



ANNUAL REPORT 2018-2019



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The background is split into two main color sections: a vibrant red on the left and a deep blue on the right. Both sections feature a pattern of fine, radiating light streaks that create a sense of motion and energy. The text is centered in the blue section.

**REPORT**  
TO SHAREHOLDERS

## Financial Results

Bermuda Aviation Services Limited (the Company) and its subsidiaries (the Group) reported net income from continuing operations of \$0.6 million for the year ended March 31, 2019 compared to a net loss from continuing operations of \$3.8 million in the prior year; an improvement of \$4.4 million year over year.

Total comprehensive income was \$0.4 million for the current year compared to a comprehensive loss in the prior year of \$4.9 million. The loss from discontinued operations of \$0.2 million during the period relates to the Company's sale of its subsidiary Efficient Technologies Bermuda Ltd. which was completed in June 2018. Income attributable to shareholders of the Company was \$0.2 million compared to a loss of \$5.1 million in the prior year.

During the year ended March 31, 2019, the Group discovered that certain amounts had been erroneously reported in prior year consolidated financial statements. The errors related to prior periods revenue recognition, classification of intangible assets, and inventory write-offs. These errors have been corrected by restating each of the affected financial statement line items for prior periods and are detailed in the Notes to the consolidated financial statements (Note 3B).

Revenues were \$32.4 million for the year, a \$1.7 million increase over prior year. Total cost of revenue was \$14.2 million, an increase of \$1.0 million; resulting in gross margin of \$18.3 million compared to \$17.5 million in the prior year. Other income increased \$0.1 million due to increased rental income from one of the Group's properties.

Total operating expenses decreased \$2.7 million year over year; adjusted for the one-time cost of restructuring in the prior year, resulting in an improvement of \$0.9 million. Management's efforts to reduce operating expenses have been realized through all expense categories.

The Company reduced its bank loan by \$0.8 million and paid interest of \$0.4 million for the year.

Earnings per share from continuing operations was \$0.09 per share, an improvement of \$0.90 per share over the comparative period.

The Company did not declare or pay dividends during the fiscal year ended March 31, 2019, as the Board of Directors considered it prudent to temporarily suspend dividend payments while the Company executes its strategic plan and strengthens the financial position of the Company.

The Board and Management will continue to focus on streamlining operations to ensure an efficient cost structure, improve internal processes to better provide services to our diverse client base, ensure market repositioning to increase revenue opportunities across all subsidiaries, and improve shareholder value.

The Board would like to acknowledge the efforts of the Group's employees who have supported Management in the execution of a series of challenging and voluminous initiatives designed to create the positive change necessary for these improved results.



**David W. Pugh, CPA, CA**  
CHAIRMAN



**Leslie J. Rans, CPA**  
CHIEF EXECUTIVE OFFICER

July 12, 2019

# **CONSOLIDATED** FINANCIAL STATEMENTS

March 31, 2019

## FINANCIAL HIGHLIGHTS

### Five Year Summary

<b>FOR THE YEAR ENDED MARCH 31</b> (Expressed in thousands of Bermuda Dollars)	<b>2019</b>	<b>AS RESTATED (NOTE 3B) 2018</b>	<b>AS RESTATED (NOTE 3B) 2017</b>	<b>2016</b>	<b>2015</b>
Revenue	32,431	30,687	31,108	39,474	40,068
Income (loss) from continuing operations	588	(3,829)	775	1,645	457
Discontinued operations	(236)	(1,115)	(229)	1,157	1,073
Defined benefit plan wind-up cost	-	-	-	99	(731)
Gain on sale of subsidiary	-	-	-	189	-
Income (loss) for the year	352	(4,944)	546	3,090	799
Income attributable to non-controlling interests	(157)	(157)	(85)	(325)	(328)
Income (loss) attributable to shareholders of the Company	195	(5,101)	461	2,765	471
Dividends	-	492	984	984	992
<b>FINANCIAL POSITION AS AT MARCH 31</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total assets	32,302	33,774	41,495	43,514	46,044
Total liabilities	11,016	12,568	14,748	15,437	19,464
Equity attributable to shareholders of the Company	20,885	20,690	26,483	27,006	25,225
<b>FINANCIAL RATIOS</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Earnings (loss) per share	\$0.04	\$(1.04)	\$0.09	\$0.56	\$0.10
Return on shareholders' equity	0.94%	(19.26%)	1.71%	10.96%	1.78%
<b>SHAREHOLDER DATA</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Shares in issue	4,922,301	4,922,301	4,922,301	4,922,301	4,922,301
Book value per share	\$4.24	\$4.20	\$5.38	\$5.49	\$5.12
<b>AS AT MARCH 31</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Number of employees	161	151	158	164	239





**KPMG Audit Limited**  
Crown House  
4 Par-la-Ville Road  
Hamilton HM 08 Bermuda

Mailing Address:  
P.O. Box HM 906  
Hamilton HM DX Bermuda

Telephone +1 441 295 5063  
Fax +1 441 295 9132  
Internet [www.kpmg.bm](http://www.kpmg.bm)

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders and Board of Directors 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 of March 31, 2019 and 2018, and April 1, 2017 and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the years ended March 31, 2019 and 2018, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 referred to above present fairly in all material respects, the consolidated financial position of Bermuda Aviation Services Limited and its subsidiaries as of March 31, 2019 and 2018 and April 1, 2017 and their consolidated financial performance and their consolidated cash flows for the years ended March 31, 2019 and 2018 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### Other matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Report to Shareholders is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements, and accordingly, we do not express an opinion or provide assurance on it.

*KPMG Audit Limited*

Chartered Professional Accountants  
Hamilton, Bermuda  
July 16, 2019

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

	2019	AS RESTATED (NOTE 3B) 2018	AS RESTATED (NOTE 3B) APRIL 1, 2017
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (note 5)	4,566	4,118	5,650
Accounts receivable (notes 6 and 19)	5,652	4,550	7,677
Prepaid expenses (note 7)	413	546	343
Inventories (note 8)	995	1,013	2,289
Assets held-for-sale (note 16)	-	725	-
	11,626	10,952	15,959
<b>NON-CURRENT ASSETS</b>			
Accounts receivable (note 6)	-	1,564	3,568
Property, plant and equipment (note 9)	9,397	9,979	10,689
Intangible assets and goodwill (note 10)	11,279	11,279	11,279
	20,676	22,822	25,536
<b>TOTAL ASSETS</b>	<b>32,302</b>	<b>33,774</b>	<b>41,495</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities (note 11)	2,906	3,179	3,298
Deferred revenue	2,679	2,702	3,935
Bank loan (note 12)	803	789	752
Liabilities held-for-sale (note 16)	-	489	-
	6,388	7,159	7,985
<b>NON-CURRENT LIABILITIES</b>			
Bank loan (note 12)	4,628	5,409	6,763
<b>TOTAL LIABILITIES</b>	<b>11,016</b>	<b>12,568</b>	<b>14,748</b>
<b>EQUITY</b>			
<b>ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>			
Share capital (note 13)	4,922	4,922	4,922
Share premium	12,371	12,371	12,371
Retained earnings	3,592	3,397	9,190
<b>TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>	<b>20,885</b>	<b>20,690</b>	<b>26,483</b>
Attributable to non-controlling interests (note 14)	401	516	264
<b>TOTAL EQUITY</b>	<b>21,286</b>	<b>21,206</b>	<b>26,747</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>32,302</b>	<b>33,774</b>	<b>41,495</b>

