



ANNUAL REPORT 2015 – 2016

## DIRECTORS

### Chairman

David W. Pugh, CPA, CA<sup>1</sup>

### Deputy Chairman

Gail E.M. Miller<sup>2</sup>

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

J. Patricia Lynn  
Scott Pearman  
Gerald D.E. Simons<sup>3</sup>

### Secretary

Codan Services Limited

<sup>1</sup> Audit and Risk Committee Chairman

<sup>2</sup> Compensation Committee Chairman

<sup>3</sup> Governance Committee Chairman

---

## OFFICERS

### Ian D. Cook

Group President and  
Chief Executive Officer  
BAS Group of Companies

### Andrew Griffith, CPA, CA

Group Vice President and  
Chief Financial Officer  
BAS Group Of Companies

---

## GENERAL MANAGERS

### Bryan Adams

General Manager  
Bermuda Energy Services  
Company Ltd.

### Jeff Cook

General Manager  
Weir Enterprises Ltd.

### Tracey Sutherland

General Manager  
BAS-Serco Ltd.

### Peter Aldrich

General Manager  
The CCS Group Ltd.

### John Morran

General Manager  
Otis Elevator Company  
(Bermuda) Ltd.

### Greg Woods

General Manager  
Integrated Technology  
Solutions Ltd.





# CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016



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

# BAS GROUP OF COMPANIES

-  Innovative Solutions
-  Quality Products
-  Excellent Service
-  Single point of contact, single point of accountability



- Enterprise Networking
- UC & Collaboration
- Storage & Virtualisation
- Infrastructure Cabling
- Cloud Services



- MEP Engineering
- Energy Management Systems
- Power Systems Solutions
- Fire Detection & Security Systems



- Audio Visual Solutions
- Room & Lighting Control Systems
- Window Treatment & Solar Shading Solutions
- Digital Signage Solutions





- HVAC Solutions
- HVAC Maintenance & Support
- Fire & Life Safety Systems




- Commercial & Residential Lift Equipment
- Escalators & Moving Walkways
- Elevator Interior Retrofits
- Lift Equipment Maintenance & Support




- Facilities Management
- Commercial Cleaning Services




- Vehicle Diagnostics & Servicing
- Automotive Electrical Services
- Industrial & Commercial Radiator Repair



# FINANCIAL HIGHLIGHTS

## Five Year Summary

<b>FOR THE YEAR ENDED</b> (Expressed in thousands of Bermuda Dollars)	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b> RESTATED	<b>2012</b>
Revenue	39,474	40,068	56,237	44,362	40,117
Income from continuing operations	1,645	457	2,257	1,265	2,836
Remeasurement of benefit obligations	-	-	(158)	(982)	-
Defined benefit plan wind-up cost	99	(731)	(1,114)	-	-
Discontinued operations	1,157	1,073	(9)	324	(1,509)
Goodwill impairment	-	-	(1,300)	-	(5,686)
Gain on sale of subsidiary	189	-	1,380	-	-
Income (loss) attributable to shareholders of the Group	2,765	471	624	671	(4,558)
Dividends	984	992	1,018	1,017	1,119

<b>FOR THE YEAR ENDED</b> (Expressed in thousands of Bermuda Dollars)	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Income (loss) for the year	3,090	799	1,214	1,589	(4,359)
(Income) loss attributable to non-controlling interests	(325)	(328)	(432)	64	(199)
Net income (loss) attributable to shareholders of the Group	2,765	471	782	1,653	(4,558)

<b>AS AT MARCH 31</b> (Expressed in thousands of Bermuda Dollars)	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total assets	43,514	46,044	46,574	46,419	45,499
Total liabilities	15,437	19,464	19,093	18,954	15,092
Equity attributable to shareholders of the Group	27,006	25,225	26,416	26,811	30,031

<b>FINANCIAL RATIOS</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Earnings (loss) per share	0.56	0.10	0.15	0.32	(0.90)
Return on shareholders' equity	10.96%	1.78%	2.92%	5.50%	-12.77%

<b>SHAREHOLDER DATA</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Shares in issue	4,922,301	4,922,301	5,088,119	5,089,047	5,089,047
Book value per share	5.49	5.14	5.19	5.27	5.90

<b>AS AT MARCH 31</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Number of employees	164	239	220	241	193



REPORT TO SHAREHOLDERS



# REPORT TO SHAREHOLDERS

---

## The Year in Review

Bermuda Aviation Services Limited ("BAS" or the "Company") and its subsidiaries (the "Group") reports net income of \$2.8 million for the year ended March 31, 2016 compared to March 31, 2015 net income of \$471,000.

These results are in line with overall targets and, after four challenging years, the Group has achieved improved earnings for the current year. Shareholders will note that \$1.3 million of the year's results arose from discontinued operations; the non-renewal of the airport management contract in BAS-Serco Ltd. and the sale of International Bonded Couriers of Bermuda Ltd. Despite these significant changes, your Board and Management remain confident that the Group has now placed the vast majority of its legacy issues firmly in the past and look forward to more 'normal' times. It is expected that several new Facility Management contracts won recently will replace these revenue streams.

These earnings have been achieved against a backdrop of global economic challenges that have lingered for several years. These positive results are underpinned by strong business fundamentals, primarily:

- Continued strong performance from our core business operations,
- Very high client retention levels despite fiercely competitive markets,
- Efficient management of operating expenses,
- Increased governance and oversight, and
- Sustained efforts to optimize the Group's working capital and synergies.

