BERMUDA
AVIATION
SERVICES
LIMITED

BAS
GROUP OF COMPANIES

ANNUAL **REPORT** 2012 - 2013

DIRECTORS

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Scott Pearman [1, 2]
Gerald D.E. Simons [1, 2, 3, 4]
Kenneth L. Joaquin [1, 2, 3, 4]

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J. Patricia Lynn [1, 2]
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Gail E.M. Miller [1, 2, 3]
Dr. James A.C. King
David W. Pugh [1, 4]

SECRETARY
Codan Services Limited

1 Audit Committee, 2 Pension Committee, 3 Compensation Committee, 4 Corporate Governance Committee

OFFICERS

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

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

Ian Cook
CHIEF OPERATING OFFICER
BAS GROUP OF COMPANIES
GENERAL MANAGER
CCS GROUP LTD.

Eugene Ball
VICE PRESIDENT AND
CHIEF EXECUTIVE OFFICER
AIRCRAFT SERVICES BERMUDA LTD.

George Hammond
MANAGING DIRECTOR
WEIR ENTERPRISES LTD.

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

Bryan Adams
PRESIDENT
BERMUDA ENERGY SERVICES
COMPANY LTD.

Greg Woods
VICE PRESIDENT AND
CHIEF EXECUTIVE OFFICER
INTERGRATED TECHNOLOGY
SOLUTIONS LTD.

Kevin Hollis
GENERAL MANAGER
OTIS ELEVATOR (BERMUDA) LTD.

Bermuda Aviation Services Limited

Consolidated Financial Statements
March 31, 2013

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.

BAS GROUP OF COMPANIES

Aircraft Services Bermuda Ltd.

BAS serco

BESCO

CCS GROUP LIMITED

Eastbourne Properties Limited

EFF-Tech Efficient Technologies Bermuda Limited

iTs INTEGRATED TECHNOLOGY SOLUTIONS LTD Innovations for Lifestyles and Communications

IBC International Bonded Couriers zipx ups

Otis Bermuda A Member of the BAS Group of Companies OTIS

WEIR ENTERPRISES LTD. AUTOMOTIVE PARTS DISTRIBUTORS

FINANCIAL HIGHLIGHTS

FIVE YEAR SUMMARY

For the Year

(Expressed in BDA $000)	2013	2012	2011	2010	2009
Revenue	**46,388**	40,117	50,140	46,072	49,636
Earnings from Operations	**1,741**	2,836	3,610	3,323	4,187
Extraordinary Gain	**-**	-	-	3,106	-
Discontinued Operations	**-**	(1,509)	(681)	-	-
Goodwill Impairment	**-**	(5,686)	-	-	-
Comprehensive Income (Loss)	**1,741**	(4,359)	2,929	5,528	3,038
Dividends	**1,017**	1,119	1,194	1,726	1,725

At Year End

(Expressed in BDA $000)	2013	2012	2011	2010	2009
Total Assets	**47,744**	45,499	44,298	43,285	45,050
Total Liabilites	**16,271**	15,092	8,265	8,757	10,918
Shareholders' Equity	**30,819**	30,031	35,687	34,139	33,781

Financial Ratios

	2013	2012	2011	2010	2009
Earnings (Loss) per Share	**$ 0.34**	$ (0.86)	$ 0.58	$ 1.09	$ 0.60
Return on Equity	**5.65%**	-14.51%	8.21%	16.19%	8.99%

Shareholder Data

	2013	2012	2011	2010	2009
Shares in Issue	**5,089,047**	5,089,047	5,083,021	5,076,659	5,071,374
Book Value per Share	**$ 6.06**	$ 5.90	$ 7.02	$ 6.72	$ 6.66

At Year End

	2013	2012	2011	2010	2009
Number of Employees	**241**	193	311	358	344

REPORT TO SHAREHOLDERS

July 5, 2013

Financial Results

For the year ended March 31, 2013, as reported in the Consolidated Statement of Comprehensive Income, the income before Non-controlling interest was $1.8 million compared to a loss of $4.6 million the prior year. The earnings per share were $0.34 compared to a loss of $0.86 per share last year.

This has been a favorable swing in our bottom line performance by over $6 million from fiscal 2012. This return to profitability is due in large part to our moving past the hurdles associated with the prior year's restructuring of our subsidiary ASB and the adjustments made to Goodwill carried in relation to the Cargo Handling segment of our operations.

Results from Continuing Operations of over $1.7 million, although down notably from the prior year, are still quite robust especially given the addition of our start-up company Eff-Tech and our new acquisitions ITS and BESCO. While these three companies are performing to expectations, the investment in and the amalgamation of them into the Group has, as anticipated, resulted in additional operational expenses. As BAS continues to set the course for its role as a comprehensive facilities solution organization, these integration costs were fully anticipated and are not only expected to be one-off type expenditures but are also of a nature to set the stage for greater organizational and operational efficiencies in the future.

In an economic environment that has tested most local economies, your Board and Management finds these results gratifying as BAS continues to prove its resolve and durability.

Profitability

Total revenue of $46.4 million is up over $6.2 million from fiscal 2012. This positive swing in revenue performance is mostly attributable to our subsidiary CCS. CCS has recorded record profits for the year and is continuing to explore opportunities that are aimed at cementing this level of performance. While there was some anticipated revenue contraction in a few of our subsidiaries, others have managed to preserve or even marginally increase their revenue. Additionally, total revenue has been bolstered by the addition of ITS, Eff-Tech and BESCO during the fiscal year. Gross profit of $25 million, is up by over $1.9 million over the prior year.

Operating Expenses of $24.1 million, as noted previously, are expectedly up from the prior year. With the acquisitions of ITS and BESCO and the start-up of Eff-Tech, additional financial resources were required to facilitate the integration of these subsidiaries into the Group and to lay the foundation for future operational efficiencies. As anticipated there was a natural increment to wages and benefits over the prior year as a consequence of adding the headcount related to the aforementioned companies to the Group. Notwithstanding, Management has remained focused on cost control throughout the Group and that has been reflected in the performance of most of our subsidiaries.