COMMITMENTS (note 18)

Signed on behalf of the Board

DIRECTOR

DIRECTOR

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2019

(Expressed in thousands of Bermuda Dollars except earnings per share data)

	2019	AS RESTATED (NOTE 3B) 2018
<b>CONTINUING OPERATIONS</b>		
Total revenue	32,431	30,687
Total cost of revenue	(14,158)	(13,159)
<b>GROSS PROFIT</b>	<b>18,273</b>	<b>17,528</b>
Other income (note 15)	283	180
<b>OPERATING EXPENSES</b>		
Wages and benefits (note 19)	(13,582)	(14,018)
Other direct expenses and overheads	(2,942)	(3,342)
Restructuring expenses (notes 25 and 11)	-	(1,848)
Depreciation (note 9)	(946)	(988)
<b>TOTAL OPERATING EXPENSES</b>	<b>(17,470)</b>	<b>(20,196)</b>
Finance costs (note 12)	(423)	(432)
Impairment loss on trade receivables (note 6)	(75)	(639)
Impairment loss on intangible asset (note 3B)	-	(270)
<b>TOTAL INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<b>588</b>	<b>(3,829)</b>
Loss from discontinued operations (note 16)	(236)	(1,115)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>352</b>	<b>(4,944)</b>
<b>INCOME (LOSS) ATTRIBUTABLE TO:</b>		
Shareholders of the Company	195	(5,101)
Non-controlling interests (note 14)	157	157
<b>INCOME (LOSS) FOR THE YEAR</b>	<b>352</b>	<b>(4,944)</b>
<b>EARNINGS (LOSS) PER SHARE</b>		
Basic and diluted from income (loss) for the year (notes 3B and 17)	0.04	(1.04)
Basic and diluted from discontinued operations (notes 3B and 17)	(0.05)	(0.23)
Basic and diluted from continuing operations (notes 3B and 17)	0.09	(0.81)

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

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

	ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY				NON- CONTROLLING INTERESTS	TOTAL EQUITY
	CAPITAL SHARE	SHARE PREMIUM	RETAINED EARNINGS	TOTAL		
<b>BALANCE AT APRIL 1, 2017 AS PREVIOUSLY REPORTED</b>	<b>4,922</b>	<b>12,371</b>	<b>9,513</b>	<b>26,806</b>	<b>264</b>	<b>27,070</b>
Correction of errors (note 3B)	-	-	(323)	(323)	-	(323)
Restated balance at APRIL 1, 2017	4,922	12,371	9,190	26,483	264	26,747
<b>TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY</b>						
Purchase of non-controlling interest (note 14)	-	-	(200)	(200)	200	-
Dividends paid (note 13)	-	-	(492)	(492)	-	(492)
Dividends to non-controlling interests (note 14)	-	-	-	-	(105)	(105)
	<b>4,922</b>	<b>12,371</b>	<b>8,498</b>	<b>25,791</b>	<b>359</b>	<b>26,150</b>
<b>TOTAL COMPREHENSIVE INCOME</b>						
(Loss) income for the year (note 3B)	-	-	(5,101)	(5,101)	157	(4,944)
<b>RESTATED BALANCE AT MARCH 31, 2018</b>	<b>4,922</b>	<b>12,371</b>	<b>3,397</b>	<b>20,690</b>	<b>516</b>	<b>21,206</b>
<b>TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY</b>						
Dividends to non-controlling interests (note 14)	-	-	-	-	(272)	(272)
	<b>4,922</b>	<b>12,371</b>	<b>3,397</b>	<b>20,690</b>	<b>244</b>	<b>20,934</b>
<b>TOTAL COMPREHENSIVE INCOME</b>						
Income for the year	-	-	195	195	157	352
<b>MARCH 31, 2019</b>	<b>4,922</b>	<b>12,371</b>	<b>3,592</b>	<b>20,885</b>	<b>401</b>	<b>21,286</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

	2019	AS RESTATED (NOTE 3B) 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) for the year	352	(4,944)
<b>ADJUSTMENTS:</b>		
Depreciation (note 9)	946	1,060
Finance costs (note 12)	423	432
Impairment loss on trade receivables (note 6)	75	639
Impairment loss on intangible asset (note 3B)	-	270
<b>CHANGES IN NON-CASH WORKING CAPITAL:</b>		
Accounts receivable (note 6)	387	4,222
Prepaid expenses (note 7)	133	(203)
Inventories (note 8)	18	1,276
Accounts payable and accrued liabilities (note 11)	(273)	(119)
Deferred revenue	(22)	(1,220)
Reclassified as assets and liabilities held-for-sale, net (note 16)	-	(236)
Assets and liabilities held-for-sale disposed, net (note 16)	236	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,275</b>	<b>1,177</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment, net (note 9)	(365)	(363)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(365)</b>	<b>(363)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid (note 13)	-	(492)
Dividends paid to non-controlling interests (note 14)	(272)	(105)
Repayment of bank loan (note 12)	(767)	(1,317)
Finance costs (note 12)	(423)	(432)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(1,462)</b>	<b>(2,346)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Increase (decrease) during the year	448	(1,532)
Beginning of the year	4,118	5,650
<b>END OF THE YEAR</b>	<b>4,566</b>	<b>4,118</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

## 1. Operations

Bermuda Aviation Services Limited (“BAS” or the “Company”) is domiciled and registered in Bermuda. The Company’s registered office is Clarendon House, 2 Church Street, Hamilton, Bermuda. BAS and its subsidiaries (the “Group”) provide application development, cloud services, enterprise networking, network cabling, server storage and virtualisation, IT consulting services, maintenance and unified communications; distribute automotive parts and provide automotive services; provide facilities management services; provide elevator maintenance and installation; and provide customised electrical, generator and fire detection solutions. BAS, the ultimate controlling entity of the Group, is listed on the Bermuda Stock Exchange. The principal place of business is located at 19 Bakery Lane, Pembroke, HM 07, Bermuda.

