

ANNUAL REPORT 2013 - 2014

**BAS**   
GROUP OF COMPANIES

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## DIRECTORS

### CHAIRMAN

Michael L. Darling<sup>3</sup>

### DEPUTY CHAIRMAN

E. Eugene Bean<sup>2,3,4</sup>

Jeffrey G. Conyers<sup>3</sup>  
Ian Cook  
Dr. James A.C. King

J. Patricia Lynn<sup>1,2</sup>  
Gail E.M. Miller<sup>1,2,3</sup>  
Scott Pearman<sup>1,2</sup>

David W. Pugh, CPA, CA<sup>1,4</sup>  
Gerald D.E. Simons<sup>1,2,3,4</sup>  
Alexander W.J.A. Swan<sup>3</sup>

### SECRETARY

Codan Services Limited

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

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## OFFICERS

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

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

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## GENERAL MANAGERS OF COMPANIES

Bryan Adams  
GENERAL MANAGER  
BERMUDA ENERGY SERVICES  
COMPANY LTD.

Rick Craft  
GENERAL MANAGER  
INTERNATIONAL BONDED COURIERS  
OF BERMUDA LTD.

Tracy Sutherland  
CONTRACT MANAGER  
BAS-SERCO LTD.

Ian Cook  
GENERAL MANAGER  
THE CCS GROUP LTD.

Jamie Sapsford  
GENERAL MANAGER – AVIATION  
BAS-SERCO LTD.

Greg Woods  
GENERAL MANAGER  
INTEGRATED TECHNOLOGY  
SOLUTIONS LTD.

Jeff Cook  
GENERAL MANAGER  
WEIR ENTERPRISES LTD.

Stephen Savage  
SALES & MARKETING MANAGER  
EFFICIENT TECHNOLOGIES  
BERMUDA LTD.



# BERMUDA AVIATION SERVICES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

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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.





Server and Storage  
 Network Solutions for the LAN and WAN  
 Network Security  
 Telephony and IP Telephony  
 IT Consulting Services  
 Software and Software Development  
 Hosted Services  
 Infrastructure Cabling



INTEGRATED TECHNOLOGY SOLUTIONS

Complete End to End Audio Visual Solutions  
 Room and Lighting Control Systems  
 Automated Window Treatments and Solar Shading Solutions  
 Digital Signage and Content Management Solutions  
 Consultation & Design IT Consulting Services  
 Support and Maintenance Options



# BAS



GROUP OF COMPANIES



Eastbourne Properties Limited is a Holding Company



Vehicle Servicing  
 Diagnostic  
 Automotive Electrical Services  
 Wheel Alignments  
 Industrial & Commercial Radiator Repairs





Mechanical and Electrical Design  
 Energy Management Systems  
 HVAC Controls Solutions  
 Fire Detection and Security Systems  
 Data Centre Solutions  
 Commercial & Residential Generator Solutions



Air Traffic Control  
 Bermuda Weather Services  
 Ground Electronic Services  
 Aviation Facilities Maintenance  
 Fleet Maintenance  
 Wildlife Control Services  
 Project Management  
 Facilities  
 Cleaning  
 CCTV



Software Solutions



Building Infrastructure



ICT, Communication & Information Property



Service



HVAC Equipment  
 HVAC Control Systems  
 HVAC Design Services  
 HVAC Maintenance & Support  
 Fire and Life Safety Systems



International Courier Service  
 Mail Service  
 Air Freight Service  
 Customs Brokerage  
 ZipX Services



Otis Bermuda

Commercial and Residential Lift Equipment  
 Escalators and Moving Walkways  
 Elevator Interior Retrofits  
 Elevator Performance Retrofits  
 Elevator Energy Efficiency Retrofits



# FINANCIAL HIGHLIGHTS

MARCH 31, 2014

## FIVE YEAR SUMMARY

<b>FOR THE YEAR</b> (Expressed in BDA \$000)	<b>2014</b>	<b>2013</b> <b>RESTATED</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Revenue	56,237	44,362	40,117	50,140	46,072
Income from continuing operations	1,143	1,265	2,836	3,610	3,323
Extraordinary gain	-	-	-	-	3,106
Remeasurement of benefit obligations' returns	(158)	(982)	-	-	-
Discontinued operations	(9)	324	(1,509)	(681)	-
Goodwill impairment	(1,300)	-	(5,686)	-	-
Gain on sale of subsidiary	1,380	-	-	-	-
Income (loss) attributable to shareholders	624	671	(4,558)	2,710	5,528
Dividends	1,018	1,017	1,119	1,194	1,726

<b>AT YEAR END</b> (Expressed in BDA \$000)	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total assets	46,574	46,419	45,499	44,298	43,285
Total liabilities	19,093	18,954	15,092	8,265	8,757
Shareholders equity	26,416	26,811	30,031	35,687	34,139

<b>FINANCIAL RATIOS</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Earnings (loss) per share	0.15	0.32	(0.86)	0.58	1.09
Return on equity	2.92%	5.50%	-12.77%	7.94%	16.36%

<b>SHAREHOLDER DATA</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Shares in issue	5,088,119	5,089,047	5,089,047	5,083,021	5,076,659
Book value per share	5.19	5.27	5.90	7.02	6.72

<b>AT YEAR END</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Number of employees	220	241	193	311	358

# REPORT TO SHAREHOLDERS

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## FINANCIAL RESULTS

Bermuda Aviation Services Limited ("BAS") wishes to announce that despite two significant restatements, the year ended March 31, 2014 was another profitable one, albeit not as strong as the year prior. The consolidated net income attributable to shareholders was \$0.78 million and earnings per share were \$0.15. This compares with the prior year in which BAS achieved net income of \$1.65 million (restated) and earnings per share of \$0.32 (restated).

There have been two significant restatements of the March 2013 Financial Statements of note. The most significant change relates to an accounting methodology change for pensions as prescribed by IAS 19 "Employee Benefits". As detailed in note 19, this has resulted in an approximate \$0.15 million impact to the 2013 net income, the establishment of a \$2.7 million pension liability and a \$3 million reduction to the 2014 Opening Retained Earnings. While it is clear that this had a detrimental impact on the reported 2013 performance, it is important to note that this had no immediate cash impact on the Group.

The second restatement of the 2013 Financial Statements contained in the Consolidated Statement of Comprehensive Income relates to the sale of our subsidiary, Aircraft Services Bermuda Ltd. ("ASB"), at the end of the current fiscal year. During the course of the year, Management received an unsolicited offer to acquire ASB. The transaction closed on March 31, 2014 and resulted in a gain on sale of approximately \$1.4 million. The current operating results for ASB are included as discontinued operations and for comparative purposes the 2013 operating results have been similarly adjusted.