Despite the continued challenges of the local economy, your Board of Directors and Management are satisfied with the on-going operational profitability of the core group of companies. There is every expectation that there will be continued pressure placed upon future earnings, as a consequence of a still unsettled economy and the increased competition this drives. Notwithstanding, the Group consists of a diverse and synergistic portfolio of service companies that Management is confident will generate reasonable profits and by extension an acceptable return for Shareholders.

Strengthening the Statement of Financial Position

With a Current Ratio of around 2 and a Debt to Equity Ratio of approximately 0.5 the Consolidated Statement of Financial Position is indicative of a sound and secure company that is continuing to fare well despite the challenges of the local economy.

Although the Company's cash position is expectedly down by $3 million from last year, Current Assets have grown by $1.6 million over the previous year due to an overall increase in Accounts Receivable and Inventories. Readers of our previous reports will recall that Management had strategically intended to utilize the Company's cash position to take advantage of opportunities that would arise in the market segments in which the Group operates. These opportunities have manifested themselves in the acquisitions of ITS, and BESCO and the start-up of Eff-Tech and account for a significant portion of the cash that was utilized.

In general terms, there has been a proportionate growth in all broad categories of our Consolidated Statement of Financial Position and it is indicative of the general growth of the Group through subsidiary performance and the addition of three new companies into the Group during the course of the fiscal year.

The Year in Review

The Greek philosopher Heraclitus from 500 BC is credited for the modern translation of the saying that, "the only constant is change" and indeed, for BAS, nothing could be truer. This year has been yet another evolutionary year as BAS continues its development away from its aviation roots towards becoming a full-fledged commercial infrastructure solutions based company.

During the year, BAS made two notable acquisitions and for the first time since its own inception, over 60 years ago, launched a new start-up venture.

In a deal that closed April 1, 2012, BAS purchased the majority interest in Integrated Technology Solutions Ltd. (ITS). Backed by industry partners such as Creston, ITS is an innovative company in Bermuda's technology sector, providing both commercial and residential solutions. Commercial solutions include, Board Room/Training Room Audio-Visual Systems, Electronic Automation Systems, Electronic Presentation Systems, Facility-wide Public Address Speaker Systems, Lighting Control, Small Office Data Networks, Window Treatments, Digital Signage Software Systems and Closed Circuit TV Systems. ITS's residential solutions cover everything from Security to Entertainment to Communications and Home Automation.

In October 2012, BAS purchased the majority interest in Bermuda Energy Services Company Limited (BESCO). With three core divisions covering Electrical Engineering, Building Control Systems and Power Management, BESCO is an innovative company in Bermuda's mechanical electrical contracting sector, providing both commercial and residential solutions. With key industry partnerships that include APC, Honeywell and Guardian, combined with the internal synergy generated between its three divisions, BESCO is able to provide a complete solution across all areas.

Finally, in January of 2013, BAS launched Efficient Technologies Bermuda Ltd. (Eff-Tech). Eff-Tech was formed to be the vehicle for BAS's expansion into heating, ventilation and air-conditioning (HVAC) sales, service and installation. The company is an authorized distributor for Mitsubishi Electric Cooling and Heating and represents their full product line here in Bermuda. Eff-Tech has also recently formalized a relationship with Vipond Fire Protection, a division of Vipond Inc. Vipond is one of Canada's largest fire protection companies and is an international leader in the fire protection industry with branches located across Canada, the Caribbean, and the U.K.

These three new Group companies greatly bolster BAS's claim to having a portfolio of companies that are both diverse in nature but synergistic in complimentary service provision. As a consequence of the addition of these companies, we are beginning to see greater economies of scale that are driving operational efficiencies and the cross selling of individual subsidiary services that have grown into larger group opportunities.

This last year, though not without its challenges, has been transformative for BAS. When one considers the components of either commercial or residential infrastructure there is not too much that BAS, through its subsidiaries, is not equipped to handle. Moreover, we are rapidly taking the shape of a group solution provider with the ability to takeover any facility and manage every aspect from ground to ceiling. A value add proposition that we believe will be appealing to many.

Subsidiary Performance

At its core and on an operational basis, BAS continues to perform well. However this does not mitigate the need for improvement and we are acutely aware of where our challenges lie within in the Group and on which subsidiaries and processes we need to focus. That said, we are generally pleased with our operating divisions with all but two contributing positively towards the bottom line. With respect to the two that did not generate operating profits, this was not a case of unexpected underperformance but more a case of planned operational transition and establishment.

ASB, with last year's organizational changes behind it, has had a solid year. ASB, now consisting of the Jet Base Operation and the Freight / Cargo Operation, has finally returned to profit. Despite the fact that overall private jet traffic is down in Bermuda, the company was able to match profit expectations and Management is quite satisfied with the results.

Weir Enterprises has continued with its tradition of strong financial performance and had yet another excellent year with results that matched the prior year's exceptional results. Management is extremely pleased by Weir's performance and Messrs. Jeff Cook and George Hammond are to be commended, yet again, for providing strong managerial direction.

BAS-Serco although continuing to be profitable, this was a transitional year for BAS-Serco one in which we explored new business opportunities in the realms of security and real estate. Realizing that the commercial viability of such operational segments was fraught with risk and faced extremely tight margins we opted not to pursue these lines and refocus on our core niche in facilities maintenance with a keen focus on our aviation and commercial contracts.

IBC has contributed positively to the Group and its performance this year has been much better than Management's expectations. IBC has felt the pressure of a depressed economy and a shrinking customer base on its top-line performance but has done well to control operating expenses. The first quarter of fiscal 2014 has seen an uptick in customer demand that we hope will continue throughout the period.

Otis Bermuda has also contributed positively to the group having performed to Management's expectations. Otis Bermuda still holds a steady maintenance portfolio and Management remains confident that Otis Bermuda will continue to generate a consistent return.

CCS, under the stewardship of Mr. Ian Cook, has had its best financial performance since being a part of the Group. CCS continues to move from strength to strength. Having built a team of innovative IT professionals that have brought new products to the market and established new and lasting relationships CCS has cemented its place as one of the dominant players in Bermuda's IT and Managed Services market. Management could not be more pleased with the company's performance.

