



6-MONTH REPORT

SEPTEMBER 30, 2017



Financial Results

Bermuda Aviation Services Limited (the Company) and its subsidiaries (the Group) report a net loss attributable to shareholders of \$0.3 million for the six months ended September 30, 2017 compared to net earnings of \$1.0 million for the same period in 2016.

This result, while disappointing, underscores the decision taken by the Board and Management earlier this year to commence a comprehensive strategic review of the Group's operations in an effort to refocus efforts to improve profitability. This review is ongoing and will form the basis of the 2018/19 operating plan.

Revenues for the period ended September 30, 2017 were \$18.6 million in comparison to revenues of \$18.2 million in 2016, an increase of \$0.4 million. The direct costs were \$11.2 million for 2017 and \$10.2 million in 2016 resulting in gross profit of \$7.4 million, a \$0.6 million decline period over period. The main reasons for this decline were increased cost of sales in CCS related to the provision of services for the America's Cup event. Additionally, margins are being squeezed by fierce competition across all business lines and a general tailing off of construction projects in Bermuda.

Operating expenses increased \$0.3 million over the same period in the prior year. These include initial one-time restructuring costs incurred during the period of \$0.2 million. The Group reduced its bank loan by \$0.8 million in the first six months of the fiscal year.

The Company's facilities management segment, grew revenues by \$1.0 million over the same period last year. Net Income for this group had modest growth for the period. These subsidiaries continue to seek out new revenue opportunities and are looking to implement certain cost containment measures. BESCO, the provider of engineering solutions and energy efficient technologies, continues to experience a downturn in both business and results due to intense competition and a general slow-down in new projects within the construction industry locally. These and other market challenges are being analysed during the strategic review in an effort to establish the facilities management group as market leaders through exemplary customer service, aligned resources and budgetary controls.

The infrastructure development segment, CCS, performed below expectations due to a variety of factors. Primarily, the division began restructuring to address various market opportunities with the development of new business products where the benefits are expected to be reaped over time. On September 30, 2017, CCS and another Group subsidiary, Integrated Technology Solutions Ltd. (a provider of custom electronic solutions), were amalgamated in order to achieve greater synergies. CCS remains as the surviving entity. One-time costs associated with this restructure were realised during the reporting period.

The automotive garage segment, Weir, continues to be a strong performer for the Group. Despite ongoing downward pressure on margins arising from increased competition, it produced an acceptable result.

Dividend and Share Price

The Company paid dividends of \$0.5 million during the reporting period. For the quarter ended December 2017, given the reduction in the Group's profitability, the Board have considered it prudent to suspend payment temporarily of a dividend. The Company's share price on the Bermuda Stock Exchange continues to trade around \$2.20 per share which is below the net book value of \$5.24 per share at September 30, 2017. Your Board and Management are acutely aware of the current lack of confidence expressed by the market reflected by this depressed share price and are working assiduously to address the situation.

Strategic Review

Earlier in the year, and as mentioned above, the Board commenced a strategic and functional review of all aspects of the Company's operations. This review is being spearheaded by the Chairman, Mr. David Pugh, in an executive role, together with external consultants and advisors. The Board anticipates that certain aspects of the results of this review will be announced during the fourth quarter of the fiscal year ended March 31, 2018.

Note of Appreciation

It is with some sadness that, after many years of tireless service, many of which as Chairman, Lt. Col Michael Darling has decided to retire as a Director of the Company. On behalf of the entire Board, we take this opportunity to thank him for all his wise counsel, sound judgement and leadership over the years and wish him well in his well-earned retirement.

We also take this opportunity to thank our staff for their dedication and hard work during difficult times. Also we extend our gratitude to our clients and shareholders for their loyalty and continued support.



David W. Pugh
EXECUTIVE CHAIRMAN



Ian D. Cook
PRESIDENT & CHIEF EXECUTIVE OFFICER

December 14, 2017

Forward Looking Statements

Certain statements in this report may be deemed to include 'forward looking statements' and are based upon the Board and Management's current expectations and are subject to uncertainty and changes 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.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2017
(Expressed in thousands of Bermuda Dollars)

	UNAUDITED SEPTEMBER 30 2017	AUDITED MARCH 31 2017
CURRENT ASSETS		
Cash and cash equivalents	2,817	5,650
Accounts receivable	7,036	7,677
Prepaid expenses	2,576	343
Inventories	569	2,420
	12,998	16,090
NON-CURRENT ASSETS		
Other receivables	3,561	3,568
Property, plant and equipment	10,436	10,689
Goodwill	11,279	11,279
	25,276	25,536
TOTAL ASSETS	38,274	41,626
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	3,921	3,298
Deferred revenue	1,371	3,743
Bank loan	785	752
	6,077	7,793
NON-CURRENT LIABILITIES		
Bank loan	5,940	6,763
TOTAL LIABILITIES	12,017	14,556
EQUITY		
ATTRIBUTABLE TO SHAREHOLDERS OF THE GROUP		
Share capital	4,922	4,922
Share premium	12,371	12,371
Retained earnings (note 5)	8,545	9,513
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE GROUP	25,838	26,806
Attributable to non-controlling interests	419	264
TOTAL EQUITY	26,257	27,070
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	38,274	41,626

See accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017
Expressed in thousands of Bermuda Dollars)