Your Board and Management believe that there are signs that the economic downturn in Bermuda and elsewhere may now have bottomed out, but the economic recovery will remain slow. The Group continues to make progress with its strategic goals of focusing on markets where the Group can grow to create acceptable returns for its shareholders. Accordingly, we remain confident that the Group is increasingly well positioned for the future.

## Financial Results

*Net Income attributable to Shareholders* is \$2.8 million for the year ended March 31, 2016 (2015 - \$471,000) and *Earnings per Share* is \$0.56 (2015 - \$0.10 per share).

*Total Revenue* from continuing businesses of \$39.4 million has remained stable with a marginal decrease of \$0.6 million from \$40 million in the prior year. This sustainment is primarily due to CCS, which has continued to be aggressive and innovative in information and communications technology products that it delivers as well as its professional services team.

*Gross Profit* is \$15.5 million which is an improvement on the \$14.5 million achieved in 2015.

*Total Operating Expenses* have decreased by \$0.2 million to \$14.0 million from \$14.2 million in the prior year as a result of the tight budgetary control and monitoring processes exercised by Management.

The wind-up of the defined benefit pension plan in prior years has allowed the Company to close off the uncertainty of the actuarial obligation which means that the Company is no longer required to fund its pension deficit. This has allowed the Group to expedite repayment of its long-term debt.

The Total Equity attributable to Shareholders is \$27 million. This is an increase of 7% from \$25.2 million.



# REPORT TO SHAREHOLDERS

---

## Group Changes

Over the last ten years, the diversification of businesses within the Group's subsidiary companies has allowed the Group to dampen the effects of the reliance on the aviation industry. After a thirty year relationship of providing aviation related services to the L.F. Wade International Airport, the Company is no longer providing these services effective March 31, 2016 as the contract was transferred to another service provider. Continued diversification, creation of synergies and restructuring has allowed the Group to remain stable as the effects of a stagnant economy prove to be a challenge.

## Performance of Subsidiaries

The goal of the Group is to provide a seamless business solution for clients with one point of contact for many operational needs. We have taken steps towards creating a more strategically agile customer solution and service Group by further integrating our resources. This is an ongoing evolution that we continue to refine and improve. Management will continue to unlock the potential of each subsidiary with a view to providing a level of service that is embraced by our customers and envied by our competitors.

### **BAS-SERCO LTD. ("BAS-SERCO")**

BAS-Serco has performed well with the new facilities management contracts brought on at the beginning of the fiscal year. BAS-Serco continues to expand upon its client base and its service offerings to clients. With more exciting opportunities in the pipeline, we are optimistic that BAS-Serco will continue to perform well.

### **BERMUDA ENERGY SERVICES COMPANY LTD. ("BESCO")**

BESCO has provided a modest return and it is anticipated that further restructuring and operational adjustments will see this subsidiary achieve healthier returns for our shareholders.

### **THE CCS GROUP LTD. ("CCS")**

Similar to the Group philosophy on diversification, CCS offers a wide array of services in an effort to maintain operational stability through diversification. To this aim, CCS has opened an office in Portugal, a major telecommunications market, and will develop new telecommunications business products. CCS results were an improvement on the prior year's result but were not as robust as forecast. This was due to delays in bringing new service lines to market. It is anticipated that these service lines will generate greater revenues in the coming year.

### **EFFICIENT TECHNOLOGIES BERMUDA LTD. ("EFF-TECH")**

Eff-Tech's performance continues to be led by our residential business. With strength in both replacement and new installation, residential revenues are up 10 percent. This is a new entity and Management continues to refine Eff-Tech's operations to make it more efficient to increase overall profitability.

### **INTEGRATED TECHNOLOGY SOLUTIONS LTD. ("ITS")**

The level of projected business did not materialize and this impacted ITS's overall profitability. Management is confident that there is potential to exploit internal synergies and that this will help make ITS more profitable.

### **INTERNATIONAL BONDED COURIERS OF BERMUDA LTD. ("IBC")**

In November 2015, BAS made the decision to sell IBC as the Group becomes more focused on its facilities management and technology solutions operations. The courier business became less congruent with the overall Group solutions strategy and coupled with the overall decline in the cargo handling and courier services market, BAS has opted for a strategic exit.

# REPORT TO SHAREHOLDERS

---

## **OTIS ELEVATOR COMPANY (BERMUDA) LTD. ("OTIS")**

Otis has exceeded Management's expectations particularly in the maintenance services market. In 2016, we continued to see a high level of price competition in both new equipment and modernization. However, under the stewardship of a new General Manager, it has made some core changes to the operations and had its best financial performance in over 5 years.

## **WEIR ENTERPRISES LTD. ("WEIR")**

Weir continues to provide a level of service expected by its customers servicing more than 6,500 cars last year alone. Management expects to see an increase in over the counter sales next year as the economy grows. Weir's Management is to be commended, yet again, for providing strong managerial direction.

## Looking Forward

During the upcoming fiscal year, the Group expects continued change and reorganization as it adapts to its changing business environment. Centralization and consolidation of financial, administrative and operational services will continue to occur as the Group strives to achieve efficiencies that will allow it to remain competitive and innovative.

## Note of Appreciation

The Company wishes to thank its former Chairman, Colonel Michael Darling, for his many years of service as Chairman of the BAS Board of Directors. Mr. Darling stepped down after twelve years of service as Chairman on January 1, 2016. The Company, its shareholders, its employees and fellow Board members are grateful for the guidance and leadership he provided during his term as Chairman and are pleased that he has opted to remain on the Board of Directors.

We would also like to acknowledge the efforts of all of our employees as we realize that none of this is possible without their hard work and dedication.