Although the bottom line performance has been acceptable, the Group's performance was affected by several items that have rested outside of the ongoing operations or management's control. The most significant of these, alluded to above, is attributable to the defined benefit pension plan. Although this plan was capped in 2007, it still presents functional challenges both in terms of financial reporting and funding. From a reporting perspective, accounting for the plan under the newly adopted International Financial Reporting Standard ("IFRS") guidelines has required the recording of a \$1.1 million pension settlement expense classified in the current year's wages and benefits. From a funding perspective the Group expects to contribute over \$4.3 million to this defined benefit plan in the upcoming year to wind-up the defined benefit portion of the plan.

Another item that impacted the current year's results was a write-down of goodwill related to the Cargo Handling Segment. In 2012, \$5.7 million of the goodwill that related to this segment was deemed to be impaired and was written off. During the current year, annual goodwill impairment testing revealed a further impairment of \$1.3 million to this segment's goodwill. This adjustment had no cash impact on the Group and represents a complete write-off of the goodwill that relates to this segment.

New accounting standards require the annual movement in the defined benefit pension plan's deficit to be recognized as an expense. In addition, as a result of management's decision to wind-up the defined plan during July 2014, there is a settlement expense of over \$1.1 million in Operating Expenses within wages and benefits which is a one-time expense. Without the settlement expense, Income from Continuing Operations would have been in excess of \$2.2 million. This is in line with Management's expectations of "normal" operational performance.

Notwithstanding the effects of changes in the required reporting, we are extremely pleased with the operational performance of the Group. It remains indicative of a Group that is built on a solid foundation that continues to move from strength to strength.

# REPORT TO SHAREHOLDERS

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## PROFITABILITY

Total revenue of \$56.2 million is up by approximately \$12 million from fiscal 2013. This positive swing in revenue performance is in large part attributable to our subsidiary, Bermuda Energy Services Company Ltd. ("BESCO"), which has had an active year which augurs well for the future. Revenues were further bolstered by strong top line performance by The CCS Group Ltd. ("CCS"), Integrated Technology Solutions Ltd. ("ITS") and Efficient Technologies Bermuda Ltd. ("Eff-Tech"). Although there was some anticipated revenue erosion in one our subsidiaries, the others have managed to preserve or even marginally increase their revenue.

Gross profit at near \$25.2 million is up by over \$2 million over the last fiscal period.

Reported Operating Expenses of \$24.2 million, are up \$1.7 million from the prior year. However, as we noted previously, there is an amount of \$1.1 million in pension settlement expense that relates to the wind-up of the defined benefit pension plan deficit that has been recorded in Operating Expenses. If one were to eliminate this amount to get a true comparison between the two fiscal periods, one could conclude that Management has remained focused on cost control throughout the Group and this has been delivered in the consolidated performance.

Despite the continued challenges of the local economy, your Board of Directors and Management are satisfied with the ongoing operational profitability of the core group of companies. The Group consists of a diverse and synergistic portfolio of service companies that Management is confident will generate reasonable profits and an acceptable return for Shareholders.

## STRENGTHENING THE STATEMENT OF FINANCIAL POSITION

In general terms, there has been proportionate growth in all broad categories of our Consolidated Statement of Financial Position. This is indicative of the general growth and good health of the Group during the course of the fiscal year.

While the Group's cash position has remained relatively static in comparison to the prior year there has been a notable \$3 million increase in Accounts Receivable. This increase has been driven primarily by three entities. The first is in Bermuda Aviation Services Ltd. ("BAS") which has seen a one-off increase in accounts receivable as a result of the transaction date for the sale of ASB. The other two entities are BESCO and CCS that have seen their accounts receivable rise in line with a commensurate increase in sales. Management does not believe any of these entities will have an issue with collectability of the amounts in question. The increase in Total Assets however has been tempered by the \$1.3 million goodwill impairment loss referred to previously.

Current Liabilities have shifted materially from last year having increased in aggregate by approximately \$3.1 million. On a line-by-line basis the inclusion of the pension liability of \$3.4 million, as required by the newly adopted IFRS standard and the decision to wind up the plan, accounts for the majority of the shift.

## THE YEAR IN REVIEW

It seems BAS is constantly in transition and this year has been no different. Change is inevitable and is a necessary precursor to any form of progress or success. There have been several notable changes and accomplishments during the year that are worthy of mention.

### SALE OF ASB:

Perhaps the most notable of these has been the sale of ASB. As a consequence of an unsolicited bid and in a transaction that closed on March 31, 2014, BAS divested itself of ASB. In describing this landmark deal, nothing could be more true than the comments of our Chairman at the conclusion of the transaction:

"BAS was born out of aviation over 60 years ago, after all it has been at the heart of our name. While we appreciate that change is inevitable, it is a somewhat sad occasion to say farewell to the subsidiary that gave rise to where and what we are today."

BAS started as a single entity operation that was formed over 60 years ago to provide ground and passenger handling at the L.F. Wade International Airport, and has grown into a holding company with multiple subsidiaries providing a myriad of services that are distinct in nature, but are also strategically complementary and synergistic. BAS has become a full-fledged total solution service company.



# REPORT TO SHAREHOLDERS

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## PERFORMANCE OF SUBSIDIARIES

At its core and on an operational basis, BAS continues to perform well. However, this does not mitigate the recognized need for improvement. We are acutely aware of where our challenges lie within the Group and upon which subsidiaries and processes we need to focus. That said, we are generally pleased with our operating divisions with all but two divisions contributing positively toward the bottom line.

**BAS-SERCO LTD. (“BAS-SERCO”)** had a commendable performance this year having marginally exceeded both management’s expectations and the prior year’s performance. Management expects steady and consistent results from this subsidiary.

BAS-Serco was awarded a \$6.5 million contract to expand CCTV cameras Island-wide over the next five years. The system of 150 cameras, capable of facial recognition and vehicle tracking, will replace the existing array of cameras. BAS-Serco will work in conjunction with the Bermuda Police Service to monitor the network from a video wall at the police operations center in Prospect.

**BERMUDA ENERGY SERVICES COMPANY LTD. (“BESCO”)** has thus far lived up to the high expectations placed upon it by Management. The company, in its first full year under the BAS umbrella, not only greatly outperformed all established benchmarks, but also achieved its highest earnings. These results were driven by the procurement of several large contracts and have set the bar high for future periods.

