

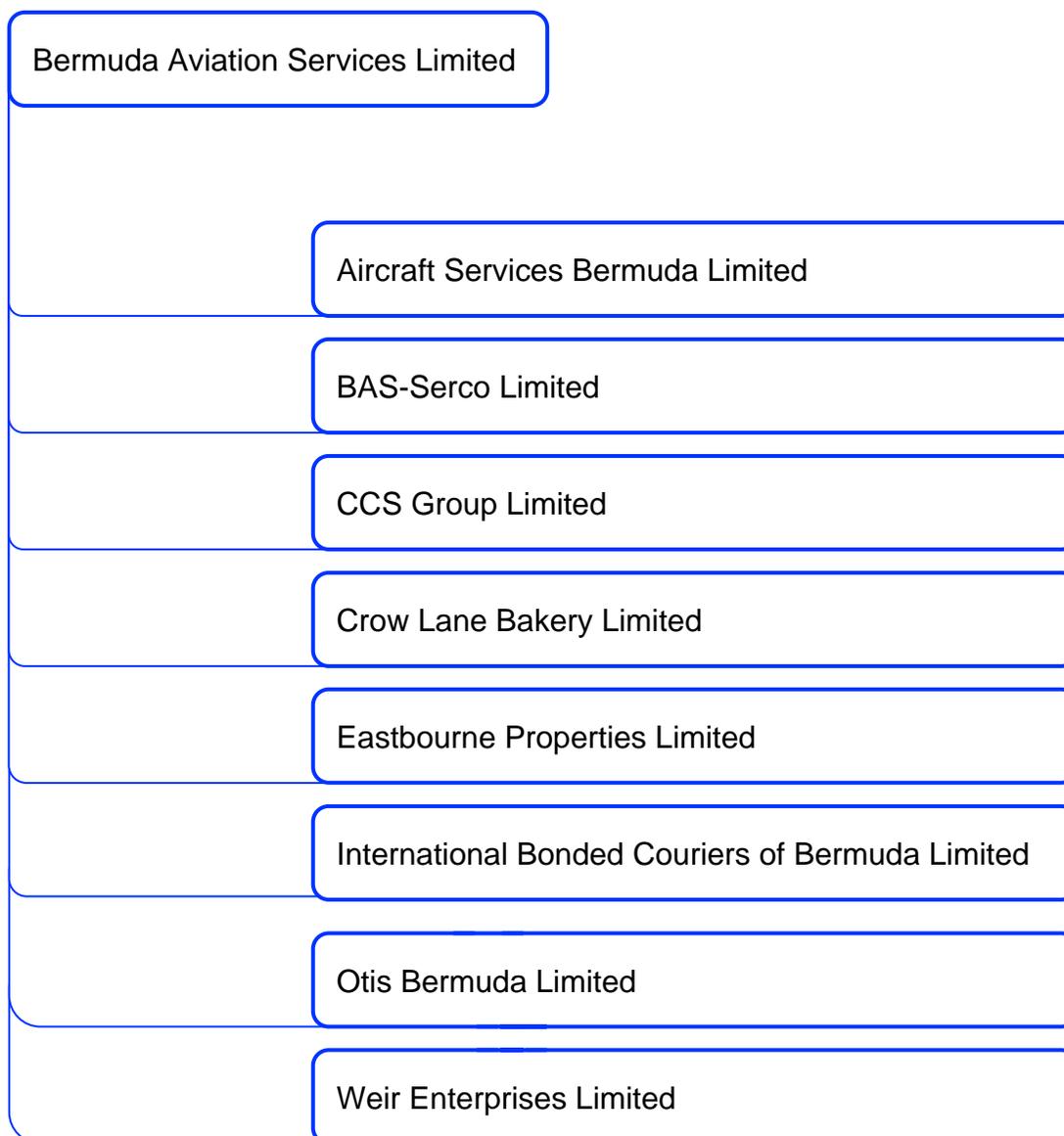
# **Bermuda Aviation Services Limited**

## 2006 - 2007 Annual Report

To be presented to the  
Annual General Meeting of  
Bermuda Aviation Services Limited  
to be held in the boardroom of  
Conyers, Dill and Pearman  
on Friday, July 27, 2007  
at 9:00 a.m.

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

## GROUP STRUCTURE



## 2006 - 2007 HIGHLIGHTS

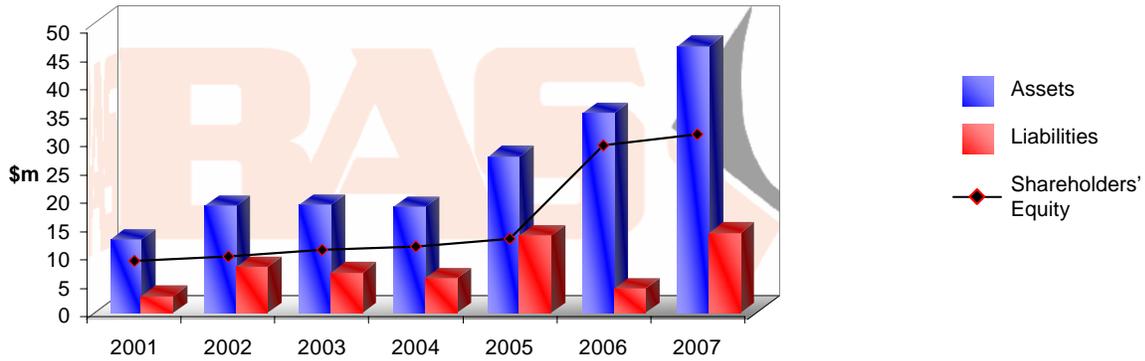
- Record net earnings of \$3.4 million
- Increased shareholder equity by 6%
- Acquisition of CCS Group Limited
- Acquisition of Otis Bermuda Limited
- Paid 44% of Net Income as Dividends