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



**Ian D. Cook**  
GROUP PRESIDENT & CHIEF EXECUTIVE OFFICER

July 1, 2016



**Arthur Morris & Company Limited**  
Chartered Professional Accountants

Century House  
16 Par-la-Ville Road  
Hamilton HM08  
Bermuda

Tel: +1 441 292 7478  
Fax: +1 441 295 4164

## **INDEPENDENT AUDITORS' REPORT**

### **To the Shareholders of Bermuda Aviation Services Limited**

We have audited the accompanying consolidated financial statements of Bermuda Aviation Services Limited and its subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bermuda Aviation Services Limited and its subsidiaries as at March 31, 2016, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in cursive script that reads "Arthur Morris &amp; Company Limited".

**Hamilton, Bermuda**

**July 1, 2016**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2016  
(Expressed in thousands of Bermuda Dollars)

	MARCH 31 2016	MARCH 31 2015
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (note 6)	6,124	7,273
Accounts receivable (notes 12 and 18)	8,520	8,265
Prepaid expenses	549	660
Inventories (note 3)	2,624	2,826
	17,817	19,024
<b>NON-CURRENT ASSETS</b>		
Other receivables (note 12)	3,836	4,266
Property, plant and equipment (note 4)	10,555	11,448
Goodwill (note 5)	11,306	11,306
	25,697	27,020
<b>TOTAL ASSETS</b>	43,514	46,044
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (note 12)	3,124	4,511
Deferred revenue	3,269	4,724
Bank loan (notes 7 and 12)	665	616
	7,058	9,851
<b>NON-CURRENT LIABILITIES</b>		
Bank loan (notes 7 and 12)	8,379	9,613
<b>TOTAL LIABILITIES</b>	15,437	19,464
<b>EQUITY</b>		
<b>ATTRIBUTABLE TO SHAREHOLDERS OF THE GROUP</b>		
Share capital (note 9)	4,922	4,922
Share premium	12,371	12,371
Retained earnings	9,713	7,932
<b>TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE GROUP</b>	27,006	25,225
Attributable to non-controlling interests (note 8)	1,071	1,355
<b>TOTAL EQUITY</b>	28,077	26,580
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	43,514	46,044

Commitments (note 14)

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, 2016

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

	MARCH 31 2016	MARCH 31 2015
<b>CONTINUING OPERATIONS</b>		
Supply of services (notes 17 and 18)	16,255	14,377
Sale of goods	23,219	25,691
<b>TOTAL REVENUE</b>	<b>39,474</b>	<b>40,068</b>
<b>DIRECT COST OF REVENUE</b>		
Direct cost of services revenue	(8,318)	(8,842)
Cost of goods sold (note 3)	(15,631)	(16,710)
<b>GROSS PROFIT</b>	<b>15,525</b>	<b>14,516</b>
Other income (note 15)	151	156
<b>OPERATING EXPENSES</b>		
Wages and benefits (notes 13 and 16)	(8,861)	(8,951)
Other direct expenses and overheads	(3,593)	(3,423)
Gain / (loss) on disposal of property, plant and equipment (note 4)	33	(39)
Depreciation (notes 4 and 17)	(1,045)	(1,282)
Finance costs (note 7)	(565)	(520)
<b>TOTAL OPERATING EXPENSES</b>	<b>(14,031)</b>	<b>(14,215)</b>
<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>	<b>1,645</b>	<b>457</b>
Defined benefit plan wind-up cost (note 13)	99	(731)
Income from discontinued operations (note 10)	1,157	1,073
Gain on sale of subsidiary (note 10)	189	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>3,090</b>	<b>799</b>
<b>INCOME ATTRIBUTABLE TO:</b>		
Shareholders of the Group	2,765	471
Non-controlling interests (note 8)	325	328
<b>INCOME FOR THE YEAR</b>	<b>3,090</b>	<b>799</b>
<b>EARNINGS PER SHARE</b>		
Basic earnings per share	0.56	0.10
Diluted earnings per share	0.56	0.10

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, 2016  
(Expressed in thousands of Bermuda Dollars)

	ATTRIBUTABLE TO SHAREHOLDERS OF THE GROUP					NON- CONTROLLING INTERESTS	TOTAL EQUITY
	CAPITAL STOCK	SHARE PREMIUM	RETAINED EARNINGS	ACCUMULATED OTHER COMPRE- HENSIVE LOSS	TOTAL		
<b>BALANCE APRIL 1, 2014</b>	<b>5,088</b>	<b>12,737</b>	<b>9,731</b>	<b>(1,140)</b>	<b>26,416</b>	<b>1,065</b>	<b>27,481</b>
<b>TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY</b>							
Cancellation of share capital (note 9)	(166)	-	-	-	(166)	-	(166)
Cancellation of non-controlling interest	-	-	(138)	-	(138)	138	-
Dividends paid	-	-	(992)	-	(992)	-	(992)
Dividends to non-controlling interests	-	-	-	-	-	(176)	(176)
Share premium distributed	-	(366)	-	-	(366)	-	(366)
	<b>4,922</b>	<b>12,371</b>	<b>8,601</b>	<b>(1,140)</b>	<b>24,754</b>	<b>1,027</b>	<b>25,781</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>							
Income	-	-	471	-	471	328	799
Reclassification (note 2(H))	-	-	(1,140)	1,140	-	-	-
<b>BALANCE MARCH 31, 2015</b>	<b>4,922</b>	<b>12,371</b>	<b>7,932</b>	<b>-</b>	<b>25,225</b>	<b>1,355</b>	<b>26,580</b>
<b>TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY</b>							
Consideration paid for non-controlling interest	-	-	-	-	-	(200)	(200)
Dividends paid	-	-	(984)	-	(984)	-	(984)
Dividends to non-controlling interests	-	-	-	-	-	(409)	(409)
	<b>4,922</b>	<b>12,371</b>	<b>6,948</b>	<b>-</b>	<b>24,241</b>	<b>746</b>	<b>24,987</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>							
Income	-	-	2,765	-	2,765	325	3,090
<b>BALANCE MARCH 31, 2016</b>	<b>4,922</b>	<b>12,371</b>	<b>9,713</b>	<b>-</b>	<b>27,006</b>	<b>1,071</b>	<b>28,077</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2016  
(Expressed in thousands of Bermuda Dollars)