These consolidated financial statements were approved by the Board of Directors on July 11, 2019.

## 2. Summary of significant accounting policies

### A) BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

These consolidated financial statements have been prepared on the historical cost basis except for assets held-for-sale, which are measured at fair value. These consolidated financial statements are presented in Bermuda Dollars which is the Group’s functional currency.

### B) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s 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, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group’s accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items, as follows:

Note 2E(iii)	Impairment of financial instruments
Note 2H	Inventories
Note 2K	Intangible assets and goodwill
Note 2L	Impairment of non-financial assets
Note 2Q	Revenue recognition

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 2. Summary of significant accounting policies (continued)

#### C) NEW STANDARDS AND INTERPRETATIONS

##### (i) New and amended standards adopted by the Group

The Group has applied all relevant standards, interpretations and amendments during the year. The adoption of new and revised standards and interpretations has not resulted in changes to the Group's financial statements or amounts reported for the current or prior years. Amendments and interpretations to published standards effective for the year ended March 31, 2019 but not relevant to the Group's operations and those that are not yet effective and not relevant to the Group's operations have not been disclosed.

##### IFRS 9 'Financial Instruments'

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in July 2014, replacing IAS 39 which relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified by reference to the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. It also introduces a new expected credit loss model for calculating impairment, replacing the incurred loss model in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and the Group adopted IFRS 9 for its accounting period ended March 31, 2019. The Group has performed an assessment of the impact of IFRS 9 and evaluated that no significant impact on its financial statements are resulting from its adoption.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 'Presentation of Financial Statements', which require impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Previously the Group's policy was to include the impairment of trade receivables in other direct expenses and overheads. The Group reclassified impairment losses amounting to \$639, recognised under IAS 39, from "Other direct expenses and overheads" to "Impairment loss on trade receivables" in the consolidated statement of comprehensive income for the year ended March 31, 2018. Additionally, the Group has adopted the consequential amendments to IFRS 7 'Financial Instruments: Disclosure' that are applied to disclosures for the year ended March 31, 2019 but have not been generally applied to comparative information.

The following tables indicate the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at April 1, 2018.

	ORIGINAL CLASSIFICATION UNDER IAS 39	NEW CLASSIFICATION UNDER IFRS 9	ORIGINAL CARRYING AMOUNT UNDER IAS 39	NEW CARRYING AMOUNT UNDER IFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost	4,118	4,118
Accounts and other receivables	Loans and receivables	Amortised cost	4,550	4,550
<b>TOTAL FINANCIAL ASSETS</b>			<b>8,668</b>	<b>8,668</b>
	ORIGINAL CLASSIFICATION UNDER IAS 39	NEW CLASSIFICATION UNDER IFRS 9	ORIGINAL CARRYING AMOUNT UNDER IAS 39	NEW CARRYING AMOUNT UNDER IFRS 9
Accounts and other payables	Other financial liabilities	Other financial liabilities	9,377	9,377
<b>TOTAL FINANCIAL LIABILITIES</b>			<b>9,377</b>	<b>9,377</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 2. Summary of significant accounting policies; C) New standards and interpretations (continued)

#### **IFRS 15 'Revenue from Contracts with Customers'**

IFRS 15 was issued in May 2014 and establishes a single comprehensive framework for revenue recognition, based on the principle that revenue is recognised when control of goods or services is transferred to a customer. IFRS 15 replaces the previous revenue standards IAS 18 and IAS 11. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, and the Group adopted IFRS 15 for its accounting period ending March 31, 2019.

For the sale of goods, revenue was previously recognised when risks and rewards of ownership are transferred to the customer, generally on delivery of the goods. Under IFRS 15, revenue recognition occurs at a point in time when control of the asset is transferred to the customer, also generally on delivery of the goods. Therefore, adoption of IFRS 15 does not have any impact on revenue recognition for the sale of goods.

For the sale of services, revenue was previously recognised by using the percentage-of-completion method. Under IFRS 15, services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, under IFRS 15 the Group continues to recognise revenue for services over time rather than at a point of time. Therefore, adoption of IFRS 15 does not have any impact on revenue recognition for the sale of services.

For services sold together with other services or equipment, previously the Group accounted for these services as separate deliverables and allocated consideration between these deliverables using the relative fair value approach. Under IFRS 15, allocation is based on relative stand-alone selling prices. However, the fair value and the stand-alone selling prices of the goods and services are broadly similar. Therefore, adoption of IFRS 15 does not have any significant impact on revenue recognition for the sale of multiple goods or services.

#### **(ii) New standards and interpretations not yet adopted**

New standards, amendments and interpretations to existing standards that are relevant to the Group's operations but have not yet been adopted are as follows:

#### **IFRS 16 'Leases'**

IFRS 16 was issued in January 2017 and replaces the previous leases standard IAS 17. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard largely carries forward the lessor accounting requirements in IAS 17 with the substantial changes affecting lessees. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, and the Group intends to adopt it for its accounting period ending March 31, 2020. The Group has performed an assessment of the impact of IFRS 16 and expects no significant impact on its financial statements resulting from its adoption.

### **D) CONSOLIDATION**

#### **(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 Group and they are de-consolidated from the date that control ceases.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 2. Summary of significant accounting policies; D) Consolidation (continued)

These consolidated financial statements include the financial statements of BAS and its wholly owned subsidiaries: Bermuda Energy Services Company Ltd. ("Besco"), The CCS Group Ltd. ("CCS"), CCS Group Sucursal EM Portugal ("CCS Portugal"), Eastbourne Properties Ltd. ("EPL"), Efficient Technologies Bermuda Ltd. ("Eff-Tech") and Weir Enterprises Ltd. ("Weir"). These consolidated financial statements also include the Group's interest in BAS Serco Ltd. ("BAS-Serco") and Otis Elevator Company (Bermuda), Ltd. ("Otis"), whereby the Group has respectively a 90 percent and a 80.1 percent interest. All subsidiaries are registered in Bermuda, except for CCS Portugal.

Following its disposal on June 5, 2018, Eff-Tech was classified as a discontinued operation in the current year ended March 31, 2019 and comparative year ended March 31, 2018. During the year ended March 31, 2018, the operations of Integrated Technology Solutions Ltd. ("ITS") were completely integrated with that of CCS.

All transactions and balances within the Group have been eliminated on consolidation. The financial statements of the subsidiaries are prepared in the same reporting period as BAS, using consistent accounting policies.

#### (ii) Business combinations

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

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 recognised directly in the consolidated statement of comprehensive income.