ITS joined the Group at the commencement of the fiscal period and this has genuinely been a transitional year for the company. Led by Mr. Greg Woods, we have made some core changes to the way that ITS had historically operated that have created vast improvements. ITS has not only been able to leverage relationships with its sister companies that have generated business opportunities for itself in fiscal 2014 but has also been able to reciprocate and generate several opportunities for the Group as well.

BESCO, managed by Mr. Bryan Adams**,** is an exciting addition to the Group and has started off positively. With work scheduled in the pipeline well into fiscal 2014 and the ability to subtly complement our other subsidiaries, particularly CCS, ITS and Eff-Tech, Management has high expectations of this company.

Eff-Tech, as a start-up venture, has exceeded all expectations. While we did anticipate a strong showing with this company we were pragmatic in our approach and fully anticipated at least a 2-year window before the company was able to positively contribute towards the Group. The company's sales growth from inception has been remarkable and we are now looking at accomplishing our profitability objective within the first 18 months of operation.

Looking Forward
Evolution can be defined as a process of continuous change from a lower, simpler state to a higher, more complex or better state. BAS has truly evolved and continues to do so. From a single entity operation that was formed over 60 years ago to provide ground and passenger handling at the L.F. Wade International Airport, BAS has evolved into a holding company with ten subsidiaries. It has evolved from only providing aviation related services to providing a myriad of services that are distinct in nature but are also strategically complimentary and synergistic. It has evolved from a simpler state to a more complex state. It has evolved from having shareholder risk vested in the performance of one company to diversifying that risk by spreading it among a group of well performing subsidiaries. BAS has evolved from a lower state to a better state.

BAS will continue to evolve. A name that was once synonymous with aviation is now one that is synonymous with the provision of excellent facilities management service and the provision of solutions. Group solutions covering multiple disciplines bound with one corporate banner scalable to customer requirements. BAS Group Solutions shall be the next evolutionary development of BAS.

Note of Appreciation
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 and are about to achieve would be possible.

Sincerely,

Michael L. Darling	**Kenneth L. Joaquin**
Chairman	Group President &
	Chief Executive Officer

Arthur Morris & Company
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 and its subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statement of comprehensive income (loss), changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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 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 auditor considers 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 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 consolidated financial position of Bermuda Aviation Services Limited and its subsidiaries as at March 31, 2013, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Arthur Morris & Company

Hamilton, Bermuda
July 5, 2013

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2013 AND 2012
(Expressed in thousands of Bermuda Dollars)

	March 31 2013	March 31 2012
CURRENT ASSETS		
Cash and cash equivalents (note 7)	6,154	9,396
Accounts receivable (notes 2(I),13 and 19)	10,725	7,632
Prepaid expenses	811	732
Inventories (note 4)	2,986	1,311
	20,676	19,071
NON-CURRENT ASSETS		
Other receivables (notes 2(B) and 14)	1,325	850
Property, plant and equipment (note 5)	13,137	13,110
Goodwill (notes 3(C) and 6)	12,606	12,468
	27,068	26,428
TOTAL ASSETS	47,744	45,499
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 13)	5,211	4,255
Deferred revenue	4,700	4,180
Bank loan (notes 8 and 13)	310	293
	10,221	8,728
NON-CURRENT LIABILITIES		
Bank loan (notes 8 and 13)	6,050	6,364
	6,050	6,364
EQUITY		
Share capital (note 10)	5,089	5,089
Share premium (note 20)	12,737	12,737
Retained earnings (note 2(B))	12,993	12,205
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS	30,819	30,031
Non-controlling interests (note 9)	654	376
TOTAL EQUITY	31,473	30,407
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	47,744	45,499

Signed on behalf of the Board

Director

Director

The accompanying notes on pages 12 to 35 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012
(Expressed in thousands of Bermuda Dollars)

	March 31 2013	March 31 2012
CONTINUING OPERATIONS		
Supply of services (notes 2(J) and 18)	29,785	29,890
Sale of goods (note 2(J))	16,603	10,227
Total revenue	46,388	40,117
DIRECT COST OF REVENUE		
Direct cost of services revenue	(10,906)	(10,185)
Cost of goods sold	(10,463)	(6,798)
GROSS PROFIT	25,019	23,134
Other income (note 16)	825	431
OPERATING EXPENSES		
Wages and benefits (notes 14 and 17)	(16,626)	(14,446)
Other direct expenses and overheads	(5,602)	(4,953)
Loss on disposal of property, plant and equipment (note 5)	(23)	(90)
Amortization (note 5)	(1,469)	(1,165)
Finance costs (note 8)	(383)	(75)
TOTAL OPERATING EXPENSES	(24,103)	(20,729)
TOTAL INCOME FROM CONTINUING OPERATIONS	1,741	2,836
Loss from discontinued operations (note 11)	-	(1,509)
Goodwill impairment (note 6)	-	(5,686)
INCOME (LOSS) FOR THE YEAR	1,741	(4,359)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	1,741	(4,359)
Income (Loss) attributable to:		
Shareholders of the Company	1,805	(4,558)
Non-controlling interests (note 9)	(64)	199
Income (Loss) for the year	1,741	(4,359)
Earnings (Loss) per share		
Basic earnings (loss) per share	0.34	(0.86)
Diluted earnings (loss) per share	0.34	(0.86)
Continuing operations		
Basic earnings per share	0.34	0.56
Diluted earnings per share	0.34	0.56

The accompanying notes on pages 12 to 35 are an integral part of these consolidated financial statements.