	MARCH 31 2016	MARCH 31 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income for the year	3,090	799
<b>ADJUSTMENTS:</b>		
Depreciation	1,045	1,282
(Gain) Loss on the sale of property, plant and equipment	(33)	39
Gain from the sale of subsidiary (note 10)	(189)	-
Finance costs	565	520
<b>CHANGES IN NON-CASH WORKING CAPITAL:</b>		
Accounts receivable	(255)	5,305
Prepaid expenses	111	8
Inventories	202	(109)
Other receivables	430	(3,782)
Accounts payable and accrued liabilities	(1,387)	(797)
Deferred revenue	(1,455)	383
Pension plan liability	-	(3,370)
	<b>2,124</b>	<b>278</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of subsidiary (note 10)	278	-
Proceeds on the disposition of property, plant and equipment	129	21
Additions to property, plant and equipment (note 17)	(337)	(452)
	<b>70</b>	<b>(431)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(984)	(992)
Dividends paid to non-controlling interests	(409)	(176)
Proceeds from the issuance of bank loan (note 7)	-	4,681
Repayment of bank loan	(1,185)	(526)
Finance costs	(565)	(520)
Consideration paid for non-controlling interest shares	(200)	-
Cancellation of share capital (note 9)	-	(166)
Return of share premium	-	(366)
	<b>(3,343)</b>	<b>1,935</b>
<b>CASH AND CASH EQUIVALENTS</b>		
(Decrease) increase during the year	(1,149)	1,782
Beginning of the year	7,273	5,491
<b>END OF THE YEAR</b>	<b>6,124</b>	<b>7,273</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, 2016  
(Expressed in thousands of Bermuda Dollars)

## 1. Operations

Bermuda Aviation Services Limited ("BAS") is domiciled and registered in Bermuda. BAS and its subsidiaries (the "Group") distribute automotive parts and provide automotive services; provide facilities management services; provide elevator maintenance and installation; provide customised energy solutions; provide heating, ventilation, and air conditioning installations and service; provide audio visual and electronic system solutions; and provide cabling, networking and telephony services and maintenance services.

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

## 2. Significant Accounting Policies

### A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were authorised for issue by the Board of Directors on July 1, 2016.

### B) BASIS OF PRESENTATION

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 accounting policies or amounts reported for the current or prior years. Amendments and interpretations to published standards effective for the year ended March 31, 2016 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. New standards, amendments and interpretations to existing standards that are relevant to the Group's operations but have not been early adopted are as follows:

#### IFRS 9 'Financial Instruments' – Classification and Measurement

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in July 2014. It replaces 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. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on April 1, 2018.

#### IFRS 7 'Financial Instruments: Disclosures'

IFRS 7 amendments on application of IFRS 9 were originally issued in December 2011. IFRS 7 states that instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 to IFRS 9 on the basis of the entity's date of adoption and if the entity chooses to restate prior periods. The Group will assess the impact of this amendment and adopt concurrently with IFRS 9, in accordance with the specific requirements in IFRS 7.

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

IFRS 15 was issued in May 2014 and sets out the requirements for recognising revenue that apply to all contracts with customers and establishes a single comprehensive framework for revenue recognition. IFRS 15 replaces the previous revenue Standards: IAS 18 and IAS 11. The Group is yet to assess IFRS 15's full impact and intends to adopt IFRS 15 no later than the accounting period beginning on April 1, 2017.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

FOR THE YEAR ENDED MARCH 31, 2016  
(Expressed in thousands of Bermuda Dollars)

## **IFRS 16 'Leases'**

IFRS 16, effective for annual periods beginning on or after January 1, 2019, was released in January 2016 and replaces the previous leases standard IAS 17. IFRS 16 sets out the principles for the recognition, measurements, 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.

## **IAS 38 'Intangible Assets'**

Amendments to IAS 38 were issued in December 2013 and May 2014, but are not yet effective. The December 2013 amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. This amendment is effective for annual periods beginning on or after July 1, 2014. The May 2014 amendment, effective for annual periods beginning on or after January 1, 2016, clarifies that a revenue based depreciation method for intangible assets is inappropriate.

## **IAS 1 'Presentation of Financial Statements'**

Amendments to IAS 1, part of the International Accounting Standards Board's 'Disclosure Initiative', were issued in December 2014. The amendments address perceived impediments to preparers exercising their judgement in presenting their financial reports. This amendment, effective for annual periods beginning on or after January 1, 2016, is one part of the initiative aimed at improving the effectiveness of disclosures in financial statements.

## **IAS 7 'Statement of Cash Flows'**

Amendments to IAS 7, part of the International Accounting Standards Board's 'Disclosure Initiative', were issued in January 2016. The amendments require entities to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities. This amendment is effective for annual periods beginning on or after January 1, 2017.