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

## E) FINANCIAL INSTRUMENTS

### (i) Recognition and initial measurement

Accounts and other receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instruments. Accounts and other receivables are initially measured at the transaction price which reflects fair value. All other financial assets and financial liabilities are initially measured at fair value plus transactions costs that are directly attributable to its acquisition or issue.

### (ii) Classification and subsequent measurement

Management determines the classification of its financial instruments at the time of initial recognition. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Group's designation of such instruments.

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and if its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes the stated

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
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### 2. Summary of significant accounting policies; E) Financial instruments (continued)

policies and objectives for the portfolio, how the performance of the portfolio is evaluated and reported to the Group's management and the risks that affect the performance of the business model and how those risks are managed. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument, including assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The following summarises the classification the Group applies to each of its significant categories of financial instruments:

Category	Classification
Cash and cash equivalents	Amortised cost
Accounts and other receivables	Amortised cost
Bank loan	Other financial liabilities
Accounts payable	Other financial liabilities

Financial assets and financial liabilities are subsequently accounted for based on their classification as described below.

#### Financial assets measured at amortised cost

Financial assets measured at amortised cost are accounted for at amortised cost using the effective interest method less any impairment losses.

#### Other financial liabilities

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

#### (iii) Impairment of financial instruments

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For financial assets measured at amortised cost, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before 90 days. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Impairment losses are recognised in the consolidated statement of comprehensive income and reflected in an allowance account against accounts and other receivables. If, in a subsequent period, an event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of comprehensive income.

### F) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash balances with banks in current and demand accounts and deposits with an original maturity date of 90 days or less. The Group maintains bank accounts with three financial institutions in Bermuda. Cash and cash equivalents are classified as financial assets measured at amortised cost.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 2. Summary of significant accounting policies

#### G) ACCOUNTS RECEIVABLE

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected within one year, they are classified as current assets. If not, they are presented as non-current assets under accounts receivable. Accounts receivable also include unbilled revenue on contracts in progress, which represent amounts recognised as revenue for which invoices have not yet been sent.

#### H) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based either on a first-in/first-out basis or a weighted average basis. Inventories include a provision, assessed by management, for slow moving and obsolete inventory items.

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period, to the extent that such events confirm conditions existing at the end of the period.

#### I) ASSETS AND LIABILITIES HELD-FOR-SALE

Non-current assets and disposal groups are classified as assets and liabilities held for sale if their carrying amounts will be recovered principally through a sale transaction and a sale is considered highly probable rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

#### J) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses. Land is not depreciated. Property, plant and equipment are being depreciated over their estimated useful lives using the straight-line method, which are as follows:

Buildings	From 20 to 40 years
Machinery and equipment	From 2 to 15 years
Furniture and fixtures	From 3 to 10 years
Leasehold improvements	From 2 to 10 years

The assets' residual values and useful lives are reviewed at the end of each reporting period. If an asset's carrying amount is greater than its recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds of the disposal with the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income.

#### K) INTANGIBLE ASSETS AND GOODWILL

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets and goodwill acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets and goodwill are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation periods for an intangible asset with a finite useful life are reviewed at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 2. Summary of significant accounting policies (continued)

#### L) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Group'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 recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive income. Impairment losses recognised 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 CGU (or group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised 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 amortisation, if no impairment loss had been recognised.

#### M) ACCOUNTS PAYABLE

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

#### N) 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.

#### O) BANK LOAN

Loans are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost. Any difference between the proceeds and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the loan using the effective interest method.

#### P) FOREIGN CURRENCY TRANSLATION

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ('the functional currency'). These consolidated financial statements are presented in Bermuda Dollars (BMD), which is the Company's functional currency.

##### (ii) Transactions and balances

Transactions in foreign currencies are translated at the rates of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to BMD at the rates of exchange prevailing at the date of the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 2. Summary of significant accounting policies; P) Foreign currency translation (continued)

Exchange gains and losses are included in other direct expenses and overheads. For the year ended March 31, 2019, exchange losses were \$30 (2018 - \$43).

Non-monetary assets and liabilities denominated in foreign currencies are translated to BMD at historical rates of exchange.

For the purpose of the consolidated statement of cash flows, exchange gains and losses are treated as cash items and included along with movements in the relevant balances.

### Q) REVENUE RECOGNITION

Revenue is measured based on the consideration specified in a contract with a customer and is recorded when control of goods or services is transferred to a customer. For the sale of goods, revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. For the sale of services, revenue recognition occurs over time given that the customer simultaneously receives and consumes the benefits provided by the Group. For services sold together with other services or equipment, the Group accounts for them as separate deliverables and allocates consideration between these deliverables based on relative stand-alone selling prices. Net, rather than gross, revenue is recorded for projects where the Group acts as an agent of the customer and manages a project on the client's behalf. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies.

REVENUE STREAM	NATURE AND TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS	REVENUE RECOGNITION UNDER IFRS 15 (APPLICABLE FROM APRIL 1, 2018)	REVENUE RECOGNITION UNDER IAS 18 AND IAS 11 (APPLICABLE BEFORE APRIL 1, 2018)
Automotive garages	Customers obtain control of the automotive parts and services when the goods are dispatched from the Group's warehouse or when the services have been accepted at the Group's premises. Invoices are generated at that point in time.	Revenue is recognised at a point-in-time, when the customers take possession of the goods or when the services have been accepted.	Revenue was recognised when the risks and rewards of ownership were transferred to the customer, which was when the customers took possession of the goods or when the services were accepted.
Facilities management	Customers obtain control of the facilities management services as they are being rendered at their premises. Invoices are generated based on agreed contractual terms.	For maintenance, management and support contracts, revenue is recognised over the period of time covered by the contract. For all other contracts, revenue is recognised over time, in relation to the cost incurred for the project, as progress is determined based on the cost-to-cost method. Uninvoiced amounts are included in accounts receivable as unbilled revenue on contracts in progress and advances received are included in deferred revenue.	Revenue was recognised by using the percentage-of-completion method. Uninvoiced amounts were included in accounts receivable as unbilled revenue on contracts in progress and advances received were included in deferred revenue.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
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### 2. Summary of significant accounting policies; Q) Revenue recognition (continued)

REVENUE STREAM	NATURE AND TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS	REVENUE RECOGNITION UNDER IFRS 15 (APPLICABLE FROM APRIL 1, 2018)	REVENUE RECOGNITION UNDER IAS 18 AND IAS 11 (APPLICABLE BEFORE APRIL 1, 2018)
Infrastructure development	Customers obtain control of the infrastructure development services as they are being rendered at their premises. Invoices are generated based on agreed contractual terms.	For maintenance, management and support contracts, revenue is recognised over the period of time covered by the contract. For all other contracts, revenue is recognised over time, in relation to the cost incurred for the project, as progress is determined based on the cost-to-cost method. Uninvoiced amounts are included in accounts receivable as unbilled revenue on contracts in progress and advances received are included in deferred revenue.	Revenue was recognised by using the percentage-of-completion method. Uninvoiced amounts were included in accounts receivable as unbilled revenue on contracts in progress and advances received were included in deferred revenue.