# FINANCIAL HIGHLIGHTS

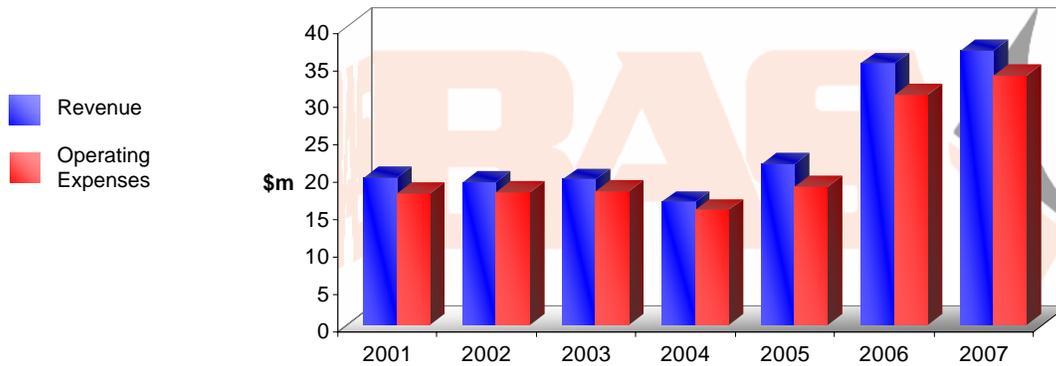
(Expressed in BDA\$000)

	2007	2006	2005	2004	2003	2002	2001
Revenue	36,674	34,967	21,513	16,429	19,462	19,060	19,751
Direct & Operating Expenses	33,398	30,743	18,542	15,357	17,907	17,703	17,597
Income from Operations	3,276	4,224	2,970	1,072	1,555	1,357	2,155
Net income	3,384	2,835	2,021	1,231	1,732	1,559	2,101
Assets	46,053	34,550	27,011	18,305	18,655	18,483	12,684
Liabilities	13,857	4,260	13,333	6,014	6,961	7,887	2,940
Shareholders' Equity	32,196	30,290	13,678	12,291	11,694	10,596	9,744

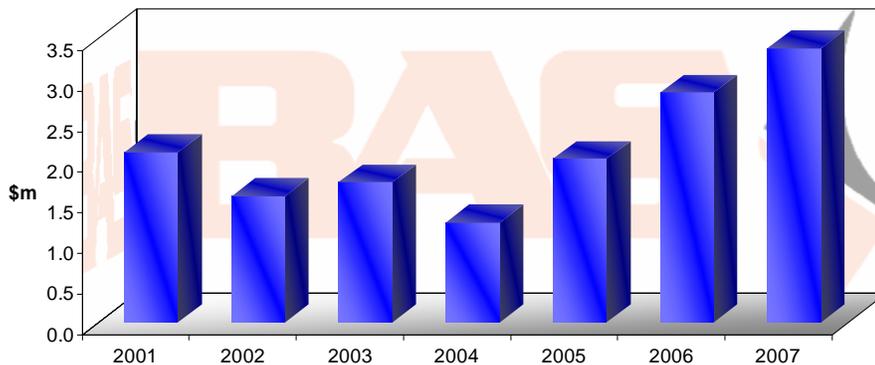
**Assets vs Liabilities**



**Revenue vs Operating Expenses**



**Net Income**



## CHAIRMAN'S REPORT

May 28, 2007

Fiscal year 2007 was another extremely successful one for Bermuda Aviation Services Ltd. (BAS) The Company continues to improve on those things most important to our customers; products and service, whilst driving growth and earnings to deliver value to our shareholders.

Our focus on performance produced our third consecutive year of increased revenue and net earnings. Whilst operating earnings were down 22% to 3.3 million, net earnings improved 19% to 3.4 million. Revenue for the period was up 5% to 37 million.

We enjoyed results that strengthened our balance sheet, enabled us to return higher dividends to our shareholders and allowed us to invest in our future through further acquisitions providing momentum for significant growth in 2008. In February we announced the acquisition of a majority shareholding in Otis Bermuda Ltd. Otis is the world's leader in elevator technology and holds the largest share of installed units not just in Bermuda but worldwide. In March BAS acquired 100% of the shares of CCS Group Ltd. a leading provider of cabling, telephony and network infrastructure in Bermuda. Not only do both businesses complement our facilities management operations, but they also meet our strict criteria for acquisitions. Both companies have a solid customer base and present excellent opportunities for growth.

Growth requires the right competencies, and a key component of future success is the assurance of good leadership. In this regard the board was pleased to approve the appointment of Ken Joaquin to the post of Group Chief Executive Officer. His appointment took effect on October 1, 2006. Ken will assume the role of Group president and chief executive officer on January 1, 2008 when Gene Bean our present group president steps up to the role of Executive Director where he will primarily concentrate on the company's strategic initiatives whilst maintaining oversight and responsibility for the company's affairs. We are also pleased to have Raymond Packwood take on an expanded Chief Financial Officer role after

wearing several hats and managing several of our subsidiaries. In April Richard Savard who formerly headed BAS-Serco assumed the role of Group Chief Operating Officer responsible for internal development, and safety management to accommodate future growth. This team will also establish the company's operational and financial goals. This breadth of experience and expertise will be the catalyst for our future success.