## **C) BASIS OF PREPARATION**

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

Significant accounting policies are:

### **(i) Subsidiaries**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016  
(Expressed in thousands of Bermuda Dollars)

## 2. Significant Accounting Policies C) Basis of Preparation (i) Subsidiaries (continued)

These consolidated financial statements include the financial statements of BAS and its subsidiaries all of which are registered in Bermuda. The subsidiaries and percentage ownership at March 31, 2016 are:

BAS-SERCO LTD. ("BAS-SERCO")	90%
BERMUDA ENERGY SERVICES COMPANY LTD. ("BESCO")	76%
THE CCS GROUP LTD. ("CCS")	100%
EASTBOURNE PROPERTIES LTD. ("EPL")	100%
EFFICIENT TECHNOLOGIES BERMUDA LTD. ("EFF-TECH")	100%
INTEGRATED TECHNOLOGY SOLUTIONS LTD. ("ITS")	75%
OTIS ELEVATOR COMPANY (BERMUDA), LTD. ("OTIS")	80.1%
WEIR ENTERPRISES LTD. ("WEIR")	100%

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

### (ii) Business Combinations

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

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

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.

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.

### D) CASH AND CASH EQUIVALENTS

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

### E) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Costs of goods sold are calculated either on a first-in/first-out basis or a weighted average basis.

### F) GOODWILL

Goodwill arising on the purchase of subsidiaries is measured at cost less any accumulated impairment loss. Goodwill is tested for impairment at least annually using the discounted cash flow method. The Group uses the estimates of fair values using a multiple of earnings, as calculated by management, less cost of disposal for assessment of the recoverable amount to determine possible impairment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016  
(Expressed in thousands of Bermuda Dollars)

## G) PROPERTY, PLANT AND EQUIPMENT

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

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

## H) PENSION BENEFITS

As described in note 13, the Group maintains pension plans covering certain employees. Employer contributions to the defined contribution plan are expensed as incurred and are included in wages and benefits.

The defined benefit plan was wound up in August 2014. The Group settled this obligation which was accounted for using the actuarial determination of the accrued benefit obligations for the pensions which used the projected benefit method prorated on service (which incorporates management's estimates of discount rates, mortality rates and other actuarial factors, which are reviewed with the Group's independent actuary). Other comprehensive income arising from remeasurements associated with the defined benefit plan wind-up have been reclassified to retained earnings as at March 31, 2015 in accordance with IAS 19, upon the settlement of pension plans.

## I) REVENUE RECOGNITION

Revenues are recorded when services are provided and goods are sold and are shown net of returns and discounts.

Net, rather than gross, revenues are reported for projects where the Group acts as an agent of the customers' and manages a project on the clients' behalf.

Revenues from long-term development, maintenance and service contracts are recorded using the percentage of completion method. The Group recognises revenue when the amount of revenue and related cost can be reliably measured. The use of management estimates is critical to this process. Accounts receivable includes unbilled revenue established using the percentage of completion method of \$432 (2015 - \$1,735).

## J) DEFERRED REVENUE

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

## K) FOREIGN CURRENCY TRANSLATION

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

## L) USE OF ESTIMATES AND JUDGEMENTS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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, 2016  
(Expressed in thousands of Bermuda Dollars)

## 2. Significant Accounting Policies L) Use of Estimates and Judgements (continued)

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

Note 2(F)	- goodwill
Note 2(I)	- revenue recognition
Note 2(N)	- impairment of financial assets
Note 2(O)	- impairment of non-financial assets

### M) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially recognised at fair value and are subsequently accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Group's designation of such instruments. IFRS require all financial assets and financial liabilities be classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables or other liabilities.

#### Classification of Financial Instruments

The following summarises the classification the Group has elected to apply to each of its significant categories of financial instruments outstanding as at March 31, 2016:

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

#### Held-for-trading

Financial assets that are acquired with the intention of generating income in the near term are accounted for at fair value. Interest earned or accrued is included in other income.

#### Loans and receivables

Loans and receivables are accounted for at amortised cost using the effective interest method less any impairment losses.

#### Other liabilities

Other liabilities are recorded at amortised cost using the effective interest method and include all liabilities other than derivatives or liabilities, which are required to be accounted for at fair value.

#### Transaction costs

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to loans and receivables and other liabilities are netted against the carrying value of the asset or liability and amortised over the expected life of the instruments using the effective interest method.

### N) IMPAIRMENT OF FINANCIAL ASSETS

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016  
(Expressed in thousands of Bermuda Dollars)

## O) 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 unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses 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.

## P) OPERATING LEASE PAYMENTS

Payments made under operating leases are recognised in income and loss 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. Inventories

	MARCH 31 2016	MARCH 31 2015
Auto parts	731	814
Computer, telephony, cabling and AV	345	340
Electrical parts	621	636
Heating, ventilation & air-conditioning	847	945
Other	80	91
<b>INVENTORIES' CARRYING VALUE</b>	<b>2,624</b>	<b>2,826</b>

Cost of goods sold comprises expensed inventories in the amount of \$15,631 (2015 - \$16,710).