In February, the contract for maintenance at the Aquatics Centre of the Bermuda National Sports Centre was awarded to BESCO. The contract covers the upkeep of the facility’s new 50-metre swimming pool. The company took part in the construction of this facility, including the installation of an energy management system.

BESCO was also awarded the Bermuda Government’s maintenance contract for the fire protection and detection system at the Tynes Bay Waste Treatment Facility. BESCO was responsible for the initial installation of the fire detection system and they have conducted other work at the facility including electrical upgrades of the boiler streams and precipitators.

**THE CCS GROUP LTD. (“CCS”)** has had another solid year as a follow up to its previous record performance. Despite operating in a very competitive market CCS, even on the back of thinner margins, has done well. Sales were extremely positive during the year and this has translated into profitable results. Management is pleased with the company’s performance.

**EFFICIENT TECHNOLOGIES BERMUDA LTD. (“EFF-TECH”)**, as expected, is not yet in the black and did not contribute positively to the overall Group performance. Eff-Tech has been named the official distributor of Mitsubishi Electric Cooling and Heating solutions (Mitsubishi Electric). Mr. Rey Bensor, business unit director for the international division of Mitsubishi Electric, is quoted as saying: “We are pleased to welcome Eff-Tech as an official distributor to our team and we are confident that they will continue to provide excellent service to our customers in Bermuda.”

As a fledgling company with great potential we are still refining the organization, its people and its processes and we are greatly encouraged by the progress that has been made. As the company makes its way in the competitive heating, ventilation and air conditioning (“HVAC”) industry, we are pleased with the sales levels that have been obtained which are in line with Management’s expectations. Backed by the superior Mitsubishi brand, we are extremely optimistic that the company will progress along the correct path.

**INTEGRATED TECHNOLOGY SOLUTIONS LTD. (“ITS”)**, after a transitional year, has contributed positively to the Group’s overall performance. Having found its niche within the Group, ITS has proven itself to be an excellent boutique technical service company that can offer more selective technology products to our discerning customers.

**INTERNATIONAL BONDED COURIERS OF BERMUDA LTD. (“IBC”)** has felt the strain over the last 12 months. Although the company has done well to control its operating expenses to a greater extent than the prior year, IBC has still felt the pressure of a depressed economy and a shrinking customer base on its top-line performance and as a consequence this has had a negative impact on its bottom-line performance.

## REPORT TO SHAREHOLDERS

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**OTIS ELEVATOR COMPANY (BERMUDA) LTD. ("OTIS")** has also contributed positively to the group having performed to Management's expectations. Otis still holds a steady maintenance portfolio and Management remains confident that Otis Bermuda will continue to generate a consistent return.

**WEIR ENTERPRISES LTD. ("WEIR")** has, unsurprisingly, had another great year matching budgetary expectations with results that surpassed the prior year's exceptional results. Management is extremely pleased with Weir's performance and Messrs. Jeff Cook and George Hammond are to be commended, yet again, for providing strong managerial direction.

### LOOKING FORWARD

Those familiar with the book, *"Who Moved My Cheese? An Amazing Way to Deal with Change in Your Work and in Your Life"*, by Mr. Spencer Johnson, will see the parallels with the BAS philosophy to business. As Johnson's seminal character, Haw, simply states, "Change Happens, Anticipate Change, Monitor Change, Adapt to Change Quickly, Change, Enjoy Change! Be Ready To Change Quickly And Enjoy It Again."

A seemingly straightforward methodology to success but one that requires more practice and mastered application than seems readily apparent. However, this is the BAS way and we expect to continue in this vein.

### NOTE OF APPRECIATION

We would like to thank Mr. Kenneth Joaquin, who vacated the CEO position in October 2013, for the years of leadership and the successful business path that he has given to BAS.

In closing, we would like to extend appreciation to our customers whom it is our privilege to serve. Additionally, we express our gratitude to the employees of the BAS Group of Companies, for without their dedication and commitment, none of what we have achieved and are about to achieve would be possible.

Sincerely,



Michael L. Darling  
CHAIRMAN



Ian Cook  
GROUP PRESIDENT & CHIEF EXECUTIVE OFFICER

July 16, 2014



# 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, 2014, and the consolidated statement 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 auditing standards generally accepted in Bermuda and Canada. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bermuda Aviation Services Limited and its subsidiaries as at March 31, 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Arthur Morris & Company Limited*

**Hamilton, Bermuda**  
**July 16, 2014**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

	MARCH 31 2014	MARCH 31 2013 RESTATED
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (note 6)	5,491	6,154
Accounts receivable (notes 12 and 18)	13,950	10,725
Prepaid expenses	668	811
Inventories (note 3)	2,717	2,986
	<b>22,826</b>	<b>20,676</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment (note 4)	12,442	13,137
Goodwill (note 5)	11,306	12,606
	<b>23,748</b>	<b>25,743</b>
<b>TOTAL ASSETS</b>	<b>46,574</b>	<b>46,419</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (note 12)	5,308	5,211
Deferred revenue	4,341	4,700
Pension liability (notes 12 and 13)	3,370	-
Bank loan (notes 7 and 12)	332	310
	<b>13,351</b>	<b>10,221</b>
<b>NON-CURRENT LIABILITIES</b>		
Bank loan (notes 7 and 12)	5,742	6,050
Pension liability (note 13)	-	2,683
	<b>5,742</b>	<b>8,733</b>
<b>TOTAL LIABILITIES</b>	<b>19,093</b>	<b>18,954</b>
<b>EQUITY</b>		
<b>ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>		
Share capital (note 9)	5,088	5,089
Share premium	12,737	12,737
Retained earnings (note 19)	9,731	9,967
Accumulated other comprehensive loss	(1,140)	(982)
<b>TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>	<b>26,416</b>	<b>26,811</b>
Attributable to non-controlling interests (note 8)	1,065	654
<b>TOTAL EQUITY</b>	<b>27,481</b>	<b>27,465</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>46,574</b>	<b>46,419</b>

Signed on behalf of the Board



DIRECTOR

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEAR ENDED MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