Looking ahead I see BAS well positioned across every line of business. Our strong management, reliable service and sound growth strategy are the fundamentals that brought us to where we are today and on what we will build our future.

In closing, your board of directors wishes to acknowledge the hard work and dedication put forth by the men and women in our various operations. They are truly the underlying strength of our success.



Michael L. Darling  
Chairman

# REPORT FROM MANAGEMENT

May 28, 2007

We enter this year with an expanded portfolio of excellent businesses and with the greatest financial strength in the history of the company. Although we incurred some debt in the acquisition of CCS Group Ltd. we see much future benefit in the addition of this company and Otis Bermuda Ltd. Both companies come with a highly skilled workforce, name brand presence, a proven record of performance and excellent leadership. The two acquisitions afford us further opportunity to build on our facilities management businesses and in time bring single solutions to many of our clients.

There were many events to highlight from this year's performance, not least of which were record earnings, record revenues, greater assets and improved shareholders' equity. Revenue and income in each subsidiary were ahead of last year. Whilst performance across the entire group was either good or excellent with no particular company or division giving us any cause for concern, we intend to, over the next eighteen months, standardize processes and look for both financial and operational efficiencies across the various businesses. All contracts, expenditures and processes will be scrutinized to take advantage of our size and reach.

In our management report of 2006 we set several goals for the three ensuing years. All related to increasing shareholder value. I am pleased to report that we are well on our way to meeting or exceeding our objectives. Earnings for this fiscal year were up 19%; return on revenue is ahead 14%, cash flow is strong and having continued to execute our growth plan effectively the company could not be more stable.

This year, in addition to giving you our shareholder a commitment to strive for further financial improvement, we also commit to the employees of BAS the opportunity for advancement and upward mobility. To this end the company has established two scholarship plans to assist both employees with further education needs. The award programme will be open only to employees or dependent children of employees (excluding Directors). The values will be \$10,000 per year for overseas education for the "Bermuda

*Aviation Services Limited Chairman's Education Award", and \$5,000 per year for an Associate's Degree at the Bermuda College designated as the "Bermuda Aviation Services Limited President's Education Award."*

There is one item of litigation that BAS has tried to settle amicably with the Government of Bermuda. To date this has not been possible. It concerns our Private Jet operation where it is our position that the company has the exclusive right to operate the concession till the year 2014. The tender documents issued in 1997 clearly state that the successful proponent has such a right. The Government has put forward that we do not, and has accepted another proposal that will allow a second operator. We are confident of our position.

Despite this distraction 2008 looks extremely bright. Revenues and Net Income are expected to rise by more than 20% and our cash position will improve quickly as we aggressively reduce our debt. We are extremely proud to have Rob Loxton and his CCS Group Ltd. team join our family and equally proud and pleased to have Ms. Candy Foggo lead our Otis group. Both are proven executives who will contribute immensely to our planning and performance. That appreciation of course extends to the present management team, our employees, customers and shareholders whose contribution and support were an integral part of our excellent performance.

This will be my last management report as I'll step down from the day to day operations of BAS in December. I am extremely grateful to have had the opportunity to lead such a great company and particularly proud to have been a part of its diversification and growth. I look forward to further contribution in my new strategic role supporting the new leadership.

Sincerely,



E. Eugene Bean  
Group President

# BAS 60 YEARS STRONG

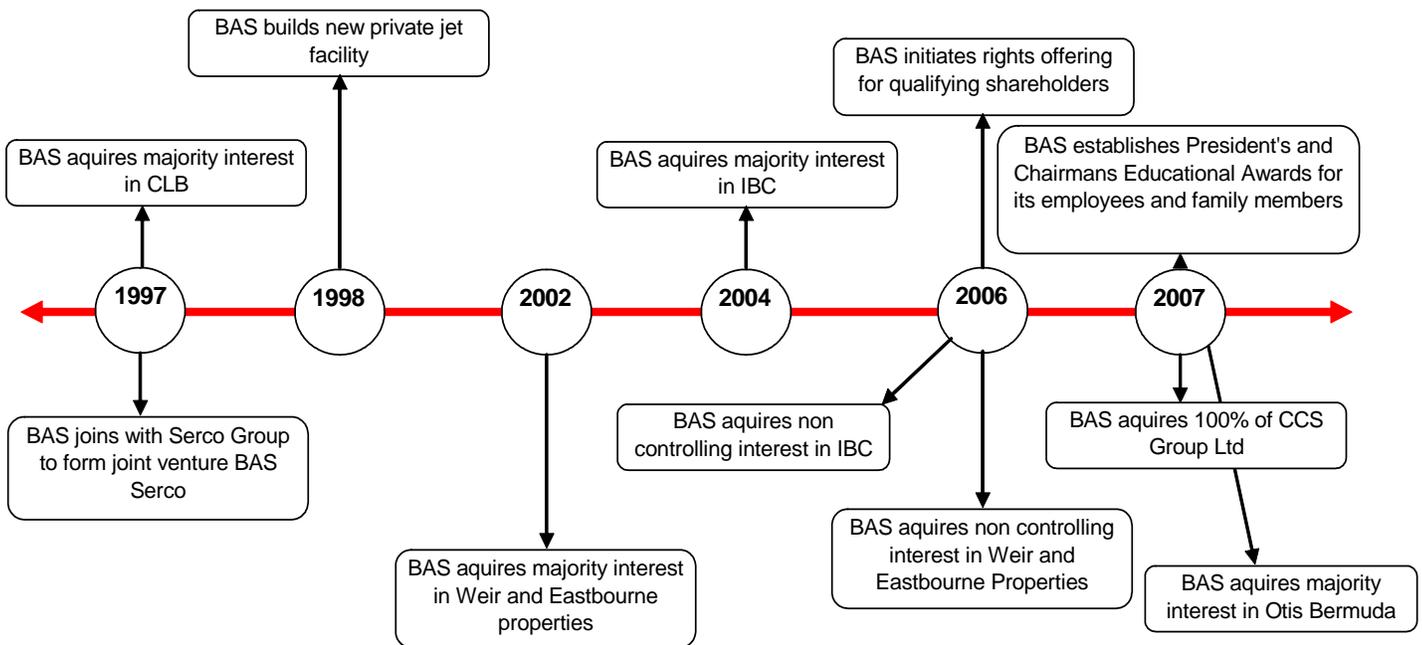
This year marks the sixtieth anniversary of Bermuda Aviation Services Limited's (BAS) existence. On April 10<sup>th</sup>, 1947, BAS was incorporated under the Bermuda Aviation Services Limited Act of 1947 as a result of a petition presented to the legislature by Gerald C. Conyers, James E. Pearman, and Hereward T. Washington.