Inventories include an impairment allowance on obsolete computer parts inventory in the amount of \$185 (2015 - \$162).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016  
(Expressed in thousands of Bermuda Dollars)

### 4. Property, Plant and Equipment

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

	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	FURNITURE AND FIXTURES	LEASEHOLD IMPROVEMENTS	TOTAL
<b>COST</b>					
Balance at April 1, 2014	11,178	6,585	495	723	18,981
Reallocation	-	114	(226)	112	-
Additions	5	421	4	22	452
Disposals	-	(186)	(15)	(59)	(260)
<b>BALANCE AT MARCH 31, 2015</b>	<b>11,183</b>	<b>6,934</b>	<b>258</b>	<b>798</b>	<b>19,173</b>
Balance at April 1, 2015	11,183	6,934	258	798	19,173
Additions	18	314	5	-	337
Disposals	(2)	(2,760)	(70)	(220)	(3,052)
<b>BALANCE AT MARCH 31, 2016</b>	<b>11,199</b>	<b>4,488</b>	<b>193</b>	<b>578</b>	<b>16,458</b>
<b>DEPRECIATION</b>					
Balance at April 1, 2014	1,052	4,849	279	359	6,539
Reallocation	-	79	(102)	23	-
Depreciation for the year	354	789	26	113	1,282
Disposals	-	(82)	(10)	(4)	(96)
<b>BALANCE AT MARCH 31, 2015</b>	<b>1,406</b>	<b>5,635</b>	<b>193</b>	<b>491</b>	<b>7,725</b>
Balance at April 1, 2015	1,406	5,635	193	491	7,725
Depreciation for the year	353	573	18	101	1,045
Disposals	-	(2,613)	(59)	(195)	(2,867)
<b>BALANCE AT MARCH 31, 2016</b>	<b>1,759</b>	<b>3,595</b>	<b>152</b>	<b>397</b>	<b>5,903</b>
<b>CARRYING AMOUNTS</b>					
At March 31, 2015	9,777	1,299	65	307	11,448
At March 31, 2016	9,440	893	41	181	10,555

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

Property, plant and equipment include fully depreciated items, which continue to provide an economic benefit to the Group, with an original cost of approximately \$2,649 (2015 - \$3,737).

Disposals for the year include fully depreciated assets, which were no longer in use, of \$151 (2015 - \$156) which were removed from the Group's records.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016  
(Expressed in thousands of Bermuda Dollars)

### 5. Goodwill

Goodwill is classified as follows:

	MARCH 31 2016	MARCH 31 2015
Automotive garages	1,942	1,942
Facilities management	9,364	9,364
	<b>11,306</b>	<b>11,306</b>

Management has conducted impairment tests on the Group's reportable segments and determined that Goodwill was not impaired as at March 31, 2016 (2015 - \$nil). Key assumptions used include the BAS borrowing rate (5.75%), estimated growth rate (1%) and the current inflation rate (1.7%; 2015 - 1.6%).

### 6. Cash and Cash Equivalents

During the prior year BAS obtained bank overdraft facilities totalling \$500 to finance operations. The overdraft facility accrued interest at 2.0% per annum over the bank's Bermuda dollar base rate and expired on August 31, 2015. The overdraft was not renewed. The bank's Bermuda dollar base rate at year end was 4.00% (2015 - 3.75%). Cash and cash equivalents includes cash held in current accounts in the amount of \$5,929 (2015 - \$6,998) and demand accounts in the amount of \$195 (2015 - \$275).

### 7. Bank Loan

During the prior year BAS borrowed \$4,681 to finance the annuity purchase used to satisfy the regulatory requirements to wind up the defined benefit component of the pension plan.

During the year ended March 31, 2012 BAS borrowed \$6,700 to finance the purchase of land and a building. The loan is secured by a first registered legal mortgage over property located at 19 Bakery Lane, Pembroke, Bermuda and a fixed and floating charge in the amount of \$5,200 over the Group's assets and conditional assignment of rents related to the property.

Both bank loans bear interest at 2.0% above the bank's Bermuda dollar base rate of 4.00% and are repayable together in equal blended monthly installments of principal and interest of \$99.

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

2017	665
2018	706
2019	749
2020	794
2021	844
Thereafter	5,286
<b>TOTAL</b>	<b>9,044</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016  
(Expressed in thousands of Bermuda Dollars)

## 8. Non-Controlling Interests

In October 2015 the Group purchased shares in BESCO held by a non-controlling shareholder. The Group's shareholding in BESCO as at March 31, 2016 is 76 percent (2015 – 66 percent).

As part of the acquisition of BAS-Serco in December 2004, the Group granted options to the non-controlling shareholders to sell their shareholdings to the Group. 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 Group and the non-controlling shareholder at the time that the option is exercised.

As part of the acquisition of Otis on February 28, 2007, the Group granted options to the non-controlling shareholders to sell their shareholdings to the Group. 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 Group and the non-controlling shareholder at the time that the option is exercised.

As part of the acquisition of ITS on April 2, 2012, the Group granted options to the non-controlling shareholders to sell their shareholding to the Group. These options are open-ended and exercisable from the fifth anniversary of the agreement at an arm's length price to be mutually agreed between the Group and the non-controlling shareholder at the time that the option is exercised.

## 9. Share Capital

Share capital is as follows:

	MARCH 31 2016	MARCH 31 2015
Authorised- 9,999,996 shares (2015 - 9,999,996 shares), par value of \$1.00 each	10,000	10,000
Issued and fully paid- 4,922,301 shares (2015 – 4,922,301 shares)	4,922	4,922

Dividends declared and paid during the year amounted to \$0.20 per share (2015 - \$0.20).

During the year, the Group did not cancel any shares (2015 – 165,818).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016  
(Expressed in thousands of Bermuda Dollars)

## 10. Discontinued Operations

On March 31 2016, the Group sold its subsidiary International Bonded Couriers of Bermuda Ltd. (IBC).

On March 31 2016, BAS-Serco Ltd. ceased providing aviation-services at the L.F. Wade International airport as this contract has been transferred to another service provider by the Bermuda Government.