### R) PENSION BENEFITS

The Group maintains defined contribution pension plans covering certain employees. Employer contributions to the defined contribution plans are expensed as incurred and are included in wages and benefits expenses. The net defined contribution plan expenses for the Group for the year ended March 31, 2019 were \$391 (2018 - \$410).

### S) RESTRUCTURING EXPENSES

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. During the year ended March 31, 2018, the Group undertook a complete assessment of its corporate activities and its organisational structure in an effort to strengthen its operations. The costs directly attributable to this process are presented separately in the consolidated statement of comprehensive income.

### T) OPERATING LEASE PAYMENTS

Payments made under operating leases are recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

## 3. Comparatives figures

### A) CLASSIFICATION

Certain of the prior period comparative figures have been reclassified to conform to the presentation adopted for the current period. The net impact to the consolidated statement of comprehensive income for the year ended March 31, 2018 is a reduction in revenue of \$281, a reduction in direct cost of revenue of \$6,679, a reduction in other income of \$38, an increase in wages and benefits of \$6,144 and an increase in other direct expenses and overheads of \$216.

### B) CORRECTION OF ERRORS

During the year ended March 31, 2019, the Group discovered that certain items were erroneously reported in the prior year consolidated financial statements.

Certain service revenues and related costs that should have been deferred over the period of the service provided were recognised entirely at the start of the service, and as a result revenue and cost of revenue were overstated, and deferred revenue was understated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 3. Comparatives figures; B) Correction of errors (continued)

Capitalised development costs relating to the development of a platform to provide cloud services should have been written off in the year ended March 31, 2018. Information that was available to management before the issue of the consolidated financial statements for the year ended March 31, 2018, was omitted as part of the impairment testing of the intangible asset, and as a result wages and benefits expenses and cost of revenue were understated, and intangible assets and property, plant and equipment were overstated.

Certain slow-moving and obsolete inventories relating to abandoned activities for the year ended March 31, 2018 and 2017 were not written off even though their net realisable value was nil, and as a result other direct expenses and overheads were understated and inventories were overstated.

The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impact on the Group's consolidated financial statements.

#### (i) Consolidated statement of financial position

	PREVIOUSLY REPORTED AS AT MARCH 31, 2018	ADJUSTMENTS	RESTATED AS AT MARCH 31, 2018
Inventories	1,255	(242)	1,013
Property, plant and equipment	10,170	(191)	9,979
Intangible assets and goodwill	11,676	(397)	11,279
Other assets	11,503	-	11,503
<b>TOTAL ASSETS</b>	<b>34,604</b>	<b>(830)</b>	<b>33,774</b>

Deferred revenue	2,370	332	2,702
Other liabilities	9,866	-	9,866
<b>TOTAL LIABILITIES</b>	<b>12,236</b>	<b>332</b>	<b>12,568</b>

Retained earnings	4,559	(1,162)	3,397
Other equity balances	17,809	-	17,809
<b>TOTAL EQUITY</b>	<b>22,368</b>	<b>(1,162)</b>	<b>21,206</b>

	PREVIOUSLY REPORTED AS AT MARCH 31, 2017	ADJUSTMENTS	RESTATED AS AT MARCH 31, 2017
Inventories	2,420	(131)	2,289
Other assets	39,206	-	39,206
<b>TOTAL ASSETS</b>	<b>41,626</b>	<b>(131)</b>	<b>41,495</b>

Deferred revenue	3,743	192	3,935
Other liabilities	10,813	-	10,813
<b>TOTAL LIABILITIES</b>	<b>14,556</b>	<b>192</b>	<b>14,748</b>

Retained earnings	9,513	(323)	9,190
Other equity balances	17,557	-	17,557
<b>TOTAL EQUITY</b>	<b>27,070</b>	<b>(323)</b>	<b>26,747</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
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### 3. Comparatives figures; B) Correction of errors (continued)

#### (ii) Consolidated statement of comprehensive income

	PREVIOUSLY REPORTED FOR THE YEAR ENDED MARCH 31, 2018 (NOTE 3A)	ADJUSTMENTS	RESTATED FOR THE YEAR ENDED MARCH 31, 2018
Total revenue	31,047	(360)	30,687
Total cost of revenue	13,200	(41)	13,159
<b>GROSS PROFIT</b>	<b>17,847</b>	<b>(319)</b>	<b>17,528</b>
Wages and benefits	13,892	126	14,018
Other direct expenses and overheads	3,218	124	3,342
Impairment loss on intangible asset	-	270	270
Other expenses	4,842	-	4,842
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(4,105)</b>	<b>(839)</b>	<b>(4,944)</b>

#### EARNINGS (LOSS) PER SHARE

Basic and diluted from loss for the year	(0.87)	(0.17)	(1.04)
Basic and diluted from discontinued operations	(0.23)	-	(0.23)
Basic and diluted from continuing operations	(0.64)	(0.17)	(0.81)

#### (iii) Consolidated statement of cash flows

	PREVIOUSLY REPORTED FOR THE YEAR ENDED MARCH 31, 2018	ADJUSTMENTS	RESTATED FOR THE YEAR ENDED MARCH 31, 2018
Loss for the year	(4,105)	(839)	(4,944)
Changes in non-cash working capital – Inventories	1,165	111	1,276
Changes in non-cash working capital – Deferred revenue	(1,373)	153	(1,220)
Other changes in non-cash working capital	6,065	-	6,065
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,752</b>	<b>(575)</b>	<b>1,177</b>
Additions to property, plant and equipment, net	(541)	178	(363)
Capitalised development cost	(397)	397	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(938)</b>	<b>575</b>	<b>(363)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
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### 4. Financial risk management

#### A) FINANCIAL RISK FACTORS

The Group's activities may expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

##### (i) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's variable portion of the interest rate applicable to the bank loan. A 100 basis point increase or decrease in interest rates at the beginning of the reporting period would have increased or decreased net income (loss) by approximately \$60 (2018 - \$73).

##### Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to its operating activities and its net investments in its foreign subsidiary.