Initially, only Aircraft Services Bermuda Limited (ASB) existed under the BAS banner. ASB was established with a staff of 3 persons in 1947, and provided ramp services to the various airlines. By 1957, ASB's staffing compliment had increased to 150 persons and its services had expanded to include: catering; aircraft maintenance; and airport transport.

For the majority of its existence BAS has remained very close to its aviation roots. However, in the last decade BAS has grown strategically away from the core on which it was based to become a notable Bermudian conglomerate. Today, the BAS Group is comprised of seven very diverse companies: ASB; BAS-Serco; Weir Enterprises Ltd.; Crow Lane Bakery Ltd. (CLB); International Bonded Couriers Ltd. (IBC); Otis Bermuda Ltd. and CCS Group Ltd. The acquisition of the seven companies above occurred between 1997 and present.

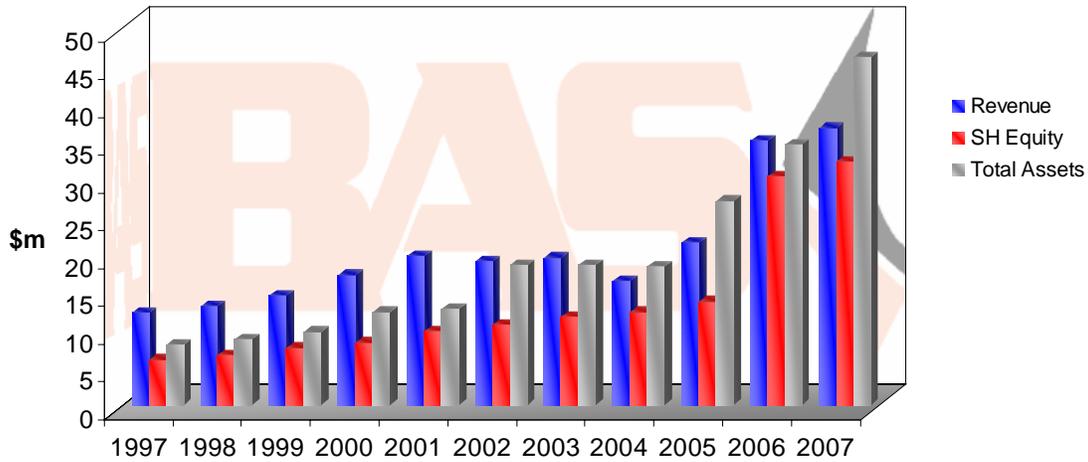
Below is a timeline detailing notable acquisitions and accomplishments of BAS.

## Major Acquisitions & Accomplishments



# BAS 60 YEARS STRONG (CONTINUED)

## Historical Financial Highlights

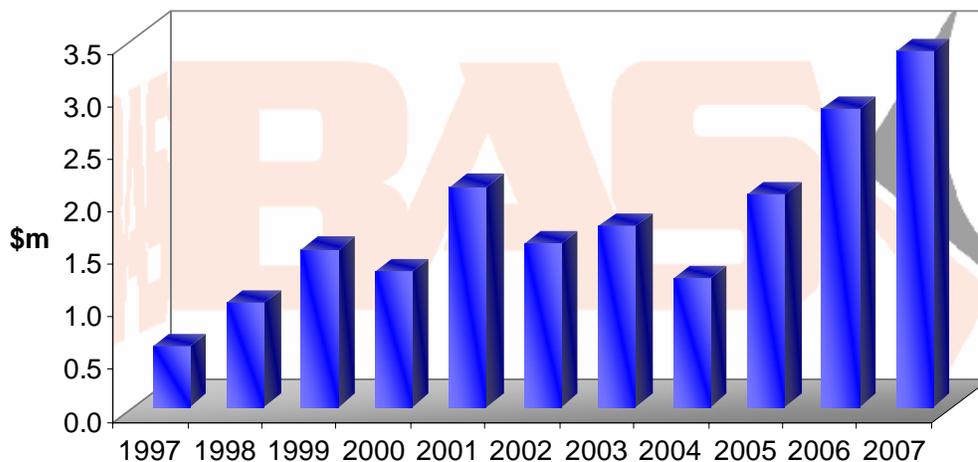


Like most publicly traded companies BAS' main objective is the maximization of shareholder value. To this end BAS has endeavored to reduce its reliance on the cyclical aviation market by acquiring high yield, self-contained and self-managed companies.