	MARCH 31 2016	MARCH 31 2015
<b>RESULTS OF DISCOUNTED OPERATIONS</b>		
Revenue	10,992	14,207
Expenses	9,835	13,134
<b>RESULTS OF OPERATING ACTIVITIES</b>	<b>1,157</b>	<b>1,073</b>
Gain on sale of discontinued operations	189	-
<b>GAIN FOR THE YEAR</b>	<b>1,346</b>	<b>1,073</b>
Basic gain per share	0.24	0.18
Diluted gain per share	0.24	0.18

The gain from discontinued operations consists of \$147 (2015 - \$177) which is attributable to non-controlling shareholders and \$1,199 (2015 - \$896) attributable to the shareholders of the Group.

## 11. Capital Management

The Group's capital base comprises share capital, share premium and retained earnings. The Group's objectives when managing capital are:

1. 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
2. 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 the Group's subsidiaries experience cyclical business cycles, it is necessary to manage its cash flows. Management makes regular projections of its cash flows and adjusts its operations in order to meet its obligations.

During the 2016 fiscal year, the Group's strategy was to maintain a dividend payout at \$0.05 per share per quarter.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016  
(Expressed in thousands of Bermuda Dollars)

### 12. Financial Instruments – Risk Management

The Group's activities may expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, and liquidity risk as follows:

**I. FAIR VALUES:** Fair value is the amount for which a financial asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and current portion of the bank loan are reasonable estimates of their fair values due to the short-term maturity of these instruments.

**II. CREDIT RISK:** Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash and cash equivalents are held with reputable financial institutions. The primary concentration of the Group's credit risk is with its receivables, which is mitigated by ongoing reviews of these balances. The Group believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk. The Group had one customer, in the facilities management segment, in the prior year whose share of total Group revenues were approximately 11.05 percent. On March 31, 2016 the contract associated with this credit risk was not renewed and was reclassified as discontinued operations as disclosed in note 10.

The aging of receivables at the reporting date was:

	GROSS AMOUNT MARCH 31, 2016	IMPAIRED AMOUNT MARCH 31, 2016	GROSS AMOUNT MARCH 31, 2015	IMPAIRED AMOUNT MARCH 31, 2015
Not past due	5,692	-	2,116	-
Past due 0-30 days	1,151	-	2,050	-
Past due 31-120 days	930	-	574	-
More than 120 days	1,035	288	3,896	371
	8,808	288	8,636	371

Other receivables include \$3,707 (2015 - \$4,236) of long-term receivables which are expected to be collected evenly over the next five years.

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

	2016	2015
Balance at April 1	371	245
Change in impairment allowance	(83)	126
<b>BALANCE AT MARCH 31</b>	<b>288</b>	<b>371</b>

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016  
(Expressed in thousands of Bermuda Dollars)

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

MARCH 31 2016	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	6 – 12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
<b>NON-DERIVATIVE FINANCIAL LIABILITIES</b>							
Bank loan	9,044	9,044	327	338	1,455	1,784	5,140
Accounts payable and accrued liabilities	3,124	3,124	3,124	-	-	-	-
	<b>12,168</b>	<b>12,168</b>	<b>3,451</b>	<b>338</b>	<b>1,455</b>	<b>1,784</b>	<b>5,140</b>
<b>MARCH 31 2015</b>							
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	6 – 12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
<b>NON-DERIVATIVE FINANCIAL LIABILITIES</b>							
Bank loan	10,229	10,229	304	312	1,346	2,330	5,937
Accounts payable and accrued liabilities	4,511	4,511	4,511	-	-	-	-
	<b>14,740</b>	<b>14,740</b>	<b>4,815</b>	<b>312</b>	<b>1,346</b>	<b>2,330</b>	<b>5,937</b>

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

**IV. CURRENCY RISK:** Foreign currency risk is the risk that the value of the financial instrument will fluctuate because of changes in foreign exchange rates. At the date of the Statement of Financial Position, the Group had no significant currency risk exposure.

**V. INTEREST RISK:** Interest risk arises from changes in prevailing levels of market interest rates. At the date of the Statement of Financial Position, the Group had no significant interest rate risk exposure other than the variable portion of the interest rate applicable to the bank loan in the amount of 4.00 percent (2015 – 3.75 percent).

**VI. PRICE RISK:** Price risk arises from change in market risks, other than interest rate risk and credit risk, causing fluctuations in the fair value of future cash flows of the financial instruments. At the date of the Statement of Financial Position, the Group had no significant price risk exposure.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016  
(Expressed in thousands of Bermuda Dollars)

## 13. Pension Benefits

Certain employees of the Group are members of defined contribution plans. The net defined contribution plan expenses for BAS and its subsidiaries amounted to \$406 (2015 - \$722) and is included in wages and benefits.

The defined benefit pension plan was wound up in August 2014 and the investments liquidated. The pension plan held a total of 166,390 shares in the Group of which 152,790 were sold to the Group for a purchase price of \$3.21 per share during the prior period. These shares were cancelled. The remaining 13,600 were purchased by a third party. As at March 31, 2014 the Group had recorded a pension liability of \$3,370 on the statement of financial position, which was the value of the defined benefit obligation. The Group settled this obligation through the purchase of annuities in 2014. In order to facilitate the repurchase of shares, the purchase of the annuities and the cost of the pension wind up, the Group secured a bank loan in the value of \$4,681, under the same terms and conditions as described in note 7.

During the year it was discovered that there were excess funds paid by the Group and not used for the purchase of the annuities in the amount of \$99. These funds have been returned to the Group and decrease the amount of defined benefit plan wind-up cost that was originally calculated in order to settle the defined benefit pension plan.

