

BAS has generated operating income for the six-month period of \$689,000 compared to \$806,000 in 2015, excluding the impact of discontinued operations of BAS-Serco's airport operations contract and the sale of IBC.

Revenues for the period ending September 30, 2016 totaled \$18.2 million. This was a contraction of 10 percent from the corresponding period a year ago and operating expenses also decreased by 4 percent.

BAS-Serco Ltd. earnings were 21 percent ahead of expected earnings for the six month period despite revenues that were 1 percent lower than anticipated. We are pleased to report that our Facilities Management contracts continue to integrate and complement our Group Solution's offering.

Weir Enterprises Ltd. and Otis Elevator Company (Bermuda) Ltd. have maintained stable financial results while continuing to meet the needs of customers.

CCS Group Ltd. has produced a decent result although revenues are down by 15 percent. The investment into new lines of business is expected to gain traction in the coming months.

Efficient Technologies Bermuda Ltd. ("EFF-Tech") revenues were 13.2 percent lower than anticipated, but earnings were significantly greater than the expectations.

Integrated Technology Solutions Ltd. ("ITS") revenues surpassed the expectations by 31.8 percent and this resulted improved earnings for the six month period.

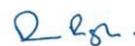
Eff-Tech Ltd. and ITS Ltd. operate in the fields of heating, ventilation and air conditioning and audio visual electronics and office automation, respectively.

Bermuda Energy Services Company Ltd. and Integrated Technology Solutions Ltd. continue to complement the Group Solutions model. Earnings for these companies for the next six months are expected to be moderate.

On behalf of the Board and Management, we wish to thank our Shareholders and clients for their continued support and acknowledge the hard work and commitment of our staff.



Ian D. Cook
President & CEO



David W. Pugh
Chairman

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2016
(Expressed in Thousands of Bermuda Dollar)

| | UNAUDITED | AUDITED |
|---|-----------------|------------------|
| | SEPT 30 2016 | MARCH 31 2016 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 4,898 | 6,124 |
| Accounts receivable | 7,969 | 8,520 |
| Inventories | 2,972 | 2,624 |
| Prepaid expenses | 595 | 549 |
| | 16,434 | 17,817 |
| NON-CURRENT ASSETS | | |
| Other receivables | 3,371 | 3,836 |
| Capital assets | 10,661 | 10,555 |
| Goodwill | 11,279 | 11,306 |
| | 25,311 | 25,697 |
| TOTAL ASSETS | 41,745 | 43,514 |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 2,862 | 3,124 |
| Deferred revenue | 2,821 | 3,269 |
| Bank loan | 711 | 665 |
| | 6,394 | 7,058 |
| NON-CURRENT LIABILITIES | | |
| Bank loan | 7,582 | 8,379 |
| TOTAL LIABILITIES | 13,976 | 15,437 |
| SHAREHOLDERS' EQUITY | | |
| Share capital | 4,922 | 4,922 |
| Share premium | 12,371 | 12,371 |
| Retained earnings (note 5) | 10,191 | 9,713 |
| TOTAL SHAREHOLDERS' EQUITY | 27,484 | 27,006 |
| Non-controlling interest | 285 | 1,071 |
| TOTAL EQUITY | 27,769 | 28,077 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 41,745 | 43,514 |

See accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016
(Expressed in Thousands of Bermuda Dollars)

| | UNAUDITED | AUDITED |
|--|-----------------|-----------------|
| | SEPT 30 2016 | SEPT 30 2015 |
| REVENUES | | |
| Sale of goods | 9,109 | 11,490 |
| Supply of services | 9,099 | 8,705 |
| Total revenue | 18,208 | 20,195 |
| DIRECT COST OF REVENUE | | |
| Cost of goods sold | (5,877) | (7,654) |
| Direct cost of services revenue | (4,290) | (4,142) |
| Total direct cost of revenue | (10,167) | (11,796) |
| GROSS PROFIT | 8,041 | 8,399 |
| Other income | 8 | 6 |
| OPERATING EXPENSES | | |
| Wages and benefits | (4,826) | (5,081) |
| Other direct expenses and overheads | (1,824) | (1,767) |
| Amortisation | (447) | (460) |
| Finance costs | (263) | (291) |
| Total operating expenses | (7,360) | (7,599) |
| TOTAL INCOME FROM CONTINUING OPERATIONS | 689 | 806 |
| Income from discontinued operations | - | 541 |
| Gain from non-controlling interest purchase | 302 | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 991 | 1,347 |
| EARNINGS ATTRIBUTABLE TO: | | |
| Shareholders of the Company | 970 | 1,194 |
| Non-controlling interest | 21 | 153 |
| Earnings for the period | 991 | 1,347 |

See accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016
(Expressed in Thousands of Bermuda Dollar)

| | UNAUDITED | AUDITED |
|--|-----------------|-----------------|
| | SEPT 30 2016 | SEPT 30 2015 |
| OPERATING ACTIVITIES | | |
| Net income for the period | 991 | 1,347 |
| Adjustments to convert to cash basis: | | |
| Amortisation | 447 | 460 |
| Finance costs | 263 | 291 |
| Goodwill impairment | 27 | - |
| Changes in non-cash working capital: | | |
| Accounts receivable and prepaid expenses | 40 | (2,353) |
| Inventories | (348) | (433) |
| Accounts payable and accrued liabilities | (262) | (793) |
| Deferred revenue | (448) | 1,628 |
| | 710 | 147 |
| INVESTING ACTIVITIES | | |
| Acquisition/purchase of capital assets and/or disposal of capital assets | 106 | (443) |
| | 106 | (443) |
| FINANCING ACTIVITIES | | |
| Repayment of bank loan | (752) | (444) |
| Finance costs | (263) | (291) |
| Dividends paid to shareholders | (492) | (492) |
| Dividends paid to non-controlling interests | (219) | (186) |
| Purchase of non-controlling interest | (316) | - |
| | (2,042) | (1,413) |
| CASH & CASH EQUIVALENTS | | |
| Decrease during the period | (1,226) | (1,709) |
| Beginning of the period | 6,124 | 7,273 |
| End of the period | 4,898 | 5,564 |

See accompanying notes

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016

(Expressed in Thousands of Bermuda Dollars)

1. Significant Accounting Policies

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and follow the same accounting policies and methods of their application as per March 31, 2016 audited financial statements and should be read in conjunction with the latter.

2. Earnings Per Share (Basic and Diluted)

| | 2016 | 2015 |
|--------------------|-----------|-----------|
| Number of shares | 4,922,301 | 4,922,301 |
| Earnings per share | \$0.20 | \$0.24 |

3. Segment Reporting

The Group has three reportable segments as at September 30, 2016 as shown below. The Group's management has identified the operating segments based on the goods and services they provide. All business and all inter-segment transactions are accounted for on an arm's length basis.

| | Revenue from external customers | | Inter-segment revenue | | Amortisation of capital assets | | Net income from Operations | | Total assets | |
|--------------------------------------|---------------------------------|--------|-----------------------|-------|--------------------------------|------|----------------------------|---------|--------------|--------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Administrative Services | 159 | 129 | 1,207 | 1,362 | 224 | 233 | (2,080) | (2,776) | 10,554 | 11,248 |
| Automotive Garages | 1,621 | 1,785 | - | - | 2 | 2 | 569 | 587 | 975 | 839 |
| Cargo Handling Facilities Management | - | - | - | - | - | - | - | - | - | - |
| | 16,428 | 18,281 | - | - | 221 | 225 | 2,455 | 3,280 | 18,938 | 20,121 |
| | 18,208 | 20,195 | 1,207 | 1,362 | 447 | 460 | 944 | 1,091 | 30,466 | 32,208 |

4. Reconciliations

| | 2016 | 2015 | | 2016 | 2015 |
|---|-------|-------|---------------------|--------|--------|
| NET INCOME | | | TOTAL ASSETS | | |
| Reportable segments | 944 | 1,091 | Reportable segments | 30,466 | 32,208 |
| Other income | 8 | 6 | Goodwill | 11,279 | 11,306 |
| Finance costs | (263) | (291) | | | |
| Income from discontinued operations | - | 541 | | | |
| Non-controlling interest | (21) | (153) | | | |
| Gain from non-controlling interest purchase | 302 | - | | | |
| | 970 | 1,194 | | 41,745 | 43,514 |

DIRECTORS

CHAIRMAN
David W. Pugh, CPA, CA

DEPUTY CHAIRMAN
Gail E. M. Miller

Jeffrey G. Conyers
Ian D. Cook
Michael L. Darling
Dr. James A. C. King

J. Patricia Lynn
Scott Pearman
The Hon. Gerald D. E. Simons O.B.E.

SECRETARY
Codan Services Limited

OFFICERS

Ian D. Cook
PRESIDENT AND
CHIEF EXECUTIVE OFFICER
BAS GROUP OF COMPANIES

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

GENERAL MANAGERS

Peter Aldrich
THE CCS GROUP LTD.

Jeff Cook
WEIR ENTERPRISES
LTD.

Tracey Sutherland
BAS-SERCO LTD.

John Morran
OTIS ELEVATOR
COMPANY (BERMUDA)
LTD.

Greg Woods
INTEGRATED
TECHNOLOGY
SOLUTIONS LTD.

Craig Davis
BESCO LTD. & EFF-TECH
LTD

5. Retained Earnings

| | 2016 | 2015 |
|--------------------------|---------------|--------------|
| Beginning of the period | 9,713 | 7,932 |
| Earnings for the period | 970 | 1,194 |
| Dividends | (492) | (492) |
| End of the period | 10,191 | 8,634 |



Bermuda Aviation Services Limited

INTERIM REPORT
for the six months ended
SEPTEMBER 30, 2016