Upon examining BAS' Financial Highlights graph above the following stand out:

- Revenues, share equity and total assets have increased significantly over the last decade.
  - Annual revenue percentage increases averaged 13%
  - Annual share equity percentage increases averaged 22%
  - Annual total asset percentage increases averaged 20%

## Net Income Growth



- A review of the above graph shows that annual net earnings percentage increases averaged 26% over the 10 year period.

## BAS 60 YEARS STRONG (CONTINUED)

As we reflect on BAS' first sixty years we are mindful that its continued success in today's ever increasing competitive market place is attributable to many factors. These factors include, but are not limited to, sound management, a competent workforce, a service driven philosophy and BAS' ability to anticipate and respond promptly to its constantly changing business environment.

We at BAS intend to build on those success factors that have served us well over the last sixty years, while simultaneously arming ourselves with the necessary strategies and tools to ensure that our current culture of excellence is maintained.

On the occasion of our sixtieth anniversary we would like to take the opportunity to acknowledge the efforts and contributions of all who have been instrumental in the

success of the company thus far. While few would dispute that our first sixty years have been very successful, it is our fervent belief that the best is yet to come.

Sincerely,



Kenneth Joaquin  
Group Vice President



E. Eugene Bean  
Group President

June 26, 2007

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To the Shareholders of  
Bermuda Aviation Services Limited

We have audited the consolidated balance sheet of Bermuda Aviation Services Limited as at March 31, 2007 and the consolidated statements of income and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.



Chartered Accountants

# CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2007

(Expressed in Bermuda Dollars)	March 31 2007	March 31 2006
<b>CURRENT ASSETS</b>		
Cash and short-term deposits (note 2)	3,249,771	6,252,970
Accounts receivable and prepaid expenses	11,039,866	6,614,363
Inventories (note 2)	2,254,557	1,216,918
	<b>16,544,194</b>	14,084,251
<b>NON-CURRENT ASSETS</b>		
Other receivables (note 11)	1,692,604	1,225,007
Capital assets (note 4)	8,896,862	8,132,077
Intangible assets (note 3)	2,360,755	-
Goodwill (note 5)	16,558,199	11,108,878
	<b>29,508,420</b>	20,465,962
<b>TOTAL ASSETS</b>	<b>46,052,614</b>	34,550,213
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	5,867,916	4,193,323
Payable for CCS Group Ltd. (note 3)	1,319,246	-
Deferred revenue	1,515,517	
Current portion of long term debt (note 7)	591,937	
	<b>9,294,616</b>	4,193,323
<b>NON-CURRENT LIABILITIES</b>		
Non-controlling interests (note 8)	153,679	67,340
Long term debt (note 7)	4,408,063	
	<b>4,561,742</b>	67,340
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 9)	5,075,143	5,074,082
Share premium	12,696,736	12,691,113
Retained earnings	14,424,377	12,524,355
	<b>32,196,256</b>	30,289,550
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>46,052,614</b>	34,550,213

Signed on behalf of the Board



Director



Director

# CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 2007

(Expressed in Bermuda Dollars)	March 31 2007	March 31 2006
<b>REVENUE</b>		
Sale of goods	5,920,121	6,060,798
Supply of services	30,753,618	28,905,897
Total revenue	<b>36,673,739</b>	34,966,695
<b>DIRECT COST OF REVENUE</b>		
Cost of goods sold	2,166,376	2,277,360
Direct cost of services revenue	5,632,395	5,105,770
Total direct cost of revenue	<b>7,798,771</b>	7,383,130
<b>GROSS PROFIT</b>	<b>28,874,968</b>	27,583,565
<b>OPERATING EXPENSES</b>		
Wages and benefits	19,745,623	17,989,381
Other direct expenses and overheads	4,829,385	4,287,962
Amortization	1,032,743	1,002,135
(Gain) Loss on disposal of capital assets	(8,893)	80,533
Total operating expenses	<b>25,598,858</b>	23,360,011
<b>INCOME FROM OPERATIONS</b>	<b>3,276,110</b>	4,223,554
<b>NON-OPERATING ITEMS</b>		
Other income	260,779	267,773
Interest expense on long-term debt	-	(343,290)
Non-controlling interests (note 8)	(152,528)	(1,115,090)
Insurance claim adjustment (note 19)	-	(197,674)
<b>NET INCOME FOR THE YEAR</b>	<b>3,384,361</b>	<b>2,835,273</b>
<b>RETAINED EARNINGS</b>		
Beginning of the year	12,524,355	10,323,362
Net income for the year	3,384,361	2,835,273
Dividends	(1,484,339)	(634,280)
End of the year	<b>14,424,377</b>	12,524,355

