

REPORT FROM MANAGEMENT

November 1, 2009

To our shareholders

Fiscal 2010 has been challenging. The economic environment has remained inhospitable to local business as Bermuda feels the burden of economic hardship. BAS has not been unscathed and this has been clearly highlighted by a near \$3 Million or 10% contraction in our revenues. Notwithstanding, BAS has generated operating earnings of just over \$2 Million and net earnings for the six-month period of \$1.98 Million. The net earnings have been buoyed, in part, by recognition of the damages settlement of \$202 Thousand owed to BAS from the Bermuda Government. Whilst, expectedly down from last year, our half year results are solid given the status of the local economy and they speak to management's keen focus on cost containment and efficiency in these difficult times.

ASB Ltd. has performed modestly as the aircraft handling operation continues to struggle in this climate. Revenues in this segment of the operation fell materially from last year. The main driver for this drop has been the steady decline year on year of commercial aircraft traffic and to a much lesser extent we have seen marginal revenue erosion due to new competition in these areas. The cumulative impact has been a material decline in earnings of 80% below last year's performance.

In contrast, both BAS-Serco and Weir Ltd. have exceeded last year's results and our budgetary expectations and continue to perform well in this harsh economic climate. Otis Bermuda Ltd., despite preserving its revenue, has seen a 43% decline in earnings as management has made a conscious decision to invest in the quality of its elevator maintenance program and improve the state of its clients' equipment. It was a prudent decision and one we expect to prove beneficial for the future operation of Otis Bermuda.

IBC Ltd., although down from last year, as its revenue base has mirrored falling consumer spending habits, has performed commendably, having exceeded management's expectations. CCS Ltd. has produced much stronger results than last year with earnings up over 20% from last year despite revenue falling by 10%. Management is pleased with the direction that CCS is heading and is cautiously optimistic in expecting an equally impressive second half performance.

The next half of the year will be equally challenging, if not more so, for the local economy. Management intends to remain vigilant and look for efficiencies and opportunities to strengthen BAS.



Kenneth Joaquin
Group President

CONSOLIDATED BALANCE SHEET

AS AT SEPTEMBER 30, 2009

	UNAUDITED	
	2009 \$	2008 \$
CURRENT ASSETS		
Cash and short-term deposits	2,231,233	2,731,280
Accounts receivable and prepaid expenses	11,573,883	11,912,483
Inventories	2,692,185	2,119,988
	16,497,301	16,763,751
NON-CURRENT ASSETS		
Other receivables	2,487,817	1,366,857
Capital assets	7,715,209	8,110,363
Goodwill	18,153,648	18,153,648
	28,356,674	27,630,868
TOTAL ASSETS	44,853,975	44,394,619
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	4,742,381	5,203,370
Deferred revenue	2,301,853	2,008,713
Current portion of long-term debt	794,338	742,539
	7,838,572	7,954,622
NON-CURRENT LIABILITIES		
Long-term debt	1,357,190	2,164,309
Non-controlling interest	385,023	84,896
	1,742,213	2,249,205
SHAREHOLDERS' EQUITY		
Capital stock	5,076,659	5,068,332
Share premium	12,697,531	12,661,181
Retained earnings	17,499,000	16,461,279
	35,273,190	34,190,792
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	44,853,975	44,394,619

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

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2009

	UNAUDITED	
	2009 \$	2008 \$
REVENUE		
Sale of goods	1,661,675	1,398,743
Supply of services	24,411,845	27,636,468
	26,073,520	29,035,211
DIRECT COST OF REVENUE		
Cost of goods sold	640,940	562,322
Direct cost of services revenue	9,413,824	10,707,691
	10,054,764	11,270,013
GROSS PROFIT	16,018,756	17,765,198
OPERATING EXPENSES		
Wages and benefits	10,644,217	11,393,876
Other direct expenses and overheads	2,743,483	3,163,272
Amortization	595,225	639,762
	13,982,925	15,196,910
Total operating expenses		
	13,982,925	15,196,910
INCOME FROM OPERATIONS	2,035,831	2,568,288
NON-OPERATING ITEMS		
Other income	99,652	(139,836)
Interest expense on debt	(59,163)	(87,309)
Non-controlling interest	(98,859)	(115,552)
	(58,370)	(342,707)
NET INCOME FOR THE PERIOD	1,977,461	2,225,591
RETAINED EARNINGS		
Beginning of the period	16,384,122	15,099,005
Net income for the period	1,977,461	2,225,591
Dividends	(862,583)	(863,317)
	17,499,000	16,461,279
End of the period	17,499,000	16,461,279