CONSOLIDATED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012
(Expressed in thousands of Bermuda Dollars)

		Attributable to equity holders of the Company					
		Capital Stock	Share Premium	Retained Earnings	**Total**	**Non-Controlling interest**	**Total Equity**
Balance April 1, 2011	**$**	**5,083**	**12,723**	**17,882**	**35,688**	**346**	**36,034**
Transactions with owners recognised directly in equity							
Issuance of share capital (note 10)		6	-	-	6	-	6
Dividends paid during the year		-	-	(1,119)	(1,119)	-	(1,119)
Dividends to non-controlling interests		-	-	-	-	(169)	(169)
Surplus contributed during the year		-	14	-	14	-	14
		5,089	12,737	16,763	34,589	177	34,766
Total comprehensive income (loss)							
Income (Loss)		-	-	(4,558)	(4,558)	199	(4,359)
Balance March 31, 2012	**$**	**5,089**	**12,737**	**12,205**	**30,031**	**376**	**30,407**
Transactions with owners recognised directly in equity							
Dividends paid during the year		-	-	(1,017)	(1,017)	-	(1,017)
Dividends paid to non-controlling interests		-	-	-	-	(78)	(78)
Surplus contributed during the year		-	-	-	-	420	420
		5,089	12,737	11,188	29,014	718	29,732
Total comprehensive income (loss)							
Income (Loss)		-	-	1,805	1,805	(64)	1,741
Balance March 31, 2013	**$**	**5,089**	**12,737**	**12,993**	**30,819**	**654**	**31,473**

The accompanying notes on pages 12 to 35 are an integral part of these consolidated financial statements.

CONSOLIDATED
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012
(Expressed in thousands of Bermuda Dollars)

	March 31 2013	March 31 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) for the year, including discontinued operations	1,741	(4,359)
Adjustments:		
Amortization	1,469	1,165
Loss on the sale of property, plant and equipment	23	90
Gain on the disposal of discontinued operations (note 11)	-	(762)
Goodwill impairment (note 6)	-	5,686
Finance costs	383	75
Equity-settled stock-based payment transactions (note 20)	-	20
Changes in non-cash working capital:		
Accounts receivable	(3,093)	1,838
Prepaid expenses	(79)	81
Inventories	(1,675)	760
Other receivables	(475)	(277)
Accounts payable and accrued liabilities	956	(262)
Deferred revenue	520	755
	(230)	4,810
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions (note 3)	(1,048)	-
Net asset acquired in business combinations	911	-
Proceeds on disposal of discontinued operations (note 11)	-	900
Proceeds on the disposition of property, plant and equipment	13	81
Additions to property, plant and equipment	(1,533)	(7,905)
	(1,657)	(6,924)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,017)	(1,119)
Dividends paid to non-controlling interests	(78)	(169)
Contributions from non-controlling interests	420	-
Proceeds from the issuance of bank loan (note 8)	-	6,700
Repayment of bank loan	(297)	(367)
Finance costs	(383)	(74)
	(1,355)	4,971
CASH AND CASH EQUIVALENTS		
(Decrease) Increase during the year	(3,242)	2,857
Beginning of the year	9,396	6,539
End of the year	6,154	9,396

The accompanying notes on pages 12 to 35 are an integral part of these consolidated financial statements.

1. The Company and its regulatory framework

Bermuda Aviation Services Limited ("BAS") is domiciled and registered in Bermuda. 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 customised energy solutions; provide heating, ventilation, and air conditioning installations and service; provide cargo and courier services; provide audio visual and electronic system solutions; and provide cabling, networking and telephony services and maintenance.

BAS, the ultimate controlling entity of the Company, is listed on the Bermuda Stock Exchange. The principle place of business for BAS is located at 19 Bakery Lane, Pembroke, HM 07, Bermuda.

2. Statement of compliance, basis of preparation and significant accounting policies

A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on July 5, 2013.

B) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE AND NOT ADOPTED BY ANTICIPATION

The following new and amended standards and interpretations have been issued and are mandatory for the Company's accounting periods beginning on or after April 1, 2013:

Amendment to IAS 1, 'Presentation of items of other comprehensive income'

In June 2011, the IASB issued 'Presentation of items of other comprehensive income' (amendments to IAS 1). The amendments improved the consistency and clarity of the presentation of items of other comprehensive income (OCI). The amendments also highlighted the importance that the Board places on presenting income or loss and OCI together and with equal prominence. The amendments issued in June 2011 retain the requirement to present income and loss and OCI together, but focus on improving how items of OCI are presented. The main change resulting from the amendments was a requirement for entities to group items presented in OCI on the basis of whether they are potentially re-classifiable to income or loss subsequently (reclassification adjustments). The amendments did not address which items are presented in OCI. The Company is yet to assess the full impact of the IAS 1 amendments and intends to adopt the amendments to IAS 1 no later than the accounting period beginning on April 1, 2013.

2. Significant accounting policies (continued)

IFRS 9, 'Financial instruments' – classification and measurement
IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on April 1, 2013.

IFRS 10, 'Consolidated financial statements'
IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on April 1, 2013.

IFRS 12, 'Disclosures of interests in other entities'
IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on April 1, 2013.

IFRS 13 'Fair value measurement'
IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on April 1, 2013.

IAS 19 'Employee Benefits'
Amendments to IAS 19, Employee Benefits (IAS 19), were issued in June 2011 but are not yet effective. The amendments eliminate the corridor approach for actuarial gains and losses, requiring the Company to recognize immediately all actuarial gains and losses in other comprehensive income. Only service costs and net interest income or expense will be included in income or loss. As a result, the statement of financial position asset or liability recognized by the Company will reflect the actual deficit/(surplus) of the Company's defined benefit plans. Past service costs will be recognized in the period of a plan amendment, irrespective of its vested status. The amendments to IAS 19 are effective for annual periods beginning on or after January 1, 2013, that is, April 1, 2013 for the Company, and is to be applied retrospectively. As at March 31, 2013, the balance sheet prepaid pension asset is $1,325, whereas the plans have a total deficit of $2,682. On transition to revised IAS19 on April 1, 2013, the $4,007 difference of unrecognized losses will be charged to opening retained earnings and the prepaid pension asset will be replaced with a pension liability equal to the deficit.

(Expressed in thousands of Bermuda Dollars)

2. Significant accounting policies (continued)

C) BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis. The consolidated financial statements are presented in Bermuda dollars which is the Company's functional currency. Significant accounting policies are:

(i) Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

These consolidated financial statements include the financial statements of BAS and its subsidiaries all of which are registered in Bermuda. The subsidiaries and percentage ownership at March 31, 2013 are:

AIRCRAFT SERVICES BERMUDA LIMITED ("ASB")	**100%**
BAS-SERCO LTD. ("BAS-Serco")	**90%**
BERMUDA ENERGY SERVICES COMPANY LIMITED ("BESCO")	**66%**
THE CCS GROUP LTD. ("CCS")	**100%**
EASTBOURNE PROPERTIES LTD. ("EPL")	**100%**
EFFICIENT TECHNOLOGIES BERMUDA LTD. ("EFF-TECH")	**90%**
INTEGRATED TECHNOLOGY SOLUTIONS LTD. ("ITS")	**75%**
INTERNATIONAL BONDED COURIERS OF BERMUDA LTD ("IBC")	**100%**
OTIS ELEVATOR COMPANY (BERMUDA), LTD. ("Otis")	**80.1%**
WEIR ENTERPRISES LTD. ("Weir")	**100%**

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 BAS, using consistent accounting policies.