	MARCH 31 2014	MARCH 31 2013 RESTATED
<b>CONTINUING OPERATIONS</b>		
Supply of services (note 17)	28,668	27,759
Sale of goods	27,569	16,603
<b>TOTAL REVENUE</b>	<b>56,237</b>	<b>44,362</b>
<b>DIRECT COST OF REVENUE</b>		
Direct cost of services revenue	(13,870)	(10,906)
Cost of goods sold (note 3)	(17,196)	(10,463)
<b>GROSS PROFIT</b>	<b>25,171</b>	<b>22,993</b>
Other income (note 15)	139	818
<b>OPERATING EXPENSES</b>		
Wages and benefits (notes 13 and 16)	(17,065)	(15,756)
Other direct expenses and overheads	(5,441)	(5,049)
Loss on disposal of property, plant and equipment (note 4)	(18)	(24)
Amortization (notes 4 and 17)	(1,286)	(1,334)
Finance costs (note 7)	(357)	(383)
<b>TOTAL OPERATING EXPENSES</b>	<b>(24,167)</b>	<b>(22,546)</b>
<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>	<b>1,143</b>	<b>1,265</b>
Net income from discontinued operations (note 10)	(9)	324
Gain on sale of subsidiary (note 10)	1,380	-
Goodwill impairment (note 5)	(1,300)	-
<b>INCOME FOR THE YEAR</b>	<b>1,214</b>	<b>1,589</b>
<b>OTHER COMPREHENSIVE LOSS</b>		
Remeasurement of benefit obligations' returns (notes 13 and 19)	(158)	(982)
<b>TOTAL OTHER COMPREHENSIVE LOSS</b>	<b>(158)</b>	<b>(982)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,056</b>	<b>607</b>
<b>INCOME ATTRIBUTABLE TO:</b>		
Shareholders of the Company	624	671
Non-controlling interests (note 8)	432	(64)
<b>INCOME FOR THE YEAR</b>	<b>1,056</b>	<b>607</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS</b>		
Basic and diluted earnings per share from continuing operations	0.14	0.26
Basic and diluted earnings per share	0.15	0.32

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, 2014

(Expressed in thousands of Bermuda Dollars)

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					NON-CON- TROLLING INTERESTS	TOTAL EQUITY
	CAPITAL STOCK	SHARE PREMIUM	RETAINED EARNINGS	ACCUMULATED OTHER COMPRE- HENSIVE LOSS	TOTAL		
<b>BALANCE APRIL 1, 2012</b>	<b>5,089</b>	<b>12,737</b>	<b>12,204</b>	<b>-</b>	<b>30,030</b>	<b>376</b>	<b>30,406</b>
<b>TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY</b>							
Adjustment due to defined benefit actuarial losses	-	-	(2,873)	-	(2,873)	-	(2,873)
Dividends paid during the year	-	-	(1,017)	-	(1,017)	-	(1,017)
Dividends to non-controlling interests	-	-	-	-	-	(78)	(78)
Surplus contributed during the year	-	-	-	-	-	420	420
	<b>5,089</b>	<b>12,737</b>	<b>8,314</b>	<b>-</b>	<b>26,140</b>	<b>718</b>	<b>26,858</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>							
Income / (loss)	-	-	1,653	-	1,653	(64)	1,589
Remeasurement of benefit obligations' returns	-	-	-	(982)	(982)	-	(982)
<b>BALANCE MARCH 31, 2013</b>	<b>5,089</b>	<b>12,737</b>	<b>9,967</b>	<b>(982)</b>	<b>26,811</b>	<b>654</b>	<b>27,465</b>
<b>TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY</b>							
Cancellation of share capital (note 9)	(1)	-	-	-	(1)	-	(1)
Dividends paid during the year	-	-	(1,018)	-	(1,018)	-	(1,018)
Dividends paid to non-controlling interests	-	-	-	-	-	(112)	(112)
Surplus contributed during the year	-	-	-	-	-	91	91
	<b>5,088</b>	<b>12,737</b>	<b>8,949</b>	<b>(982)</b>	<b>25,792</b>	<b>633</b>	<b>26,425</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>							
Income	-	-	782	-	782	432	1,214
Remeasurement of benefit obligations' returns	-	-	-	(158)	(158)	-	(158)
<b>BALANCE MARCH 31, 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>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

	MARCH 31 2014	MARCH 31 2013 RESTATED
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income for the year	1,056	607
<b>ADJUSTMENTS:</b>		
Amortization	1,286	1,334
Loss on the disposal of property, plant and equipment	18	24
Gain from the sale of subsidiary (note 10)	(1,380)	-
Loss / (gain) on discontinued operations	9	(324)
Goodwill impairment (note 5)	1,300	-
Finance costs	357	383
<b>CHANGES IN NON-CASH WORKING CAPITAL:</b>		
Accounts receivable	(3,225)	(3,093)
Prepaid expenses	143	(79)
Inventories	269	(1,675)
Other receivables	-	850
Accounts payable and accrued liabilities	97	956
Deferred revenue	(359)	520
Pension plan liability	687	267
	<b>258</b>	<b>(230)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions	-	(1,048)
Net asset acquired in business combinations	-	911
Proceeds from the sale of subsidiary (note 10)	1,753	-
Proceeds on the disposition of property, plant and equipment	-	13
Additions to property, plant and equipment (note 4)	(991)	(1,533)
	<b>762</b>	<b>(1,657)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(1,018)	(1,017)
Dividends paid to non-controlling interests	(112)	(78)
Contributions from non-controlling interests	91	420
Repayment of bank loan	(286)	(297)
Finance costs	(357)	(383)
Cancellation of share capital (note 9)	(1)	-
	<b>(1,683)</b>	<b>(1,355)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Decrease during the year	(663)	(3,242)
Beginning of the year	6,154	9,396
<b>END OF THE YEAR</b>	<b>5,491</b>	<b>6,154</b>

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

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## 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 courier services; provide audio visual and electronic system solutions; and provide cabling, networking and telephony services and maintenance.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on July 16, 2014.

### B) BASIS OF PRESENTATION

The Group has applied all relevant accounting standards, interpretations and amendments during the year. Except as disclosed in note 19, the adoption of these new and revised standards, interpretations and amendments have 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, 2014 but are 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:

#### Amendments to IFRS 9, 'Financial instruments' – classification and measurement

Amendments to IFRS 9 address the classification, measurement and recognition of financial assets and financial liabilities, but are not yet effective. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The 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, 2015.

#### 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.

#### IAS 16 'Property, plant and equipment'

Amendments to IAS 16 were issued in December 2013 and May 2014, but are not yet effective. The December 2013 amendment clarifies that when an item of property, plant and equipment 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 January 1, 2014. The May 2014 amendment, effective for annual periods beginning on or after January 1, 2016, clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

## Amendments to IAS 36 'Recoverable amount disclosures for non-financial assets'

Amendments to IAS 36 were issued in May 2013. The amendments modify some of the disclosure requirements regarding measurement of the recoverable amount of impaired assets. The amendments aim to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to disclose the discount rate used in determining impairment where the recoverable amount is determined using a present value technique. This amendment is effective for annual periods beginning on or after January 1, 2014.