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2009

	UNAUDITED	
	2009 \$	2008 \$
OPERATING ACTIVITIES		
Net income for the period	1,977,461	2,225,591
Adjustments to convert to cash basis:		
Amortization	595,225	639,762
Interest expense on debt	59,163	87,309
Non-controlling interest	98,859	115,552
Changes in non-cash working capital:		
Accounts receivable and prepaid expenses	(1,436,658)	(602,734)
Inventories	(285,693)	279,038
Accounts payable and accrued liabilities	(1,173,508)	(894,597)
Deferred revenue	184,020	256,386
	18,869	2,106,307
INVESTING ACTIVITIES		
Investment in capital assets	(431,145)	(198,266)
FINANCING ACTIVITIES		
Share repurchases	-	(61,500)
Share issuance	26,425	-
Loan repayments	(441,206)	(516,900)
Dividends	(862,583)	(863,317)
Dividends paid to non-controlling interests	(64,834)	(358,880)
	(1,342,198)	(1,800,597)
CASH & CASH EQUIVALENTS		
Increase during the period	(1,754,474)	107,444
Beginning of the period	3,985,707	2,623,836
	2,231,233	2,731,280

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2009

UNAUDITED

1. Significant Accounting Policies

These interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada and follow the same accounting policies as the March 31, 2009 annual report.

2. Per Share Amounts

	2009	2008
	\$	\$
Income per share	\$0.39	\$0.44

Income per share has been calculated on 5,076,659 (2008 – 5,068,332) shares.

3. Segment Reporting

The Company has six reportable segments as shown below. The Company's management has identified the operating segments based on the goods and services they provide. The accounting policies of each of the segments are the same as those described in the March 31, 2009 annual report. All business activities are conducted in Bermuda and all inter-segment transactions are accounted for at arm's length.

	Revenue from external customers		Inter-segment revenue		Amortisation of capital assets		Net income from Operations		Total assets	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Administrative Services	157,136	197,735	431,428	536,512	100,124	117,537	(1,103,211)	(896,506)	1,170,505	1,496,655
Aircraft and Passenger Handling	3,925,039	5,112,593	-	-	154,305	170,280	298,612	753,290	2,954,698	3,323,267
Automotive Garages	1,661,675	1,398,743	282,533	331,071	19,393	19,161	490,572	354,643	4,805,923	4,916,646
Cargo Handling Facilities	5,835,023	7,273,688	7,250	5,245	115,118	142,906	484,974	634,363	2,900,062	3,335,438
Management	5,497,081	5,126,525	-	-	29,634	13,790	941,255	1,006,157	3,627,142	5,256,518
IT Services	8,997,566	9,925,927	-	-	176,651	175,632	923,629	716,341	8,771,398	6,346,758
	26,073,520	29,035,211	721,211	878,828	595,225	639,762	2,035,831	2,568,288	24,229,728	24,675,282

Reconciliations

	2009	2008		2009	2008
	\$	\$		\$	\$
NET INCOME			TOTAL ASSETS		
Reportable segments	2,035,831	2,568,288	Reportable segments	24,229,728	24,675,282
Other income	99,652	(139,836)	Inter-segment balances	(17,218)	(29,287)
Interest expense on debt	(59,163)	(87,309)	Goodwill	18,153,648	18,153,648
Non-controlling interest	(98,859)	(115,552)	Pension plan accrued benefit asset	2,487,817	1,594,976
	1,977,461	2,225,591		44,853,975	44,394,619

DIRECTORS

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Michael L. Darling ^{1,2}

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Gerald D. E. Simons ^{1,2}

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N. Reeve Trott ²

J. Patricia Lynn ²

James King

SECRETARY

E. John Thompson

¹ Executive Committee

² Audit Committee

³ Compensation Committee

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VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER
BAS GROUP OF COMPANIES

Kenneth L. Joaquin
GROUP VICE PRESIDENT AND
CHIEF EXECUTIVE OFFICER
BAS GROUP OF COMPANIES

Wayne Scott
VICE PRESIDENT AND CHIEF
EXECUTIVE OFFICER
CCS GROUP LIMITED

Frank Williams
VICE PRESIDENT AND
CHIEF EXECUTIVE OFFICER
OTIS / BAS-SERCO LIMITED

Rick J. Craft
VICE PRESIDENT AND
CHIEF EXECUTIVE OFFICER
INTERNATIONAL BONDED COURIERS OF
BERMUDA LIMITED

George Hammond
MANAGING DIRECTOR
WEIR ENTERPRISES LIMITED



Bermuda Aviation Services Limited

INTERIM REPORT
for the six months ended
SEPTEMBER 30, 2009

