beginning of the year	10,596,036	8,448,686
Actual return on plan assets	143,968	1,487,215
Employee contributions (defined contribution)	253,743	288,132
Employer contributions (defined contribution)	246,308	267,553
Employer contributions (defined benefit)	927,086	828,435
Benefits paid	(1,747,393)	(723,985)
Fair value - end of the year	10,419,748	10,596,036

	March 31 2011	March 31 2010
<b>Accrued Benefit Asset</b>		
Funded status – plan deficit	(378,963)	(674,656)
Unamortized transitional asset	(1,035,745)	(1,145,924)
Unamortized net actuarial loss	5,301,437	4,837,129
Accrued benefit asset	3,886,729	3,016,549

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, 2011 is as follows:

	March 31 2011	March 31 2010
<b>Plan Assets by Asset Category</b>		
Equity securities (principally US and Bermuda equities)	70%	64%
Debt securities (principally fixed deposits and cash)	30%	36%
Total	100%	100%

Plan assets include common shares of the Company having a fair value of \$823,630 at March 31, 2011 (2010 - \$840,270).

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 2011	March 31 2010
<b>Assumptions for Expense</b>		
Discount rate	5.75%	7.50%
Expected long-term rate of return on plan assets	7.50%	7.50%
Rate of compensation increase	3.25%	3.25%

	March 31 2011	March 31 2010
<b>Assumptions for Disclosure</b>		
Discount rate	5.50%	5.75%
Rate of compensation increase	3.25%	3.25%

The Company's net pension expense is as follows:

	March 31 2011	March 31 2010
Current service cost, net of employee contributions	-	-
Interest cost	445,901	477,301
Actual return on plan assets	(71,525)	(1,214,673)
Actuarial loss on accrued benefit obligation	257,017	1,489,716
Costs arising in the year	631,393	752,344
Differences between costs arising in the year and costs recognized in the year in respect of:		
- Return on plan assets <sup>1</sup>	(494,626)	769,895
- Actuarial loss <sup>2</sup>	30,318	(1,279,458)
- Transitional asset <sup>3</sup>	(110,179)	(110,179)
Net defined benefit pension expense recognized	56,906	132,602
Defined contribution pension expense	246,308	267,553
Total pension expense	303,214	400,155

1 Actual return on plan assets of \$71,725 (2010 – \$1,214,673) less expected return on plan assets of \$566,151 (2010 - \$444,778).

2 Actuarial loss on accrued benefit obligation arising in the year of (\$257,017) (2010 - \$1,489,716) less actuarial loss recognized in the year of \$287,335 (2010 - \$210,258).

3 Amortization of transitional asset.

Actuarial valuation reports for funding purposes have been prepared as of March 31, 2010 and the dates of the next required actuarial valuations for funding purposes are March 31, 2011 for employees and March 31, 2013 for senior management plan.

#### 14. 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 December 31, 2019 (note 18).

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

Year ending March 31, 2012	545,100
Year ending March 31, 2013	313,800
Year ending March 31, 2014	302,250
Year ending March 31, 2015	452,600
Year ending March 31, 2016	452,600

At March 31, 2011, the total future minimum lease payments under long-term leases are \$2,819,350.



**15. Rental Income**

Rental income from owned and sublet property is recognized on a straight-line basis over the term of the lease. Other income includes rental income of \$151,000.

Estimated future income from rental properties is as follows:

Year ending March 31, 2012	<b>96,900</b>
Year ending March 31, 2013	<b>75,500</b>
Year ending March 31, 2014	<b>32,400</b>

**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, 2011 were 217,022 (2010 – 222,653) shares.

With the exception of the employment contracts for the Group President and Chief Executive Officer, Kenneth L. Joaquin, and Executive Director, Mr. E. Eugene Bean, there are 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, 2011:**