## 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 amortisation method for intangible assets is inappropriate.

## C) BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except as modified by the revaluation of the pension benefit obligation to fair value. The consolidated financial statements are presented in Bermuda dollars which is the Group's functional currency. Significant accounting policies are as follows:

### (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. They are de-consolidated from the date that control ceases.

These consolidated financial statements include the financial statements of BAS and its subsidiaries all of which are registered in Bermuda. The subsidiaries and percentage ownership at March 31, 2014 are:

AIRCRAFT SERVICES BERMUDA LTD ("ASB")	100%
BAS-SERCO LTD. ("BAS-Serco")	90%
BERMUDA ENERGY SERVICES COMPANY LIMITED ("BESCO")	66%
THE CCS GROUP LTD. ("CCS")	100%
EASTBOURNE PROPERTIES LTD. ("EPL")	100%
EFFICIENT TECHNOLOGIES BERMUDA LTD. ("Eff-Tech")	55%
INTEGRATED TECHNOLOGY SOLUTIONS LTD. ("ITS")	75%
INTERNATIONAL BONDED COURIERS OF BERMUDA LTD ("IBC")	100%
OTIS ELEVATOR COMPANY (BERMUDA), LTD. ("Otis")	80.1%
WEIR ENTERPRISES LTD. ("Weir")	100%

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

On March 31, 2014 the Group sold its subsidiary Aircraft Services Bermuda Limited ("ASB"). The results of operations of ASB are included in the statement of comprehensive income as discontinued operations and the prior year comparative figures have been restated.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

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## 2. Significant accounting policies (continued)

### (ii) Business combinations

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

Acquisition-related costs, other than those associated with the issue of debt or equity securities, that the 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. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

### D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash balances with banks in current and demand accounts. The 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 realizable 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. The Group estimates fair value using the discount cash flow method, as calculated by management, less cost of disposal for assessment of the recoverable amount to determine possible impairment.

### 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
Fixtures and Fittings	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 is accounted for as follows:

The actuarial determination of the accrued benefit obligations for the pensions uses 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 actuary).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

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The Group's defined net benefit plan expenses which are included in wages and benefits consist of interest on obligations less interest on assets plus estimated administrative expenses. Experience gains and losses from remeasurements are recognized in Other Comprehensive Income.

The expected incremental cost of settling the defined benefit pension plan obligations pursuant to the wind-up has been recognized in wages and benefits.

## I) REVENUE RECOGNITION

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

Net, rather than gross, revenues are reported for projects where the 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. Accounts receivable includes unbilled revenue established using the percentage of completion method of \$2,794 (2013 - \$2,861).

## 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 recognized in the period in which the estimates are revised and in any future periods affected.

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

Note 2(F)	- goodwill
Note 2(N)	- impairment of financial assets
Note 2(O)	- impairment of non-financial assets
Note 13	- pension benefits

## M) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

## 2. Significant accounting policies (continued)

### Classification of financial instruments

The following summarizes the classification the Group has elected to apply to each of its significant categories of financial instruments outstanding as at March 31, 2014:

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

### Held-for-trading

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

### Loans and receivables

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

### Other liabilities

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

### Transaction costs

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

## N) IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through income or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, 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 amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in income or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income or loss.

## 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

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

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

### P) OPERATING LEASE PAYMENTS

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

## 3. INVENTORIES

	MARCH 31 2014	MARCH 31 2013
Auto parts	793	830
Computer, telephony, cabling and AV	374	331
Electrical parts	653	665
Heating, ventilation & air-conditioning	770	834
Elevator parts	-	193
Other	127	133
<b>INVENTORIES CARRYING VALUE</b>	<b>2,717</b>	<b>2,986</b>

Cost of goods sold comprises expensed inventories in the amount of \$17,196 (2013 - \$10,463).

Inventories include an impairment allowance on computer parts inventory in the amount of \$164 (2013 - \$260).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(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 IMPROVE- MENTS	TOTAL
<b>COST</b>					
Balance at April 1, 2012	11,409	7,030	474	2,434	21,347
Additions	145	1,116	61	211	1,533
Disposals	-	(992)	-	(26)	(1,018)
<b>BALANCE AT MARCH 31, 2013</b>	<b>11,554</b>	<b>7,154</b>	<b>535</b>	<b>2,619</b>	<b>21,862</b>
Balance at April 1, 2013	11,554	7,154	535	2,619	21,862
Additions	58	750	96	87	991
Disposal	(434)	(1,319)	(136)	(1,983)	(3,872)
<b>BALANCE AT MARCH 31, 2014</b>	<b>11,178</b>	<b>6,585</b>	<b>495</b>	<b>723</b>	<b>18,981</b>
<b>DEPRECIATION</b>					
Balance at April 1, 2012	811	5,302	349	1,775	8,237
Amortization for the year	331	703	40	260	1,334
Disposals	-	(823)	-	(23)	(846)
<b>BALANCE AT MARCH 31, 2013</b>	<b>1,142</b>	<b>5,182</b>	<b>389</b>	<b>2,012</b>	<b>8,725</b>
Balance at April 1, 2013	1,142	5,182	389	2,012	8,725
Amortization for the year	344	788	26	128	1,286
Disposals	(434)	(1,121)	(136)	(1,781)	(3,472)
<b>BALANCE AT MARCH 31, 2014</b>	<b>1,052</b>	<b>4,849</b>	<b>279</b>	<b>359</b>	<b>6,539</b>
<b>CARRYING AMOUNTS</b>					
At March 31, 2013	10,412	1,972	146	607	13,137
At March 31, 2014	10,126	1,736	216	364	12,442

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 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 \$3,169 (2013 - \$3,921).

Disposals for the year include fully depreciated assets, which were no longer in use, of \$3,872 (2013 - \$1,018) which were removed from the Group's records.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

### 5. GOODWILL

Goodwill is classified as follows:

	MARCH 31 2014	MARCH 31 2013
Automotive Garages	1,942	1,942
Cargo Handling	-	1,300
Facilities Management	9,364	9,364
	<b>11,306</b>	<b>12,606</b>

Management has conducted impairment tests on the Group's reportable segments. Key assumptions used include the BAS borrowing rate (5.75%), estimated growth rate (1%) and the current inflation rate (2%). This has not resulted in any impairment of the Automotive Garages or Facilities Management segments; however due to a continued recessionary economy and increased downturn in customer activity, the profitability of the Cargo Handling segment has been adversely impacted. Management has considered this impact and accordingly determined that the Cargo Handling goodwill was permanently impaired. During the year, the Group recognised impairment in the value of goodwill associated with the Cargo Handling in the amount of \$1,300.