(ii) Business Combinations

The acquisition method of accounting is used to account for business combinations by the Company. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assume in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

2. Significant accounting policies (continued)

C) BASIS OF PREPARATION (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired, is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the statements of comprehensive income (loss).

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash balances with banks in current and demand accounts. The Company maintains bank accounts with two financial institutions in Bermuda. Cash and cash equivalents are classified as held for trading. These instruments are accounted for at fair value.

E) INVENTORIES

Inventories are 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. Inventories comprise fuel, auto parts, heating, ventilation and air-conditioning parts, elevator parts, telephony, cabling and computer parts.

F) GOODWILL

Goodwill arising on the purchase of subsidiaries is measured at 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.

G) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Property, plant and equipment are being depreciated over their estimated useful lives, which are as follows:

Land and Buildings	20 – 40 years
Machinery and Equipment	From 3 to 15 years
Fixtures and Fittings	From 3 to 10 years
Leasehold Improvements	From 5 to 10 years

H) PENSION BENEFITS

As described in note 14, the Company maintains pension plans covering certain 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 unit credit method and 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.

2. Significant accounting policies (continued)

H) PENSION BENEFITS (continued)

Actuarial gains (losses) arise from the difference between the actual 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 expected average remaining working lives of the employees participating in the plans. The Company's net benefit plan expenses are included in wages and benefits.

I) 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 customers' 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 includes unbilled revenue established using the percentage of completion method of $2,861 (2012 - $1,828).

J) 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.

K) 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 other income.

L) USE OF ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 2(F) - goodwill
Note 2(N) - impairment of financial assets
Note 2(O) - impairment of non-financial assets
Note 14 - pension benefits

2. Significant accounting policies (continued)

M) 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 the Company's designation of such instruments. IFRS require 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 the classification the Company has elected to apply to each of its significant categories of financial instruments outstanding as at March 31, 2013:

Cash and cash equivalents	Held-for-trading
Accounts and Other receivables	Loans and receivables
Bank loan	Other liabilities
Accounts payable and accrued liabilities	Other liabilities

Held-for-trading

Financial assets that are acquired with the intention of generating income 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 using the effective interest method less any impairment losses.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method 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.

N) IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

2. Significant accounting policies (continued)

0) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

P) OPERATING LEASE PAYMENTS

Payments made under operating leases are recognized in profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(Expressed in thousands of Bermuda Dollars)

2. Significant accounting policies (continued)

Q) 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. Business Combinations

A) Integrated Technology Solutions Ltd. ("ITS")

On April 2, 2012, the Company obtained control of ITS, a Bermuda-based company that provides custom electronic solutions for commercial and residential applications, by acquiring 75 percent of the shares and voting interest in the company.

The acquisition of ITS will enable the Company to increase its share of the custom electronic solution commercial and residential market through access to the acquiree's customer base. The Company also expects other subsidiaries to benefit from the acquisition of ITS.

B) Bermuda Energy Services Company Limited ("BESCO")

On October 15, 2012, the Company obtained control of BESCO, a Bermuda-based company that provides customized energy solutions primarily for large commercial businesses as well as power protection services for residential and smaller businesses, by acquiring 66 percent of the shares and voting interest in the company.

The acquisition of BESCO will enable the Company to provide energy solutions to existing customers as well as provide access to the acquiree's existing customer base. The Company also expects other subsidiaries to benefit from the acquisition of BESCO.

C) Efficient Technologies Bermuda Ltd. ("Eff-Tech")

On August 10, 2012, the company incorporated Eff-Tech and obtained control by acquiring 90 percent of the shares and voting interest in the company. Eff-Tech was incorporated in Bermuda and operates a heating, ventilation and air conditioning business.

The financial results of these subsidiary companies have been included in the consolidated financial statements from the date of acquisition.

Identifiable assets acquired, liabilities assumed and consideration transferred

The Company paid cash consideration of $1,048 and acquired net assets in the amount of $911 at the acquisition date.

Goodwill

The Company recognized goodwill as a result of the acquisitions as follows:

		March 31 2013
BESCO	$	**26**
ITS		**111**
	$	**137**

(Expressed in thousands of Bermuda Dollars)

3. Business Combinations (continued)

Transactions related to the acquisition

The Company incurred acquisition-related cost in the amount of $100 mainly relating to external legal fees and due diligence costs. The legal fees and other cost have been included in other direct expenses and overheads in the statements of comprehensive income (loss).

4. Inventories

	March 31, 2013	March 31, 2012
Fuel	$ -	$ 15
Auto parts	830	793
Computer, telephony, cabling and AV	331	391
Electrical Parts	665	-
Heating, Ventilation & Air-conditioning	834	-
Elevator parts	193	-
Other	133	112
Inventories carrying value	$ 2,986	$ 1,311

Cost of goods sold comprises expensed inventories in the amount of $10,463 (2012 - $7,194), less inventories expensed in the amount of $nil (2012 - $396) included in the loss from discontinued operations.

Inventories include an impairment allowance on computer parts inventory in the amount of $260 (2012 - $135).