The Group's subsidiary CCS Portugal operates in Portugal and its functional currency is the Euro. At the reporting date, the foreign currency exposure related to this entity is \$90 (2018 - \$159)

The Group, in its normal course of business, is also required to acquire both goods and services from overseas vendors requiring payment primarily in US Dollars (USD), and to a lesser extent Pounds Sterling (GBP) and Euro (EUR). However, foreign currency risk is minimal, due to the fact that the Bermuda dollar is pegged to the US Dollar at a 1:1 rate and that the GBP and EUR exposure is not significant.

##### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market other than interest rate, currency, credit or liquidity. At the reporting date the Group had no significant price risk exposure.

##### (ii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with financial institutions.

Cash and cash equivalents are held with financial institutions which have a minimal risk of default, rated by Standard & Poor's with minimum credit ratings of A-, and as such do not expose the Group to significant credit risk. Customer credit risk is managed by each subsidiary subject to the Group's established policy, procedures and control relating to customer credit risk management. The Group does not hold collateral as security, and the maximum exposure to credit risk at the reporting date is the carrying value of the receivable balances.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
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### 4. Financial risk management; A) Financial risk factors (continued)

#### (iii) Liquidity risk

Liquidity risk is the risk that sufficient funds will not be available to meet financial requirements as they become due. The Group manages liquidity risk by continually monitoring actual and projected cash flows. The following are the contractual undiscounted cash flows of financial liabilities by contractual maturities at the end of each reporting period:

MARCH 31, 2019	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS	TOTAL
Bank loan	595	595	1,189	3,568	748	6,695
Accounts payable	1,581	-	-	-	-	1,581
	<b>2,176</b>	<b>595</b>	<b>1,189</b>	<b>3,568</b>	<b>748</b>	<b>8,276</b>

  

MARCH 31, 2018	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS	TOTAL
Bank loan	595	595	1,189	4,757	555	7,691
Accounts payable	869	-	-	-	-	869
	<b>1,464</b>	<b>595</b>	<b>1,189</b>	<b>4,757</b>	<b>555</b>	<b>8,560</b>

#### B) CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain investor, creditor and market confidence so as to sustain the future development of the business.

The Group sets the amount of capital in proportion to risk required. The Group 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 Group 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 at March 31, 2019, the net debt to asset ratio is 0.17 (2018 - 0.18).

#### C) FAIR VALUE ESTIMATION

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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 4. Financial risk management; C) Fair Value Estimation (continued)

The carrying values of cash and cash equivalents, current accounts receivable, accounts payable and the bank loan are reasonable estimates of their fair values due to the short-term maturity of these instruments or the fact that they attract interest at market rates. The fair value of the assets held-for-sale are derived from observable market inputs when possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and market conditions. Changes in assumptions relating to these factors could affect the reported fair value.

As at March 31, 2019, no group of assets or liabilities are measured at fair value. As at March 31, 2018, the only group of assets or liabilities measured at fair value were assets and liabilities held-for-sale in the net amount of \$236 (note 16), classified as Level 3. There has been no transfers between hierarchy levels during the year ended March 31, 2019 and 2018.

## 5. Cash and cash equivalents

Cash and cash equivalents comprises of cash held in current accounts in the amount of \$4,566 (2018 - \$4,118).

## 6. Accounts receivable

Accounts receivable are classified as follows:

	2019	2018
Trade receivables – current portion	5,015	4,118
Less: allowance for impairment	(140)	(210)
Net trade receivables – current portion	4,875	3,908
Unbilled revenue on contracts in progress	777	642
<b>ACCOUNTS RECEIVABLE – CURRENT PORTION</b>	<b>5,652</b>	<b>4,550</b>
<b>TRADE RECEIVABLES – NON-CURRENT PORTION</b>	<b>-</b>	<b>1,564</b>
<b>TOTAL ACCOUNTS RECEIVABLE</b>	<b>5,652</b>	<b>6,114</b>

The aging of current trade receivables at the reporting date was:

	GROSS AMOUNT 2019	WEIGHTED AVERAGE LOSS RATE	IMPAIRED AMOUNT 2019	NET 2019	CREDIT IMPAIRED
Not past due	1,559	-	-	1,559	No
1-30 days	2,567	-	-	2,567	No
31-60 days	783	-	-	783	No
61-90 days	207	-	-	207	No
More than 90 days	676	19.44%	140	536	No
	<b>5,792</b>		<b>140</b>	<b>5,652</b>	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 6. Accounts receivable (continued)

	GROSS AMOUNT 2018	IMPAIRED AMOUNT 2018	NET 2018
Not past due	642	-	642
1-30 days	2,654	-	2,654
31-60 days	705	-	705
61-90 days	123	-	123
More than 90 days	636	210	426
	<b>4,760</b>	<b>210</b>	<b>4,550</b>

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

	2019	2018
Opening balance	210	180
Reclassified as assets held-for-sale (note 16)	-	45
Disposal of subsidiary	(45)	-
Charge for the year	75	639
Receivables written off during the period as uncollectible	(100)	(654)
<b>CLOSING BALANCE</b>	<b>140</b>	<b>210</b>

### 7. Prepaid expenses

Prepaid expenses are classified as follows:

	2019	2018
Insurance	33	36
Taxes	71	18
Vendor support	220	392
Other prepaid expenses	89	100
	<b>413</b>	<b>546</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 8. Inventories

Inventories are classified as follows:

	2019	RESTATED (NOTE 3B) 2018
Auto parts	608	656
Computer, telephony, cabling and audio-visual	341	302
Electrical parts	46	55
	<b>995</b>	<b>1,013</b>

Cost of revenue includes expensed inventories in the amount of \$9,538 (2018 - \$11,310).

Other direct expenses and overheads includes write-down of inventories in the amount of \$20 (2018 - \$506).

Inventories are shown net of a provision for obsolete and slow-moving items in the amount of \$179 (2018 - \$133).

### 9. Property, plant and equipment

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

	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	FURNITURE AND FIXTURES	LEASEHOLD IMPROVEMENTS	TOTAL
<b>COST</b>					
April 1, 2017	11,244	3,578	93	572	15,487
Additions (restated - note 3B)	-	229	4	130	363
Reclassified as assets held-for-sale	-	(337)	(6)	(53)	(396)
Disposals and retirements	-	(13)	-	-	(13)
<b>MARCH 31, 2018 (RESTATED - NOTE 3B)</b>	<b>11,244</b>	<b>3,457</b>	<b>91</b>	<b>649</b>	<b>15,441</b>
Additions	-	311	36	18	365
Disposals and retirements	-	(837)	-	(99)	(936)
<b>MARCH 31, 2019</b>	<b>11,244</b>	<b>2,931</b>	<b>127</b>	<b>568</b>	<b>14,870</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 9. Property, plant and equipment (continued)