### 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, 2013. On September 1, 2013 the overdraft was renewed under the same terms. The bank's Bermuda dollar base rate at year end was 3.75% (2013 - 3.75%). Cash and cash equivalents includes cash held in current accounts in the amount of \$5,191 (2013 - \$6,077) and demand accounts in the amount of \$300 (2013 - \$77).

### 7. BANK LOAN

During the year ended March 31, 2012 BAS borrowed \$6,700 to finance the purchase of land and a building. The bank loan bears interest at 2.0% above the bank's Bermuda dollar base rate of 3.75% (2013- 3.75%) and is repayable in equal blended monthly installments of principal and interest of \$56. The loan is secured by a first registered legal mortgage over property located at 19 Bakery Lane, Pembroke, Bermuda and a fixed and floating charge in the amount of \$5,200 over the Group's assets and conditional assignment of rents related to the property.

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

2015	332
2016	352
2017	372
2018	394
2019	415
Thereafter	4,209

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

## 8. NON-CONTROLLING INTERESTS

During the year, the Group sold 35% of their shareholding in Eff-Tech to a minority shareholder. This reduced the Group's shareholding from 90% to 55%.

As part of the acquisition of BAS-Serco in December 2004, the Group also 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 also 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 also 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 2014	MARCH 31 2013
Authorized-		
9,999,996 shares (2013 - 9,999,996 shares), par value of \$1.00 (2013 - \$1.00) each	10,000	10,000
Issued and fully paid-		
5,088,119 shares (2013 - 5,089,047 shares)	5,088	5,089

Dividends declared and paid during the year amounted to \$0.20 per share (2013 - \$0.20).

During the year, the Group cancelled 928 shares (2013 - nil).



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

## 10. DISCONTINUED OPERATIONS

On March 31 2014, the Group sold its subsidiary Aircraft Services Bermuda Limited ("ASB").

	MARCH 31 2014	MARCH 31 2013
<b>RESULTS OF DISCOUNTED OPERATIONS</b>		
Revenue	2,007	2,032
Expenses	(2,016)	(1,708)
<b>RESULTS OF OPERATING ACTIVITIES</b>		
	<b>(9)</b>	<b>324</b>
Gain on sale of discontinued operations	1,380	-
<b>TOTAL GAIN FROM DISCONTINUED OPERATIONS</b>		
	<b>1,371</b>	<b>324</b>
Basic earnings per share	0.27	0.06
Diluted earnings per share	0.27	0.06

The gain from discontinued operations of \$1,371 (2013 - \$324) is attributed entirely to the shareholders' of the Group. The comparative consolidated statements of comprehensive income have been restated to show the discontinued operations separately from continuing operations.

## 11. CAPITAL MANAGEMENT

The Group's capital base comprises share capital, share premium, accumulated other comprehensive income 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. The Group has also obtained bank overdraft facilities to assist with this aim (see note 6).

During the 2014 fiscal year, the Group's strategy was to maintain a dividend payout at \$0.05 per share per quarter.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(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. The Group has one customer whose share of total Group revenues are approximately 10.67% (2013 – 12.6%) and falls in the facilities management segment. Cash and short term deposits 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 aging of receivables at the reporting date was:

	GROSS AMOUNT MARCH 31, 2014	IMPAIRED AMOUNT MARCH 31, 2014	GROSS AMOUNT MARCH 31, 2013	IMPAIRED AMOUNT MARCH 31, 2013
Not past due	8,467	-	5,900	-
Past due 0-30 days	2,515	-	2,122	-
Past due 31-120 days	1,525	-	2,214	-
More than 120 days	1,688	245	1,483	994
	14,195	245	11,719	994

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

	2014	2013
Balance at April 1	994	812
Change in impairment allowance	(749)	182
<b>BALANCE AT MARCH 31</b>	<b>245</b>	<b>994</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

**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 maturities of financial liabilities:

MARCH 31, 2014	CARRYING AMOUNT	CONTRAC- TUAL 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	6,074	6,074	164	168	720	2,204	2,818
Accounts payable and accrued liabilities	5,308	5,308	5,308	-	-	-	-
Pension liability	3,370	3,370	3,370	-	-	-	-
	<b>14,752</b>	<b>14,752</b>	<b>8,842</b>	<b>168</b>	<b>720</b>	<b>2,204</b>	<b>2,818</b>

MARCH 31, 2013	CARRYING AMOUNT	CONTRAC- TUAL 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	6,360	6,360	153	157	676	2,070	3,304
Accounts payable and accrued liabilities	5,211	5,211	5,211	-	-	-	-
Pension liability	2,683	2,683	-	-	2,683	-	-
	<b>14,254</b>	<b>14,254</b>	<b>5,364</b>	<b>157</b>	<b>3,359</b>	<b>2,070</b>	<b>3,304</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 3.75% (2013 – 3.75%).

**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 CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

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## 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 \$708 (2013 - \$718).

The Group operates two pension plans covering the employees of BAS and ASB under the BAS Pension Plan Trust. For services to December 31, 2007, the plans provide a defined benefit pension based upon length of service and final average earnings for senior management and pension benefits based on length of service and career average earnings for regular employees. For service from January 1, 2008, BAS contributions accumulate in members' accounts to provide a defined contribution pension. The defined benefit components of the plans are being wound-up effective July 2014 with expected settlement of benefits in the coming year.

The assets held within the BAS Pension Plan Trust have been segregated into two separate group pension plans, one for senior management, and one for all other employees. The assets of the BAS Pension Plan Trust are allocated between these group plans based on historic and current contributions to, and distributions from, the plans. Pension contributions and distributions are specifically identified and allocated to the appropriate group plan. Expenses that are specific to a group plan are also allocated to that plan. Income, fees, and other expenses that are not specifically related to a group plan are allocated to each group plan on a pro-rated basis, based on the value of assets within the group plan.