(Expressed in thousands of Bermuda Dollars)

5. Property, Plant and Equipment

Property, plant and equipment and related accumulated depreciation are classified as follows:

	Land and Buildings	Machinery and Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost					
Balance at April 1, 2011	$ 4,597	$ 10,460	$ 594	$ 3,548	$ 19,199
Additions	6,824	778	17	286	7,905
Disposals	(12)	(4,208)	(137)	(1,400)	(5,757)
Balance at March 31, 2012	$ 11,409	7,030	$ 474	$ 2,434	$ 21,347
Balance at April 1, 2012	$ 11,409	7,030	$ 474	$ 2,434	$ 21,347
Additions	145	1,116	61	211	1,533
Disposals	-	(992)	-	(26)	(1,018)
Balance at March 31, 2013	$ 11,554	7,154	$ 535	$ 2,619	$ 21,862
Depreciation					
Balance at April 1, 2011	$ 744	$ 8,430	$ 470	$ 2,876	$ 12,520
Depreciation for the year	80	855	15	215	1,165
Disposals	(13)	(3,983)	(136)	(1,316)	(5,448)
Balance at March 31, 2012	$ 811	$ 5,302	$ 349	$ 1,775	$ 8,237
Balance at April 1, 2012	$ 811	$ 5,302	$ 349	$ 1,775	$ 8,237
Depreciation for the year	331	838	40	260	1,469
Disposals	-	(958)	-	(23)	(981)
Balance at March 31, 2013	$ 1,142	$ 5,182	$ 389	$ 2,012	$ 8,725
Carrying amounts					
At April 1, 2011	$ 3,853	$ 2,030	$ 124	$ 672	$ 6,679
At March 31, 2012	$ 10,598	$ 1,728	$ 125	$ 659	$ 13,110
At April 1, 2012	$ 10,598	$ 1,728	$ 125	$ 659	$ 13,110
At March 31, 2013	$ 10,412	$ 1,972	$ 146	$ 607	$ 13,137

Property, plant and equipment are reviewed annually for impairment. The Company has determined that there was no impairment in the property, plant and equipment at the end of the current fiscal year.

Property, plant and equipment include fully depreciated items, which continue to provide an economic benefit to the Company, with an original cost of approximately $3,921 (2012 - $4,260).

Disposals for the year include fully depreciated assets, which were no longer in use, of $1,018 (2012 - $3,134) which were removed from the Company's records.

(Expressed in thousands of Bermuda Dollars)

6. Goodwill

Goodwill is classified as follows:

	March 31 2013	March 31 2012
Automotive Garages	**1,942**	1,942
Cargo Handling	**1,300**	1,300
Facilities Management	**9,364**	9,226
	12,606	12,468

Management assessed goodwill and accordingly determined that goodwill was not impaired as at March 31, 2013. During the year, the company acquired BESCO and ITS (note 3) and goodwill in the amounts of $26 and $111 respectively, were recorded. During the prior year, the Company recognised an impairment in the value of goodwill associated with the Cargo Handling division in the amount of $5,686.

7. Bank Overdraft

During the prior year BAS obtained bank overdraft facilities totalling $250 to finance operations. The overdraft facility accrued interest at 2.0% per annum over the bank's Bermuda dollar base rate and expired on August 31, 2012. On September 1, 2012 the overdraft was renewed under the same terms. On October 18, 2012 BAS sought and was granted an increase in the overdraft facility to $500, terms remaining the same. The bank's Bermuda dollar base rate at year end was 3.75% (2012 – 3.75%). Cash and cash equivalents includes cash held in current accounts in the amount of $6,077 (2012 – $8,098) and demand accounts in the amount of $77 (2012 - $1,298).

8. Bank Loan

In the prior year, BAS borrowed $6,700 to finance the purchase of land and a building. The 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 principle and interest of $56. The loan is secured by a first registered legal mortgage over property located at 19 Bakery Lane, Pembroke, Bermuda and a fixed and floating charge in the amount of $5,200 over the Company's assets and conditional assignment of rents related to the property.

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

	$
2014	310
2015	328
2016	347
2017	368
2018	390
Thereafter	4,617

(Expressed in thousands of Bermuda Dollars)

9. Non-Controlling Interests

Non-controlling interests represent the following:

March 31, 2013		BAS-Serco	Otis	ITS	BESCO	Eff-Tech	Total
Non-controlling interest at acquisition		67	86	3	390	26	572
Movement	$	130	128	(133)	17	(60)	82
Non-controlling interest at year end	$	**197**	**214**	**(130)**	**407**	**(34)**	**654**

March 31, 2012		BAS-Serco	Otis	ITS	BESCO	Eff-Tech	Total
Non-controlling interest at acquisition		67	86	-	-	-	153
Movement	$	97	126	-	-	-	223
Non-controlling interest at year end	$	**164**	**212**	**-**	**-**	**-**	**376**

Non-controlling interests of ($64) (2012 - $199), as shown in the Consolidated Statement of Comprehensive Income (Loss), comprise $62 (2012 - $142) from BAS-Serco; $50 (2012 - $57) from Otis; ($133) (2012 - $nil) from ITS; $17 (2012 - $nil) from BESCO; and ($60) (2012 - $nil) from Eff-Tech.

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.

As part of the acquisition of ITS on April 2, 2012, the Company also granted options to the non-controlling shareholders to sell their shareholding to the Company. These options are open-ended and exercisable from the fifth 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.

(Expressed in thousands of Bermuda Dollars)

10. Share Capital

Share capital is as follows:

	March 31 2013	March 31 2012
Authorized- 9,999,996 shares (2012 - 9,999,996 shares), par value of $1.00 (2012 - $1.00) each	**10,000**	**10,000**
Issued and fully paid- 5,089,047 shares (2012 - 5,089,047 shares)	**5,089**	**5,089**

Dividends declared and paid during the year amounted to $0.20 per share (2012 - $0.22).

During the year, the Company issued nil shares (2012 - 6,026) to senior management as part of the executive stock compensation scheme (see Note 20).

11. Discontinued Operations

During the prior year, the Company sold the Field and Technical services divisions of its Aircraft and Passenger Handling segment. Management committed to a plan to sell these divisions of the segment early in the second quarter of 2011 having considered the commercial aviation industry and the future direction of the Company. In February 2012 the Company also discontinued the Garage services division.

	March 31 2013	March 31 2012
Results of discounted operations		
Revenue	-	887
Expenses	-	(3,158)
Results of operating activities	-	(2,271)
Gain on sale of discontinued operations	-	762
Loss for the year	-	(1,509)
Basic loss per share	-	(0.30)
Diluted loss per share	-	(0.30)

The loss from discontinued operations of $nil (2012 - loss of $1,509) is attributed entirely to the shareholders' of the Company.