	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	FURNITURE AND FIXTURES	LEASEHOLD IMPROVEMENTS	TOTAL
<b>DEPRECIATION</b>					
April 1, 2017	2,122	2,123	68	485	4,798
Depreciation for the year					
Continuing operations	407	526	9	46	988
Discontinued operations	-	55	2	15	72
Reclassified as assets held-for-sale	-	(337)	(6)	(53)	(396)
<b>MARCH 31, 2018</b>	<b>2,529</b>	<b>2,367</b>	<b>73</b>	<b>493</b>	<b>5,462</b>
Depreciation for the year					
Continuing operations	390	468	50	38	946
Discontinued operations	-	-	-	-	-
Disposals and retirements	(5)	(841)	-	(89)	(935)
<b>MARCH 31, 2019</b>	<b>2,914</b>	<b>1,994</b>	<b>123</b>	<b>442</b>	<b>5,473</b>
<b>CARRYING AMOUNTS</b>					
At April 1, 2017 (restated - note 3B)	9,122	1,455	25	87	10,689
At March 31, 2018 (restated - note 3B)	8,715	1,090	18	156	9,979
At March 31, 2019	8,330	937	4	126	9,397

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

## 10. Goodwill

Goodwill is classified as follows:

	2019	RESTATED (NOTE 3B) 2018
Goodwill - Automotive Garages	1,942	1,942
Goodwill - Facilities Management	4,756	4,756
Goodwill - Infrastructure Development	4,581	4,581
	<b>11,279</b>	<b>11,279</b>

At year end, management conducted impairment tests on the Group's reportable segments and determined that goodwill was not impaired as at March 31, 2019 and 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are classified as follows:

	2019	2018
Trade payables	1,581	869
Accrued liabilities	528	1,091
Accrued payroll and benefits liabilities	797	687
Restructuring provision	-	532
	<b>2,906</b>	<b>3,179</b>

During the year ended March 31, 2018, the Group undertook a complete assessment of its corporate activities and its organisational structure in an effort to strengthen its operations. As at March 31, 2019, no related restructuring costs were unpaid (2018 - \$532).

### 12. Bank loan

The bank loan matures in January 2027 and is repayable in equal blended monthly instalments of principal and interest of \$99. The bank loan bears interest at 1.6% above the Bank's Bermuda Dollar base rate. The Bank's base rates increased in June 2017 from 4.5% to 4.75%; in December 2017 to 5%; in March 2018 to 5.25%; in June 2018 to 5.5%; in October 2018 to 5.75% and to 6% in December 2018.

Total interest expense in relation to the bank loan was \$423 for the year ended March 31, 2019 (2018 - \$432) and is included in finance costs in the consolidated statement of comprehensive income.

The bank 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 \$11,619 over the Group's assets.

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

2020	803
2021	867
2022	936
2023	1,009
2024	1,088
Thereafter	728
<b>TOTAL</b>	<b>5,431</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 13. Share capital

Share capital is as follows:

	2019	2018
Authorised		
9,999,996 (2018 - 9,999,996) shares of par value of \$1.00 each	10,000	10,000
Issued and fully paid		
4,922,301 (2018 - 4,922,301) shares	4,922	4,922

No dividends were declared and paid during the year (2018 - \$492; \$0.10 per share).

### 14. Non-controlling interest

During the year ended March 31, 2018, the Group acquired the shares in ITS held by non-controlling interests as part of a settlement arising from the integration of its operations with those of CCS. Before the transaction, the non-controlling interests attributable to ITS were a deficit of \$200. The Group's shareholding in ITS as at March 31, 2019 and 2018 is 100%.

Dividends to non-controlling interests of \$272 (2018 - \$105) were declared and paid during the year.

### 15. Other income

Rental income from owned and sublet property under operating leases is recognised on a straight-line basis over the term of the lease. Other income includes rental income of \$283 (2018 - \$180).

Contractual future income from rental properties is as follows:

	2019	2018
Less than one year	201	169
Between one and five years	84	240

### 16. Discontinued operations

In February 2018, the Board of Directors approved a plan to dispose of Eff-Tech, a wholly owned subsidiary, and the disposal was completed on June 5, 2018. For the year ended March 31, 2019 and 2018, the operations of Eff-Tech were classified as discontinued operations.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 16. Discontinued operations (continued)

The results attributed to Eff-Tech are as follows:

	2019	2018
Revenue	305	2,191
Expenses	(541)	(3,091)
Operating loss	(236)	(900)
Impairment loss recognised on remeasurement to fair value	-	(215)
<b>LOSS FROM DISCONTINUED OPERATIONS</b>	<b>(236)</b>	<b>(1,115)</b>

The major classes of assets and liabilities of Eff-Tech classified as held for sale as at June 5, 2018 and March 31, 2018 are as follows:

	JUNE 5, 2018	MARCH 31, 2018
Accounts receivable	385	583
Inventories	444	357
Impairment on remeasurement to fair value	(215)	(215)
<b>ASSETS HELD-FOR-SALE</b>	<b>614</b>	<b>725</b>
Accounts payable and accrued liabilities	(396)	(330)
Deferred revenue	(40)	(159)
<b>LIABILITIES HELD-FOR-SALE</b>	<b>(436)</b>	<b>(489)</b>
<b>NET ASSETS HELD-FOR-SALE</b>	<b>178</b>	<b>236</b>

The net cash flows incurred by Eff-Tech are as follows:

	2019	2018
Operating activities	41	(237)
Investing activities	-	-
Financing activities	-	-
<b>NET CASH INFLOW (OUTFLOW)</b>	<b>41</b>	<b>(237)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 17. Earnings per share

Basic earnings per share has been calculated by dividing the consolidated income attributable to equity holders of the Company by the weighted average of common shares in issue during the year. The Company has no dilutive potential ordinary shares.

	2019	RESTATED (NOTE 3B) 2018
Income (loss) attributable to common shareholders	195	(5,101)
Average number of common shares outstanding	4,922	4,922
<b>EARNINGS PER SHARE FROM INCOME (LOSS) FOR THE YEAR</b>	<b>0.04</b>	<b>(1.04)</b>
<b>EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS</b>	<b>(0.05)</b>	<b>(0.23)</b>
<b>EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>	<b>0.09</b>	<b>(0.81)</b>

### 18. Commitments

#### Capital commitments:

There are no commitments for capital expenditure for the fiscal years ended March 31, 2019 or 2018.

#### Lease commitments:

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

	2019	2018
Less than one year	18	54
Between one and five years	-	18
<b>TOTAL FUTURE MINIMUM LEASE PAYMENTS</b>	<b>18</b>	<b>72</b>

### 19. Related parties

#### A) RELATED PARTY TRANSACTIONS

During the year, BAS-Serco provided facilities management services to a company which is a major shareholder. These services were provided in the normal course of business for the consideration amount of \$1,635 (2018 - \$1,237). As at March 31, 2019, the amount due to BAS-Serco related to those services was \$157 (2018 - \$210), which is included in accounts receivable.