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2007

(Expressed in Bermuda Dollars)	March 31 2007	March 31 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	3,384,361	2,835,273
Adjustments to convert to cash basis:		
Amortization	1,032,743	1,002,135
(Gain) Loss on disposal of capital assets	(8,893)	80,533
Interest expense on debt	-	343,290
Non-controlling interests (note 8)	152,528	1,115,090
Changes in non-cash working capital:		
Accounts receivable and prepaid expenses	(1,319,340)	(473,195)
Inventories	(15,119)	(114,362)
Accounts payable and accrued liabilities	(180,513)	(638,385)
Deferred revenue	11,830	-
	<b>3,057,597</b>	<b>4,150,379</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions (note 3)	(3,390,867)	(5,341,380)
Investment in capital assets	(925,917)	(936,150)
Proceeds on disposal of capital assets	9,700	1,150,000
	<b>(4,307,084)</b>	<b>(5,127,530)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of capital lease	55,556	66,667
Loan repayments	-	(7,103,103)
Dividends	(1,484,339)	(634,280)
Dividends paid to non-controlling interests	(324,929)	(1,135,571)
Net proceeds from rights issue	-	14,410,807
	<b>(1,753,712)</b>	<b>5,604,520</b>
<b>CASH &amp; CASH EQUIVALENTS</b>		
(Decrease) increase during the year	(3,003,199)	4,627,369
Beginning of the year	6,252,970	1,625,601
End of the year	<b>3,249,771</b>	<b>6,252,970</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

(Expressed in Bermuda Dollars)

## 1. Operations

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

## 2. Significant Accounting Policies

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

### A) PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its subsidiaries. The subsidiaries and percentage ownership at March 31, 2007 are:

Aircraft Services Bermuda Limited	100%
BAS-Serco Limited	90%
CCS Limited	100%
Crow Lane Bakery Limited	100%
Eastbourne Properties Limited	100%
International Bonded Couriers of Bermuda Limited	100%
Otis Bermuda Limited	80.1%
Weir Enterprises Limited	100%

### B) BASIS OF PRESENTATION

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

### C) GOODWILL AND INTANGIBLE ASSETS

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

### D) AMORTIZATION

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

Buildings	40 years
Leasehold Improvements	10 years
Fixtures and Fittings	From 3 to 10 years
Plant and Machinery	From 3 to 15 years
Customer Contracts	From 3 to 20 years
Motor Vehicles	From 3 to 5 years

**E) INVENTORY**

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

**F) LEASED ASSETS**

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

**G) PENSION BENEFITS**

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

**H) CASH AND SHORT TERM DEPOSITS**

Cash and short term deposits include cash on hand, deposits with banks, and bank overdrafts. Bank overdrafts are shown in the current liabilities section of the balance sheet.

**I) REVENUE RECOGNITION**

For Bermuda Aviation Services Ltd., Aircraft Services Bermuda Ltd., Crow Lane Bakery Ltd., Weir Enterprises Ltd. and International Bonded Couriers of Bermuda Ltd. revenues are shown net of returns and discounts.

For BAS-Serco Ltd. revenues are recognized when services are rendered for services contracts. 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.

For Otis Bermuda Ltd. and CCS Group Ltd. revenues from service contracts are recognized as the services are rendered while revenues from long-term development, maintenance and service contracts are recorded using the percentage of completion method.

**3. Acquisitions**

On February 28, 2007, the Company acquired 80.1% of the shares of Otis Bermuda Ltd. The financial results of this subsidiary company have been included in the consolidated statements from the date of acquisition.

On March 31, 2007, the Company acquired 100% of the shares of CCS Group Ltd. As this subsidiary company was acquired at the end of the fiscal year, the assets and liabilities have been included in the consolidated balance sheet. Included in these consolidated entries is the long term liability assumed to effect this acquisition.

Intangible assets of, \$1,660,132 for Otis Bermuda Limited and \$700,623 for CCS Group Limited, were assigned to service contracts.

Details of the acquisitions are as follows:

	Otis Bermuda Limited	CCS Group Limited
Cash and short-term deposits	81,253	224,496
Accounts receivable and prepaid expenses	789,541	2,839,775
Inventories	18,056	1,004,464
Capital assets	7,333	865,085
Accounts payable and accrued liabilities	(107,950)	(1,926,241)
Deferred revenue	(354,371)	(1,149,315)
	<b>433,862</b>	<b>1,858,264</b>
<b>Assets Acquired</b>		
Net tangible assets	347,523	1,858,264
Intangible assets	1,660,132	700,623
Goodwill (note 5)	1,688,962	3,760,359

#### 4. Capital Assets

Capital assets and related accumulated amortization are classified as follows:

	Cost	Accumulated Amortization	2007 Net	2006 Net
Buildings	5,277,959	1,243,328	<b>4,034,631</b>	4,085,652
Machinery and equipment	12,961,557	9,735,636	<b>3,225,921</b>	2,377,686
Furniture and fixtures	822,090	716,965	<b>105,125</b>	111,581
Leasehold improvements	4,239,209	2,708,024	<b>1,531,185</b>	1,557,158
	<b>23,300,815</b>	<b>14,403,953</b>	<b>8,896,862</b>	8,132,077

Capital assets include fully amortized items with an original cost of approximately \$4,322,989 (2006 - \$4,453,253) which are being utilised in current operations.