The loss from discontinued operations includes redundancy costs in the amount of $nil (2012 - $935) and pension settlement cost in the amount of $nil (2012 - $333) (note 14).

12. 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 required. 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, purchase its own shares for cancellation or sell its assets to reduce debt.
As the Company's subsidiaries experience cyclical business cycles, it is necessary to manage its cash flows. 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 7).

During the 2013 fiscal year, the Company's strategy was to maintain a dividend payout at $0.05 per share per quarter.

13. 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, accounts payable and accrued liabilities and current portion of the 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 12.6% (2012 – 16.7%) 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.

(Expressed in thousands of Bermuda Dollars)

13. Financial Instruments – Risk Management (continued)

Impairment losses

The aging of receivables at the reporting date was:

		Gross amount Mar 31 2013		Impaired amount Mar 31 2013		Gross amount Mar 31 2012		Impaired amount Mar 31 2012
Not past due	$	5,900	$	-	$	4,052	$	-
Past due 0-30 days		2,122		-		1,371		-
Past due 31-120 days		2,214		-		810		-
More than 120 days		1,483		994		2,211		812
	$	11,719	$	994	$	8,444	$	812

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

		2013		2012
Balance at April 1	$	812	$	1,440
Change in impairment allowance		182		(628)
Balance at March 31	$	994	$	812

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.

(Expressed in thousands of Bermuda Dollars)

13. Financial Instruments – Risk Management (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payment;

March 31, 2013	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	$ 6,360	$ 6,360	$ 153	$ 157	$ 676	$ 2,070	$ 3,304
Trade and other payables	5,211	5,211	5,211	-	-	-	-
	$ 11,571	$ 11,571	$ 5,364	$ 157	$ 676	$ 2,070	$ 3,304

March 31, 2012	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	$ 6,657	$ 6,657	$ 144	$ 148	$ 638	$ 1,955	$ 3,772
Trade and other payables	4,255	4,255	4,255	-	-	-	-
	$ 10,912	$ 10,912	$ 4,399	$ 148	$ 638	$ 1,955	$ 3,772

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

IV. **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 date of the Statement of Financial Position, the Company had no significant currency risk exposure.

V. **Interest Risk:** Interest risk arises from changes in prevailing levels of market interest rates. At the date of the Statement of Financial Position, the Company had no significant interest rate risk exposure other than the variable portion of the interest rate applicable to the bank loan.

VI. **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 date of the Statement of Financial Position, the Company had no significant price risk exposure.

14. Pension Benefits

Certain employees of the Company and its subsidiaries are members of defined contribution plans. The net defined contribution plan expenses for BAS and its subsidiaries amounted to $718 (2012 - $723).

The Company operates two pension plans covering the employees of Bermuda Aviation Services Limited and ASB under the BAS Pension Plan Trust. 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.

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.

(Expressed in thousands of Bermuda Dollars)

14. Pension Benefits (continued)

The following tables provide a summary of the estimated financial position of the pension plans as at March 31, 2013:

	March 31 2013	March 31 2012
Accrued Benefit Obligation		
Balance - beginning of the year:		
Defined benefit portion	**7,964**	**7,935**
Defined contribution portion	**1,668**	**2,864**
	9,632	**10,799**
Employee contributions (defined contribution)	**316**	**294**
Employer contributions (defined contribution)	**150**	**201**
Interest cost	**342**	**397**
Benefits paid	**(737)**	**(2,222)**
Settlements	**-**	**(905)**
Actuarial losses and increase in defined contribution accounts	**1,020**	**1,068**
Balance - end of the year:		
Defined benefit portion	**8,651**	**7,964**
Defined contribution portion	**2,072**	**1,668**
	10,723	**9,632**

(Expressed in thousands of Bermuda Dollars)

14. Pension Benefits (continued)

	March 31 2013	March 31 2012
Assets		
Fair value - beginning of the year	**7,409**	**10,420**
Actual return on plan assets	**172**	**(850)**
Employee contributions (defined contribution)	**316**	**294**
Employer contributions (defined contribution)	**150**	**201**
Employer contributions (defined benefit)	**731**	**470**
Benefits paid	**(737)**	**(2,222)**
Settlements	**-**	**(905)**
Fair value - end of the year	**8,041**	**7,408**

	March 31 2013	March 31 2012
Accrued Benefit Asset		
Funded status – plan deficit	**(2,682)**	**(2,224)**
Unamortized actuarial losses	**4,007**	**2,873**
Accrued benefit asset	**1,325**	**649**

The accrued benefit asset is included in Other Receivables on the Consolidated Statement of Financial Position.

Information about how the plan assets are invested as of March 31, 2013 is as follows:

	March 31 2013	March 31 2012
Plan Assets by Asset Category		
Equity securities (principally US and Bermuda equities)	**41%**	**71%**
Debt securities (principally fixed deposits and cash)	**59%**	**29%**
Total	**100%**	**100%**

Plan assets include common shares of the Company having a fair value of $582 at March 31, 2013 (2012 - $499).

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 2013	March 31 2012
Assumptions for Expense		
Discount rate	**4.50%**	**5.50%**
Expected long-term rate of return on plan assets	**7.50%**	**7.50%**
Rate of compensation increase	**3.00%**	**3.25%**

(Expressed in thousands of Bermuda Dollars)

14. Pension Benefits (continued)

	March 31 2013	March 31 2012
Assumptions for Disclosure		
Discount rate	**4.00%**	**4.50%**
Rate of compensation increase	**3.00%**	**3.00%**

The Company's net pension expense is as follows:

	March 31 2013	March 31 2012
Current service cost, net of employee contributions	**-**	**-**
Interest cost	**342**	**397**
Expected return on plan assets	**(429)**	**(529)**
Amortization of net actuarial loss	**142**	**4**
Net defined benefit pension expense (credit) recognized in wages and benefits	**55**	**(128)**
Defined contribution pension expense	**150**	**201**
Total pension expense recognized in wages and benefits	**205**	**73**
Settlement cost recognized in discontinued operations	**-**	**322**
Total pension expense	**205**	**395**

Experience and assumption adjustments:

	March 31 2013	March 31 2012
Liability experience	**-**	**(251)**
Impact of changes in assumptions	**(957)**	**(821)**
Asset experience *****	**(320)**	**(1,376)**
Total adjustments	**(1,277)**	**(2,448)**

*Actual (loss) return on plan assets of $109 (2012 – ($845)) less expected return on plan assets of $429 (2012 - $530).