During the year ended March 31, 2015 the Group paid contributions of \$4,100 plus administration expenses to the defined benefit plans. The Group elected to reclassify the accumulated other comprehensive income of \$1,140 to retained earnings as at March 31, 2015.

## 14. Operating Lease Commitments

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

	MARCH 31 2016	MARCH 31 2015
Less than one year	272	491
Between one and five years	1,088	1,196
More than five years	272	544
<b>TOTAL FUTURE MINIMUM LEASE PAYMENTS</b>	<b>1,632</b>	<b>2,231</b>

## 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 \$167 (2015 - \$167).

Estimated future income from rental properties is as follows:

	MARCH 31 2016	MARCH 31 2015
Less than one year	18	100
Between one and five years	-	18

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016  
(Expressed in thousands of Bermuda Dollars)

### 16. Directors' Share Interests and Service Contracts

The total interests of all Directors and Officers of BAS as at March 31, 2016 were 32,733 (2015 – 47,014) shares.

With the exception of the employment contract for the Group President and Chief Executive Officer, Mr. Ian Cook, there are no service contracts with Directors.

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

Key management compensation comprised of:

	MARCH 31 2016	MARCH 31 2015
Salaries and benefits	1,960	1,733
Termination benefits	65	34
	<b>2,025</b>	<b>1,767</b>

### 17. Segment Reporting

The Group has three 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. All inter-segment transactions are accounted for at arm's length.

FOR THE YEAR ENDED / AS AT MARCH 31, 2016:	REVENUE FROM EXTERNAL CUSTOMERS	INTER-SEGMENT REVENUE	TOTAL CAPITAL EXPENSE	DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	INCOME (LOSS)	TOTAL ASSETS	TOTAL LIABILITIES
Administrative services	249	2,547	24	460	(4,035)	11,248	579
Automotive garages	3,466	10	4	4	1,120	839	103
Facilities management	35,759	1,271	309	581	4,974	20,121	2,442
	<b>39,474</b>	<b>3,828</b>	<b>337</b>	<b>1,045</b>	<b>2,059</b>	<b>32,208</b>	<b>3,124</b>

FOR THE YEAR ENDED / AS AT MARCH 31, 2015:	REVENUE FROM EXTERNAL CUSTOMERS	INTER-SEGMENT REVENUE	TOTAL CAPITAL EXPENDITURE	DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	INCOME (LOSS)	TOTAL ASSETS	TOTAL LIABILITIES
Administrative services	62	2,602	32	489	(5,745)	10,662	443
Automotive garages	3,580	25	-	3	1,127	923	86
Cargo handling	-	-	48	-	-	1,652	371
Facilities management	36,426	127	372	790	3,937	21,501	3,611
	<b>40,068</b>	<b>2,754</b>	<b>452</b>	<b>1,282</b>	<b>\$(681)</b>	<b>34,738</b>	<b>4,511</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016  
(Expressed in thousands of Bermuda Dollars)

### 17. Segment Reporting (continued)

Reconciliation of Segmented Information:

	MARCH 31 2016	MARCH 31 2015
<b>INCOME (LOSS)</b>		
Total income (loss) from operations for reportable segments	2,059	(681)
Pension plan benefit expense recorded	99	771
Other income	151	156
Finance costs	(565)	(520)
Income from discontinued operations	1,157	1,073
Gain on sale of subsidiary	189	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>3,090</b>	<b>799</b>
<b>TOTAL ASSETS</b>		
Total assets for reportable segments	32,208	34,738
Goodwill	11,306	11,306
<b>TOTAL GROUP ASSETS</b>	<b>43,514</b>	<b>46,044</b>
<b>TOTAL LIABILITIES</b>		
Total liabilities for reportable segments	3,124	4,511
Deferred revenue	3,269	4,724
Bank loan	9,044	10,229
<b>TOTAL GROUP LIABILITIES</b>	<b>15,437</b>	<b>19,464</b>

### 18. 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 \$1,202 (2015 - \$701), the amount contracted between the parties. As at March 31, 2016, the amount due to BAS-Serco Ltd. was \$335 (2015 - \$96).

### 19. Subsequent Events

There are no subsequent events for recognition and disclosure to July 1, 2016, which is the date that the financial statements were approved for issue by the Board of Directors.



**ADDRESS**

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

OR

The BAS Building  
19 Bakery Lane  
Pembroke HM 07  
Bermuda

**BANKERS**

The Bank of N.T. Butterfield  
and Son Limited  
65 Front Street  
Hamilton HM 11  
Bermuda

**AUDITORS**

Arthur Morris & Company Limited  
Chartered Professional Accountants  
Century House  
16 Par-la-Ville Road  
Hamilton HM 08  
Bermuda

**ATTORNEYS**

Conyers, Dill & Pearman  
Clarendon House  
2 Church Street West  
Hamilton HM 11  
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)

**EASTBOURNE PROPERTIES LTD.**

P.O. Box HM 719  
Hamilton HM CX  
Tel: 441-299-4889  
Fax: 441-293-0513

**EFFICIENT TECHNOLOGIES BERMUDA LTD.**

P.O. Box HM 719  
Hamilton HM CX  
Tel: 441-249-3571  
Fax: 441-292-0751  
[www.efftech.bm](http://www.efftech.bm)

**INTEGRATED TECHNOLOGY SOLUTIONS LTD.**

P.O. Box HM 2220  
Hamilton HM JX  
Tel: 441-293-8139  
Fax: 441-293-5925  
[www.its.bm](http://www.its.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