	Revenue from External Customers	Inter- Segment Revenue	Amortization of Capital Assets	Net Income	Total Assets
Administrative Services	322,041	767,876	133,814	(1,528,372)	2,273,978
Aircraft and Passenger Handling	3,823,925	-	200,467	(120,195)	1,200,835
Automotive Garages	3,138,591	440,007	68,991	675,490	5,389,304
Cargo Handling	11,877,728	48,279	182,231	776,453	3,145,272
Facilities Management	10,830,360	35,567	85,700	1,824,426	4,649,538
IT Services	22,633,921	22,540	557,397	829,302	8,726,519
	<b>52,626,566</b>	<b>1,314,269</b>	<b>1,228,600</b>	<b>2,457,104</b>	<b>25,385,446</b>

**For the year ended March 31, 2010:**

	Revenue from External Customers	Inter- Segment Revenue	Amortization of Capital Assets	Net Income	Total Assets
Administrative Services	306,640	870,680	158,758	(1,481,206)	2,256,978
Aircraft and Passenger Handling	5,000,475	-	243,875	(353,873)	1,535,024
Automotive Garages	3,300,308	559,680	71,409	599,857	5,273,591
Cargo Handling	12,304,420	60,531	251,964	784,880	3,077,309
Facilities Management	10,883,588	20,985	67,757	2,015,642	3,803,929
IT Services	18,664,960	54,386	637,496	749,091	8,351,140
	50,460,391	1,566,262	1,431,259	2,314,391	24,297,971

**Reconciliation**

	March 31 2011	March 31 2010
<b>Net Income</b>		
Total net income for reportable segments	2,457,104	2,314,391
Pension plan benefit expense (note 13)	56,906	132,602
Other income	270,016	313,760
Interest expense on debt	(31,970)	(71,792)
Non-controlling interests (note 8)	(219,567)	(267,238)
Extraordinary gain (note 18)	-	3,105,790
Total group net income	2,532,489	5,527,513
<b>Total Assets</b>		
Total assets for reportable segments	25,385,446	24,297,971
Inter-segment balances	386,062	832,787
Goodwill (note 4)	18,153,648	18,153,648
Pension plan accrued benefit asset (note 13)	3,886,729	3,016,549
Total group assets	47,811,885	46,300,955

**18. Extraordinary Gain**

On October 26, 2009 a final settlement was reached on compensation for the Government's breach of the exclusive right of BAS to operate the executive jet facility at the L.F. Wade International Airport. Under the terms of the settlement, the Company was awarded the amount of \$202,570 for damages in relation to the breach and a further \$243,176 for legal cost incurred during the arbitration.

The Company then entered into a separate agreement with the Bermuda Government to give up its exclusive right to operate an executive jet facility at the L.F. Wade International Airport. As consideration for giving up this right, BAS was compensated in the amount of \$2,700,000. Under Clause 6 of the settlement agreement, the Company elected to receive a lump sum payment in the amount of \$1,750,000. The remaining portion of the settlement is to be received by way of annual rent relief in the amount of \$200,000 and annual lump sum payments of \$50,000 for the period from January 1, 2010 to December 31, 2013. The lump sum payments are due by December 31<sup>st</sup> of each year. Rent relief is received on a monthly basis. Included in accounts receivable and prepaid expenses is the current portion

of rent relief in the amount of \$300,000. Other long term receivables include rent relief in the amount of \$450,000.

Under Clause 1 of the agreement, the Company was also awarded an extension of all existing property leases at the L.F. Wade International Airport until December 31, 2019. Furthermore, the facilities management agreement between a subsidiary of the Company, BAS-Serco, and the Department of Airport Operations was extended until December 31, 2014.

The extraordinary gain shown in the income statement in 2010 is equal to the total amount of the settlement, less the portion of the settlement allocated to legal cost in the amount of \$89,955.

**19. 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 \$1,017,686 (2010 - \$642,320), the amount contracted between the parties. As of March 31, 2011, the amount due to BAS-Serco Ltd. was \$181,033 (2010 - \$62,440).

**20. 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, 2011, \$50,981 in stock-based compensation had been granted to employees, but had not yet vested. At the current trading price of \$4.00 per share, this would equate to 12,745 shares. During the current year, \$6,362 and \$25,448 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.

**21. Comparative Figures**

Certain figures for the fiscal year ended March 31, 2010 have been reclassified to conform to the presentation adopted for the fiscal year ended March 31, 2011.

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