The Company expects contributions of $628 to be paid to its defined benefit plans in 2014.

An actuarial valuation report for funding purposes has been prepared as at March 31, 2013 for both the senior management and employee plans, and is due to be filed with the Pension Commission by September 30, 2013.

(Expressed in thousands of Bermuda Dollars)

15. Operating Lease Commitments

Certain of the Company's premises are leased from the Government of Bermuda under operating leases. The Company has a lease covering a private jet base and adjoining ramp area from February 15, 1998 to December 31, 2019 as part of the aircraft and passenger handling division (note 18).

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

	March 31 2013	March 31 2012
Less than one year	**636**	**445**
Between one and five years	**1,598**	**2,027**
More than five years	**77**	**217**

At March 31, 2013, the total future minimum lease payments under long-term leases are $2,311 (2012 - $2,689).

16. 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 $208.

Estimated future income from rental properties is as follows:

	March 31 2013	March 31 2012
Less than one year	**190**	**325**
Between one and five years	**100**	**680**
More than five years	**18**	**138**

17. Directors' Share Interests and Service Contracts

The total interests of all Directors and Officers of BAS as at March 31, 2013 were 64,982 (2012 – 208,053) shares.

During the year, 2,353 (10%) shares of BESCO and 1,000 (15.38%) of Eff-Tech were issued to a Director of BAS.

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 existing during or at the end of the financial year in which a Director was materially interested, either directly or indirectly.

(Expressed in thousands of Bermuda Dollars)

17. Directors' Share Interests and Service Contracts (continued)

Key management compensation comprised of:

		March 31 2013		March 31 2012
Salaries and benefits	$	2,077	$	1,589
Stock based compensation		25		28
	$	2,102	$	1,617

18. Segment Reporting

The Company has five 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 / as at March 31, 2013:

	Revenue for External Customers	Inter-Segment Revenue	Total Capital Expense	Amortization of Property, plant and equipment	Income (loss)	Total Assets	Total Liabilities
Administrative services	$ 311	$ 2,262	$ 334	$ 473	$ (3,887)	$ 11,925	$ 1,334
Aircraft and passenger handling	1,110	62	44	126	266	651	501
Automotive garages	3,514	84	3	10	925	963	86
Cargo handling	9,911	55	68	143	414	2,798	571
Facilities management	31,542	284	1,084	717	3,376	17,476	2,719
	$ 46,388	$ 2,747	$ 1,533	$ 1,469	$ 1,094	$ 33,813	$ 5,211

For the year ended / as at March 31, 2012:

	Revenue from External Customers	Inter-Segment Revenue	Total Capital Expenditure	Amortization of property, plant and equipment	Income (loss)	Total Assets	Total Liabilities
Administrative services	$ 379	$ 1,067	$ 6,834	$ 186	$ (1,189)	$ 9,359	$ 658
Aircraft and passenger handling	1,398	9	24	145	534	705	1,306
Automotive garages	3,365	193	27	61	338	4,798	99
Cargo handling	10,641	31	127	148	188	2,994	460
Facilities management	24,334	65	893	625	2,536	13,954	1,732
	$ 40,117	$ 1,365	$ 7,905	$ 1,165	$ 2,407	$ 31,810	$ 4,255

(Expressed in thousands of Bermuda Dollars)

18. Segment Reporting (continued)

Reconciliation

	March 31 2013	March 31 2012
Income (Loss)		
Total income for reportable segments	**1,094**	2,407
Pension plan benefit expense	**205**	73
Other income	**825**	431
Finance costs	**(383)**	(75)
Loss from discontinued operations	**-**	(1,509)
Goodwill Impairment	**-**	(5,686)
Total Company income (loss)	**1,741**	(4,359)
Total Assets		
Total assets for reportable segments	**33,813**	31,810
Inter-segment balances	**-**	572
Pension plan benefit asset	**1,325**	649
Goodwill	**12,606**	12,468
Total Company Assets	**47,744**	45,499
Total Liabilities		
Total liabilities for reportable segments	**5,211**	4,255
Deferred revenue	**4,700**	4,180
Bank loan	**6,360**	6,657
Total Company Liabilities	**16,271**	15,092

19. Related Party Transactions

During the year, BAS-Serco provided facilities management services to a company related by a common director. These services were provided in the normal course of business for the consideration amount of $1,041 (2012 - $1,086), the amount contracted between the parties. As at March 31, 2013, the amount due to BAS-Serco Ltd. was $80 (2012 - $72).

(Expressed in thousands of Bermuda Dollars)

20. Stock Based Compensation

The Company has a stock based compensation plan whereby senior management of BAS 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 BAS or its subsidiaries before the bonus vests. 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.

The shares exercised at the fair value (traded value) and the premium over book value is charged to share premium as follows:

	March 31 2013	March 31 2012
Fair value of share rewards	**$ -**	$ 20
Less: book value of shares	**-**	(6)
Increase share premium	**$ -**	$ 14

The number and weighted average exercise prices of shares under the program are as follows:

	Mar 31, 2013 Number of shares 2013	**Weighted average exercise price**	**Mar 31, 2012 Number of shares 2012**	**Weighted average exercise price**
Outstanding at April 1	8	**$** 4.82	10	**$** 5.29
Forfeited during the year	-	4.82	(1)	4.67
Exercised during the year	-	-	(6)	4.67
Granted during the year	-	-	5	4.67
Outstanding at March 31	8	**$** 4.82	8	**$** 4.82

21. Subsequent Events

Subsequent to year end, in May 2013, the Company sold 35% of its interest in Eff-Tech.

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OR

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THE BANK OF N.T. BUTTERFIELD
AND SON LIMITED
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AUDITORS

ARTHUR MORRIS & COMPANY
Chartered Accountants
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EASTBOURNE PROPERTIES LTD.
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