The pension benefit obligations and assets are measured each year as of March 31. Pension benefit obligations are determined by an independent actuary based on certain assumptions including interest rates, mortality and retirement age. Pension assets consist principally of US equities, mutual funds, hedge funds, Bermuda equities, fixed deposits and money market investments. The value of the assets will fluctuate as the result of changes in the market value of investments.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

The following tables provide a summary of the estimated financial position of the pension plans as at March 31, 2014:

	MARCH 31 2014	MARCH 31 2013
<b>ACCRUED BENEFIT OBLIGATION</b>		
Balance - beginning of the year:		
Defined benefit portion	8,651	7,964
Defined contribution portion	2,072	1,668
	<b>10,723</b>	<b>9,632</b>
Employee contributions (defined contribution)	389	316
Employer contributions (defined contribution)	174	150
Interest cost	334	342
Benefits paid	(754)	(737)
Defined benefit wind-up cost	1,114	-
Actuarial losses and increase in defined contribution accounts	142	1,020
	<b>12,122</b>	<b>10,723</b>
Balance - end of the year:		
Defined benefit portion	9,523	8,651
Defined contribution portion	2,599	2,072
<b>ACCRUED BENEFIT OBLIGATION</b>	<b>12,122</b>	<b>10,723</b>

	MARCH 31 2014	MARCH 31 2013
<b>ASSETS</b>		
Fair value - beginning of the year	8,041	7,409
Actual return on plan assets	100	172
Employee contributions (defined contribution)	389	316
Employer contributions (defined contribution)	174	150
Employer contributions (defined benefit)	803	731
Benefits paid	(754)	(737)
<b>FAIR VALUE - END OF THE YEAR</b>	<b>8,752</b>	<b>8,041</b>

	MARCH 31 2014	MARCH 31 2013
<b>ACCRUED BENEFIT LIABILITY</b>		
Current accrued benefit liability	(3,370)	-
Non-current accrued benefit liability	-	(2,683)
<b>ACCRUED BENEFIT LIABILITY</b>	<b>(3,370)</b>	<b>(2,683)</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

### 13. Pension Benefits (continued)

Information about how the plan assets are invested as of March 31, 2014 is as follows:

	MARCH 31 2014	MARCH 31 2013
<b>PLAN ASSETS BY ASSET CATEGORY</b>		
Equity securities (principally US and Bermuda equities)	48%	41%
Debt securities (principally fixed deposits and cash)	52%	59%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

Plan assets include common shares of the Group having a fair value of \$566 at March 31, 2014 (2013 - \$582).

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

	MARCH 31 2014	MARCH 31 2013
<b>ASSUMPTIONS FOR EXPENSE</b>		
Discount rate	4.00%	4.50%
Rate of compensation increase	3.00%	3.00%

The accrued benefit obligation at March 31, 2014 is reflective of the estimated cost of settling the defined benefit portion of the plan plus members' defined contribution account balances. If all defined benefits are settled by annuity purchase rather than some being settled by lump sum transfers, the obligation would be \$895 higher. If the annuity purchase discount rate is 1% lower than assumed, the obligation would be a further \$1,465 higher.

	MARCH 31 2014	MARCH 31 2013
<b>ASSUMPTIONS FOR DISCLOSURE</b>		
Discount rate	3.50%	4.00%
Rate of compensation increase	N/A	3.00%

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

The Group's net pension expense is as follows:

	MARCH 31 2014	MARCH 31 2013
Interest on defined benefit obligation	334	342
Interest on defined benefit plan assets	(237)	(254)
Administrative expenses	120	120
Net defined benefit pension expense (credit) recognized in wages and benefits	217	208
Defined contribution pension expense	174	150
Total pension expense recognized in wages and benefits	391	358
Settlement cost recognized in wages and benefits	1,114	-
<b>TOTAL PENSION EXPENSE</b>	<b>1,505</b>	<b>358</b>

Experience and assumption remeasurements included in other comprehensive income is as follows:

	MARCH 31 2014	MARCH 31 2013
Impact of changes in assumptions	-	(957)
Asset experience	(158)	(25)
<b>TOTAL REMEASUREMENTS INCLUDED IN OTHER COMPREHENSIVE INCOME</b>	<b>(158)</b>	<b>(982)</b>

The Group expects contributions of \$3,370 plus administration expenses to be paid to its defined benefit plans in 2015.

Actuarial valuation reports for funding purposes have been prepared as at March 31, 2013 for both plans, and actuarial valuation reports for wind-up purposes were prepared as of March 31, 2014 for both plans.

The Group has elected to transfer the remeasurements included in other comprehensive income through equity.

### 14. OPERATING LEASE COMMITMENTS

Certain of the Group's premises are leased from the Government of Bermuda under operating leases.

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

	MARCH 31 2014	MARCH 31 2013
Less than one year	554	636
Between one and five years	1,507	1,598
More than five years	816	77
<b>TOTAL FUTURE MINIMUM LEASE PAYMENTS</b>	<b>2,877</b>	<b>2,311</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

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### 15. OTHER INCOME

Rental income from owned and sublet property is recognized on a straight-line basis over the term of the lease. Other income includes rental income of \$190.

Estimated future income from rental properties is as follows:

	MARCH 31 2014	MARCH 31 2013
Less than one year	100	190
Between one and five years	18	100
More than five years	-	18

### 16. DIRECTORS' SHARE INTERESTS AND SERVICE CONTRACTS

The total interests of all Directors and Officers of BAS as at March 31, 2014 were 61,317 (2013 – 64,982) shares.

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

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

Key management compensation comprises of:

	MARCH 31 2014	MARCH 31 2013
Salaries and benefits	2,116	2,077
Termination benefits	133	-
Stock based compensation	-	25
	<b>2,249</b>	<b>2,102</b>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

### 17. 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. All business activities are conducted in Bermuda and all inter-segment transactions are accounted for at arm's length.

For the year ended / as at March 31, 2014:

	REVENUE FROM EXTERNAL CUSTOMERS	INTER-SEGMENT REVENUE	TOTAL CAPITAL EXPENSE	AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT	INCOME (LOSS)	TOTAL ASSETS	TOTAL LIABILITIES
Administrative services	450	2,423	275	457	(6,757)	12,760	591
Automotive garages	3,601	16	-	5	1,107	929	82
Cargo handling	8,321	35	43	114	16	2,381	460
Facilities management	43,865	94	673	710	5,490	19,198	4,175
	<b>56,237</b>	<b>2,568</b>	<b>991</b>	<b>1,286</b>	<b>(144)</b>	<b>35,268</b>	<b>5,308</b>

For the year ended / as at March 31, 2013 (Restated):

	REVENUE FROM EXTERNAL CUSTOMERS	INTER-SEGMENT REVENUE	TOTAL CAPITAL EXPENSE	AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT	INCOME (LOSS)	TOTAL ASSETS	TOTAL LIABILITIES
Administrative services	311	2,262	334	473	(3,997)	11,925	1,334
Aircraft and passenger handling	-	-	44	-	-	651	501
Automotive garages	3,514	84	3	10	925	963	86
Cargo handling	8,996	55	68	134	321	2,798	571
Facilities management	31,541	283	1,084	717	3,375	17,476	2,719
	<b>44,362</b>	<b>2,684</b>	<b>1,533</b>	<b>1,334</b>	<b>624</b>	<b>33,813</b>	<b>5,211</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