#### 5. Goodwill

Goodwill is classified as follows:

	March 31 2007	March 31 2006
Food and Beverage Wholesaling	<b>774,285</b>	774,285
Automotive Garages	<b>1,941,945</b>	1,941,945
Facilities Management	<b>3,095,700</b>	1,406,738
Cargo Handling	<b>6,985,910</b>	6,985,910
IT Services	<b>3,760,359</b>	-
	<b>16,558,199</b>	11,108,878

#### 6. Bank Overdrafts

The Company has obtained bank overdraft facilities totalling \$262,000 to finance operations at 2.0% per annum over the Bank's Bermuda Dollar Base Rate to expire August 31, 2007. The Bank's Bermuda Dollar Base Rate at year end was 5.25%.

## 7. Long Term Debt

As of March 31, 2007, the Company had negotiated loan facilities in the amount of \$5,000,000 to finance acquisitions (note 3).

The loan is to be repayable in equal blended monthly payments over a period of 7 years at a rate of 1.25% above the Bank's Bermuda Dollar Base Rate.

This loan is secured by the total shares of the CCS Group Ltd. in addition to a fixed and floating charge in the amount of \$5,000,000 over the Company's assets.

Loan repayments are as follows:

Year ending March 31, 2008	591,937
Year ending March 31, 2009	662,418
Year ending March 31, 2010	728,073
Year ending March 31, 2011	785,972
Year ending March 31, 2012 and thereafter	2,231,600

## 8. Non-Controlling Interests

Non-controlling interests represent the following:

	March 31 2007	March 31 2006
<b>BAS-Serco Limited</b>		
Non-controlling equity shareholders' share (10%) of net asset value not purchased on December 1, 2004	67,340	117,845
Proportionate share of results of operations since acquisition	483,495	341,623
Proportionate share of dividends paid since acquisition	(483,495)	(341,623)
Purchase of non-controlling shareholders' shares	-	(50,505)
	67,340	67,340
<b>Otis Bermuda Limited</b>		
Non-controlling equity shareholders' share (19.90%) of net asset value not purchased on February 28, 2007	86,339	-
Proportionate share of results of operations since acquisition	10,656	-
Proportionate share of dividends paid since acquisition	(10,656)	-
	86,339	-
<b>Total Non-Controlling Interests</b>	<b>153,679</b>	67,340

Non-controlling interests of \$152,528 (2006 - \$1,115,090), as shown in the Statement of Income, comprise \$nil (2006 - \$127,149) from Weir Enterprises Limited, \$141,872 (2006 - \$265,040) from BAS-Serco Limited, \$nil (2006 - \$722,901) from International Bonded Couriers of Bermuda Limited, and \$10,656 (2006 - \$nil) from Otis Elevators Limited.

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

As part of the acquisition of Otis Bermuda Limited 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 2007	March 31 2006
Authorized- 9,999,996 shares (2006 – 9,999,996 shares), par value of \$1.00 (2006 - \$1.00) each	<b>9,999,996</b>	9,999,996
Issued and fully paid- 5,075,143 shares (2006 – 5,074,082 shares)	<b>5,075,143</b>	5,074,082

## 10. Per Share Amounts

	March 31 2007	March 31 2006
Income per share – basic and fully diluted	<b>0.67</b>	1.03

Income per share has been calculated on net income for the year of \$3,384,361 (2006 - \$2,835,273) on 5,074,733 (2006 - 2,752,516) shares, being the weighted average number of shares in issuance.

## 11. Pension Plans

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

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

	March 31 2007	March 31 2006
Current service cost, net of employee contributions:		
Weir Enterprises Limited	<b>21,737</b>	23,622
BAS-Serco Limited	<b>198,439</b>	187,290
International Bonded Couriers of Bermuda Limited	<b>140,844</b>	145,662
Otis Bermuda Limited	<b>748</b>	-

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

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

The following tables provide a summary of the estimated financial position of the pension plans as of March 31, 2007:

	<b>March 31 2007</b>	March 31 2006
<b>Accrued Benefit Obligation</b>		
Balance - beginning of the year:		
Defined benefit portion	<b>7,214,000</b>	6,210,000
Defined contribution portion	<b>2,751,000</b>	2,408,000
	<b>9,965,000</b>	8,618,000
Current service cost (defined benefit)	<b>240,300</b>	244,800
Employee contributions (defined contribution)	<b>342,585</b>	300,968
Interest cost	<b>435,258</b>	362,526
Benefits paid	<b>(402,119)</b>	(509,302)
Actuarial losses and increase in defined contribution accounts	<b>267,882</b>	948,008
Balance - end of the year:		
Defined benefit portion	<b>7,640,906</b>	7,214,000
Defined contribution portion	<b>3,208,000</b>	2,751,000
	<b>10,848,906</b>	9,965,000

	<b>March 31 2007</b>	March 31 2006
<b>Plan Assets</b>		
Fair value - beginning of the year	<b>9,183,989</b>	7,700,504
Actual return on plan assets	<b>473,858</b>	1,458,590
Employee contributions	<b>342,585</b>	300,968
Company contributions	<b>702,136</b>	233,229
Benefits paid	<b>(402,119)</b>	(509,302)
Fair value - end of the year	<b>10,300,449</b>	9,183,989

	March 31 2007	March 31 2006
<b>Accrued Benefit Asset</b>		
Funded status – plan deficit	(548,457)	(781,011)
Unamortized transitional asset	(1,476,462)	(1,586,640)
Unrecognised experience loss	3,612,168	3,493,373
Accrued benefit asset	<b>1,587,249</b>	1,125,722

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, 2007 is as follows:

	March 31 2007	March 31 2006
<b>Plan Assets by Asset Category</b>		
Equity securities (principally US and Bermuda equities)	91%	93%
Debt securities (principally fixed deposits and cash)	9%	7%
Total	<b>100%</b>	100%

Plan assets include common shares of the Company having a fair value of \$1,048,257 at March 31, 2007 (2006 - \$1,048,257).