#### B) KEY MANAGEMENT

There are no contracts of significance existing during or at the end of the financial year in which a key management person was materially interested, directly or indirectly.

The total interests of all Directors and Officers of BAS as at March 31, 2019 were 257,574 (2018 - 20,288) shares.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 19. Related parties; B) Key management (continued)

Key management compensation paid during the year consists of:

	2019	2018
Salaries and benefits	1,520	1,449
Termination benefits	-	735
Consulting services	100	263
	<b>1,620</b>	<b>2,447</b>

## 20. Segment reporting

The Group has four reportable segments as shown below. The Group'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 note 2. The operations of Eff-Tech have been reclassified from facilities management and presented as discontinued operations for the year ended March 31, 2019 and 2018 (note 16).

The following describes the composition of each of the Group's four reportable segments:

- i. Administrative services includes mainly the assets and services related to the Group's corporate headquarters.
- ii. Automotive garages includes the distribution of automotive parts and services.
- iii. Facilities management includes elevator maintenance and installation, property management, and maintenance.
- iv. Infrastructure development includes, application development, enterprise networking, infrastructure, IT consulting services, server storage and virtualisation, security, unified communications and collaboration and electrical services and solutions.

	ADMINISTRATIVE SERVICES	AUTOMOTIVE GARAGES	FACILITIES MANAGEMENT	INFRASTRUCTURE DEVELOPMENT	TOTAL
<b>CONTINUING OPERATIONS YEAR ENDED MARCH 31, 2019</b>					
Revenue from external customers	45	2,805	9,428	20,153	32,431
Inter-segment revenue	2,904	26	581	1,014	4,525
Depreciation	479	33	44	390	946
(Loss) income	(3,517)	783	1,986	1,476	728
Total capital expenditure	18	7	54	286	365
Total operating assets	8,746	886	3,724	7,667	21,023
Total operating liabilities	639	91	1,273	3,582	5,585

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019  
(Expressed in thousands of Bermuda Dollars)

### 20. Segment reporting (continued)

	ADMINISTRATIVE SERVICES	AUTOMOTIVE GARAGES	FACILITIES MANAGEMENT	INFRASTRUCTURE DEVELOPMENT	TOTAL
<b>CONTINUING OPERATIONS YEAR ENDED MARCH 31, 2018 RESTATE (NOTE 3B)</b>					
Revenue from external customers	51	2,865	8,485	19,286	30,687
Inter-segment revenue	4,109	40	494	1,563	6,206
Depreciation	517	33	39	399	988
Income (loss)	(5,890)	601	2,098	(386)	(3,577)
Total capital expenditure	146	82	48	87	363
Total operating assets	8,853	809	4,395	7,713	21,770
Total operating liabilities	1,023	120	723	4,015	5,881

	2019	RESTATE (NOTE 3B) 2018
<b>INCOME (LOSS)</b>		
Total income (loss) from continuing operations for reportable segments	728	(3,577)
Other income	283	180
Finance costs	(423)	(432)
Loss from discontinued operations (note 16)	(236)	(1,115)
<b>TOTAL GROUP COMPREHENSIVE INCOME</b>	<b>352</b>	<b>(4,944)</b>
<b>TOTAL ASSETS</b>		
Total assets for reportable segments	21,023	21,770
Assets held-for-sale (note 16)	-	725
Goodwill	11,279	11,279
<b>TOTAL GROUP ASSETS</b>	<b>32,302</b>	<b>33,774</b>
<b>TOTAL LIABILITIES</b>		
Total liabilities for reportable segments	5,585	5,881
Bank loan	5,431	6,198
Liabilities held-for-sale (note 16)	-	489
<b>TOTAL GROUP LIABILITIES</b>	<b>11,016</b>	<b>12,568</b>

## 21. Subsequent events

There are no subsequent events for recognition and disclosure to July 11, 2019, which is the date that these consolidated financial statements were approved for issue by the Board of Directors.



## DIRECTORS

### Chairman

David W. Pugh, CPA, CA

Jeffrey G. Conyers  
Dennis Fagundo  
E. Michael Leverock

### Deputy Chairman

Gail E.M. Miller

Scott Pearman  
Glen Smith

### Secretary

Conyers Corporate Limited

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## OFFICERS

### Leslie J. Rans, CPA

Chief Executive Officer  
BAS Group of Companies

### Navdeep Dhesi, CPA

Vice President Finance  
BAS Group of Companies

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## GENERAL MANAGERS

### Antoine Lambert

Operations Manager  
Bermuda Energy Services  
Company Ltd.

### Jeff Cook

General Manager  
Weir Enterprises Ltd.

### Tracey Sutherland

General Manager  
BAS-Serco Ltd.

### Lloyd Fray

President  
The CCS Group Ltd.

### John Morran

General Manager  
Otis Elevator Company (Bermuda) Ltd.



## ADDRESS

**Bermuda Aviation Services Limited**  
P.O. Box HM 719  
Hamilton HM CX  
Bermuda

**The BAS Building**  
19 Bakery Lane  
Pembroke HM 07  
Bermuda

**BERMUDA AVIATION  
SERVICES LIMITED**

P.O. Box HM 719  
Hamilton HM CX  
Tel: 441-299-4889  
Fax: 441-293-0513  
[www.basg.bm](http://www.basg.bm)  
[www.bas.bm](http://www.bas.bm)

**BAS-SERCO LTD.**

P.O. Box HM 719  
Hamilton HM CX  
Tel: 441-299-4889  
Fax: 441-293-0513  
[www.bas-serco.bm](http://www.bas-serco.bm)

**BERMUDA ENERGY  
SERVICES COMPANY LTD.**

P.O. Box HM 3318  
Hamilton HM PX  
Tel: 441-297-3726  
Fax: 441-296-4236  
[www.besco.bm](http://www.besco.bm)

**THE CCS GROUP LTD.**

P.O. Box HM 3081  
Hamilton HM NX  
Tel: 441-294-3400  
Fax: 441-292-0751  
[www.ccs.bm](http://www.ccs.bm)

**OTIS ELEVATOR COMPANY  
(BERMUDA), LTD.**

P.O. Box HM 1546  
Hamilton HM FX  
Tel: 441-295-3226  
Fax: 441-292-7422  
[www.otisbermuda.bm](http://www.otisbermuda.bm)

**WEIR ENTERPRISES LTD.**

P.O. Box HM 1425  
Hamilton HM FX  
Tel: 441-292-5963  
Fax: 441-295-1576