### 17. Segment Reporting (continued)

#### Reconciliation

	MARCH 31 2014	MARCH 31 2013 RESTATED
<b>INCOME (LOSS)</b>		
Total income (loss) from operations for reportable segments	(144)	624
Pension plan benefit expense recorded	1,505	206
Other income	139	818
Finance costs	(357)	(383)
Gain from discontinued operations	1,371	324
Goodwill impairment	(1,300)	-
Remeasurement of benefit obligations' returns	(158)	(982)
<b>TOTAL GROUP COMPREHENSIVE INCOME</b>	<b>1,056</b>	<b>607</b>
<b>TOTAL ASSETS</b>		
Total assets for reportable segments	35,268	33,813
Goodwill	11,306	12,606
<b>TOTAL GROUP ASSETS</b>	<b>46,574</b>	<b>46,419</b>
<b>TOTAL LIABILITIES</b>		
Total liabilities for reportable segments	5,308	5,211
Deferred revenue	4,341	4,700
Bank loan	6,074	6,360
Pension plan accrued benefit liability	3,370	2,683
<b>TOTAL GROUP LIABILITIES</b>	<b>19,093</b>	<b>18,954</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

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## 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 \$861 (2013 - \$1,041), the amount contracted between the parties. As at March 31, 2014, the amount due to BAS-Serco was \$92 (2013 - \$80).

## 19. EXPLANATION OF TRANSITION TO REVISED IAS 19

These are the Group's first consolidated financial statements prepared in accordance with revised IAS 19 which affects the accounting for the Group's defined benefit pension plans.

The accounting policies as set out in IAS 19R have been applied in preparing the financial statements for the year ended March 31, 2014, the comparative information presented in the financial statements for the year ended March 31, 2013, and the preparation of a revised opening IFRS statement of financial position at April 1, 2012 (the Group's date of transition). In preparing its revised opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous IAS 19. An explanation of how the transition from previous IAS 19 to IAS 19R has affected the Group's financial position and financial performance is set out in the following tables.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

19. Explanation of transition to revised IAS 19 (continued)

### Reconciliation of Equity:

	IAS 19	EFFECT OF TRANSITION TO IAS 19R	IAS 19R	IAS 19	EFFECT OF TRANSITION TO IAS 19R	IAS 19R
	APRIL 1, 2012			MARCH 31, 2013		
<b>ASSETS</b>						
Other receivables	850	(649)	201	1,325	(1,325)	-
<b>TOTAL ASSETS</b>	<b>-</b>	<b>(649)</b>	<b>-</b>	<b>-</b>	<b>(1,325)</b>	<b>-</b>
<b>NON-CURRENT LIABILITIES</b>						
Pension liabilities	-	2,224	2,224	-	2,683	2,683
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>2,224</b>	<b>-</b>	<b>-</b>	<b>2,683</b>	<b>-</b>
<b>EQUITY</b>						
Retained earnings	12,205	(2,873)	9,332	12,993	(3,026)	9,967
Accumulated other comprehensive loss	-	-	-	-	(982)	(982)
	<b>-</b>	<b>(2,873)</b>	<b>-</b>	<b>-</b>	<b>(4,008)</b>	<b>-</b>

### Retained Earnings

The above changes decreased retained earnings as follows:

	MARCH 31 2013	APRIL 1 2012
Defined benefit actuarial gains (losses)	-	(2,873)
Decrease (increase) in wage and benefit expense	(152)	-
Decrease (increase) in other comprehensive income	(982)	-
<b>DECREASE IN RETAINED EARNINGS</b>	<b>(1,134)</b>	<b>(2,873)</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

## Reconciliation of comprehensive income for the year ended March 31, 2013

MARCH 31, 2013	IAS 19	EFFECT OF TRANSITION TO IAS 19R	IAS 19R
<b>OPERATING EXPENSES</b>			
Wages and benefits	(15,604)	(152)	(15,756)
<b>TOTAL OPERATING EXPENSES</b>	-	<b>(152)</b>	-
<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>	-	<b>(152)</b>	-
<b>OTHER COMPREHENSIVE INCOME</b>			
Remeasurement of benefit obligations' returns	-	(982)	(982)
<b>TOTAL INCOME (LOSS) FROM OTHER COMPREHENSIVE INCOME</b>	-	<b>(982)</b>	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,741</b>	<b>(1,134)</b>	<b>607</b>

## Pension Benefits

Under previous IAS 19, the Group's accounting policy was to recognize actuarial gains and losses which exceed a corridor amount over a period of time. Under revised IAS 19, actuarial gains and losses are recognized immediately through Other Comprehensive Income. Under previous IAS 19, obligation interest cost was based on the discount rate and was offset by the expected net return on assets. Under IAS 19R, the net interest cost is calculated based on the discount rate, and expected non-investment administration fees are a direct cost.

At the date of transition, all previously unrecognized cumulative actuarial gains and losses were recognized in retained earnings. The difference between the amounts recognized in income or loss for the year ending March 31, 2013 under previous IAS 19 and the amount to be recognized in income or loss under IAS 19R became recognized (\$152), and actuarial losses arising in 2013 (\$982) became recognized.

The impact arising from the change is summarized as follows:

	MARCH 31 2013	APRIL 1 2012
Consolidated statement of financial position		
Decrease in assets	-	649
Increase in non-current liability	1,134	2,224
<b>DECREASE IN RETAINED EARNINGS</b>	<b>1,134</b>	<b>2,873</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in thousands of Bermuda Dollars)

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### 20. SUBSEQUENT EVENTS

Subsequent to year end, in April 2014, the Group repurchased all shares in Eff-Tech held by minority shareholders and cancelled those shares. The Group's shareholding in Eff-Tech subsequent to April 2014 is 100%.

As described in note 13, the Group operates a pension plan for the benefit of certain Group employees. During 2014, the pension plan will buy annuities to satisfy regulatory requirements to wind up the defined benefit component. The pension plan holds a total of 152,790 shares in the Group which will be sold back to the Group in 2014. As of March 31, 2014, the Group has recorded a pension liability of \$3,370 on the Statement of Financial Position. The pension plan will use its assets to fund the annuity purchase and the Group will contribute internally generated cash (approximately \$0.1 million) and also contribute \$4.7 million secured through a bank loan under the same terms and conditions as described in note 7.



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**AUDITORS**

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

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