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

	March 31 2007	March 31 2006
<b>Assumptions for Expense</b>		
Discount rate	6.00%	5.75%
Expected long-term rate of return on plan assets	7.50%	7.50%
Rate of compensation increase	3.25%	2.75%

	March 31 2007	March 31 2006
<b>Assumptions for Disclosure</b>		
Discount rate	6.00%	6.00%
Rate of compensation increase	3.25%	3.25%

The Company's net pension expense is as follows:

	March 31 2007	March 31 2006
Current service cost, net of employee contributions	240,300	244,800
Interest cost	435,258	362,526
Actual return on plan assets	(340,204)	(1,353,325)
Actuarial loss on accrued benefit obligation	134,228	842,743
Costs arising in the year	469,582	96,744
Differences between costs arising in the year and costs recognised in the year in respect of:		
- Return on plan assets <sup>1</sup>	(153,408)	949,075
- Actuarial loss <sup>2</sup>	34,613	(679,980)
- Transitional asset <sup>3</sup>	(110,178)	(110,179)
Net pension expense recognised	240,609	255,660

1 Actual return on plan assets of \$340,204 (2006 - \$1,353,325) less expected return on plan assets of \$493,612 (2006 - \$404,250).

2 Actuarial loss on accrued benefit obligation arising in the year of \$134,228 (2006 - \$842,743) less actuarial loss recognised in the year of \$168,841 (2006 - \$162,763).

3 Amortization of transitional asset.

Actuarial valuation reports for funding purposes have been prepared as of December 31, 2004 and December 31, 2005 and the dates of the next required actuarial valuations for funding purposes are December 31, 2007 and December 31, 2008.

## 12. Lease Commitments

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

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

Year ending March 31, 2008	670,600
Year ending March 31, 2009	650,568
Year ending March 31, 2010	436,555
Year ending March 31, 2011	260,845
Year ending March 31, 2012	75,745

At March 31, 2007, the total future minimum lease payments under long-term leases are \$2,258,427.

**13. Rental Income**

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

Future incomes from rental property are as follows:

Year ending March 31, 2008	<b>107,526</b>
Year ending March 31, 2009	<b>99,920</b>
Year ending March 31, 2010	<b>60,558</b>
Year ending March 31, 2011	<b>14,725</b>
Year ending March 31, 2012	<b>11,291</b>

**14. Contractual Obligation**

The Company is committed to space on an air charter freighter at a rate of \$4,600 per flight, with flights scheduled every weekday (excluding Bermuda public holidays). The arrangement is subject to a sixty day notice period.

**15. 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, 2007 were 498,265 shares. No rights to subscribe for shares in the Company have been granted to or exercised by any director or officer, except for the rights granted to all shareholders as described in note 8.

The Company has no service contracts with directors.

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

**16. Information About Major Customers**

The Company entered into sales contracts during the year with one major customer which accounted for more than 10% of total revenue. The revenue from this customer was 16.1% (2006 – 16.9%) of total revenue and falls in the Facilities Management segment.

**17. Fair Value of Financial Assets and Liabilities and Credit Risk**

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

**18. 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, 2007:

	Revenue from External Customers	Inter- Segment Revenue	Amortization of Capital Assets	Net Income	Total Assets
Administrative Services	325,656	742,231	138,942	(1,380,022)	2,866,877
Aircraft and Passenger Handling	7,958,197	-	268,180	1,139,091	3,450,981
Automotive Garages	2,812,235	666,426	70,805	502,233	5,308,348
Cargo Handling	14,578,675	24,701	383,865	1,716,265	3,358,964
Facilities Management	7,724,487	3,364	7,529	1,471,692	5,753,293
Food and Beverage Wholesaling	3,274,489	-	163,422	67,460	1,548,035
IT Services	-	-	-	-	5,634,447
	<b>36,673,739</b>	<b>1,436,722</b>	<b>1,032,743</b>	<b>3,516,719</b>	<b>27,920,945</b>

For the year ended March 31, 2006:

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

### Reconciliations

	March 31 2007	March 31 2006
<b>Net Income Before Discontinued Operations</b>		
Total net income for reportable segments	<b>3,516,719</b>	4,479,214
Pension plan benefit expense (note 11)	<b>(240,609)</b>	(255,660)
Other income	<b>260,779</b>	267,773
Interest expense on debt	-	(343,290)
Non-controlling interests (note 8)	<b>(152,528)</b>	(1,115,090)
Insurance claim adjustment ( note 19)	-	(197,674)
Total group net income before discontinued operations	<b>3,384,361</b>	2,835,273
<b>Total Assets</b>		
Total assets for reportable segments	<b>27,920,945</b>	22,330,979
Inter-segment balances	<b>(13,779)</b>	(15,366)
Goodwill (note 5)	<b>16,558,199</b>	11,108,878
Pension plan accrued benefit asset (note 11)	<b>1,587,249</b>	1,125,722
Total group assets	<b>46,052,614</b>	34,550,213

**19. Insurance Claim Adjustment**

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

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

**20. Related Party Transactions**

During the year, BAS-Serco Ltd. 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 \$292,282, the amount contracted between the parties. As of March 31, 2007, the amount due to BAS-Serco Ltd. was \$24,824.