	UNAUDITED SEPTEMBER 30 2017	UNAUDITED SEPTEMBER 30 2016
CONTINUING OPERATIONS		
Supply of services	9,025	9,109
Sale of goods	9,592	9,099
TOTAL REVENUE	18,617	18,208
DIRECT COST OF REVENUE		
Direct cost of services revenue	(6,054)	(5,877)
Cost of goods sold	(5,111)	(4,290)
Total direct cost of revenue	(11,165)	(10,167)
GROSS PROFIT	7,452	8,041
OPERATING EXPENSES		
Wages and benefits	(5,020)	(4,826)
Other direct expenses and overheads	(1,924)	(1,816)
Depreciation	(512)	(447)
Finance costs	(224)	(263)
TOTAL OPERATING EXPENSES	(7,680)	(7,352)
TOTAL (LOSS) / INCOME FROM CONTINUING OPERATIONS	(228)	689
Gain on non-controlling interest acquisition	-	302
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(228)	991
(LOSS) / EARNINGS ATTRIBUTABLE TO:		
Shareholders of the Company	(277)	970
Non-controlling interests	49	21
(LOSS) / EARNINGS FOR THE PERIOD	(228)	991

See accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017
(Expressed in thousands of Bermuda Dollars)

	UNAUDITED SEPTEMBER 30 2017	UNAUDITED SEPTEMBER 30 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the period	(228)	991
ADJUSTMENTS:		
Depreciation	512	447
Goodwill impairment	-	27
Finance costs	224	263
CHANGES IN NON-CASH WORKING CAPITAL:		
Accounts receivable and prepaid expenses	415	40
Inventories	(155)	(348)
Accounts payable and accrued liabilities	623	(262)
Deferred revenue	(2,372)	(448)
	(981)	710
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition and disposal of property, plant and equipment	(253)	106
	(253)	106
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(492)	(492)
Dividends paid to non-controlling interests	(92)	(219)
Repayment of bank loan	(791)	(752)
Finance costs	(224)	(263)
Purchase of non-controlling interests	-	(316)
	(1,599)	(2,042)
CASH AND CASH EQUIVALENTS		
Decrease during the period	(2,833)	(1,226)
Beginning of the year	5,650	6,124
END OF THE PERIOD	2,817	4,898

See accompanying notes

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

1. Significant accounting policies

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and follow the same accounting policies and methods of their application as per the March 31, 2017 audited financial statements and should be read in conjunction with the latter.

2. Earnings Per Share (Basic and Diluted)

Basic and diluted earnings per share has been calculated by dividing the consolidated income attributable to equity holders of the Company by the weighted average of common shares in issue during the year.

	2017	2016
Income attributable to common shareholders	4,922,301	4,922,301
Earnings per share	(\$0.06)	\$0.20

3. Segment Reporting

The Group has four reportable segments as at September 30, 2017 as shown below. The Group's management has identified the operating segments based on the goods and services they provide. All business and all inter-segment transactions are accounted for on an arm's length basis.

FOR THE SIX MONTHS ENDED SEPTEMBER 30 AND AS AT MARCH 31	REVENUE FROM EXTERNAL CUSTOMERS		INTER-SEGMENT REVENUE		AMORTISATION OF CAPITAL ASSETS		NET INCOME FROM OPERATIONS		TOTAL ASSETS	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Administrative services	132	159	2,120	1,207	268	224	(2,535)	(2,072)	10,094	10,484
Automotive garages	1,567	1,621	-	-	16	2	378	569	1,016	805
Facilities management	6,007	4,960	-	-	52	72	1,299	1,243	6,679	6,516
Infrastructure development	10,911	11,468	-	-	176	149	854	1,212	9,206	12,542
	18,617	18,208	2,120	1,207	512	447	(4)	952	26,995	30,347

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

4. Reconciliations

4. Reconciliations

FOR THE SIX MONTHS ENDED SEPTEMBER 30	2017	2016
NET INCOME		
Reportable segments	(4)	952
Finance costs	(224)	(263)
Non-controlling interest	(49)	(21)
Gain from non-controlling interest purchase	-	302
	(277)	970

	SEPTEMBER 2017	MARCH 2017
TOTAL ASSETS		
Reportable segments	26,995	30,347
Goodwill	11,279	11,279
	38,274	41,626

5. Retained Earnings

On September 30, 2017 Integrated Technology Solutions Ltd. (ITS) became a wholly owned subsidiary of BAS following an amalgamation with one of the entities within the Group. The amalgamation resulted in non-controlling interest (NCI) related to ITS to be reclassified to retained earnings.

	SEPTEMBER 2017	SEPTEMBER 2016
Beginning of the period	9,513	9,713
Reclassification of ITS NCI	(199)	-
Earnings for the period	(277)	970
Dividends	(492)	(492)
END OF THE PERIOD	8,545	10,191

DIRECTORS

Chairman

David W. Pugh, CPA, CA¹

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

Deputy Chairman

Gail E.M. Miller²

J. Patricia Lynn
Scott Pearman
Gerald D.E. Simons³

Secretary

Codan Services Limited

¹ Audit and Risk Committee Chairman

² Compensation Committee Chairman

³ Corporate Governance Committee Chairman

OFFICERS

Ian D. Cook

President and
Chief Executive Officer

Andrew Griffith, CPA, CA

Vice President and
Chief Financial Officer

Common shares held by Directors – 44,233

Common shares held by BAS Executive Management – 4,359

*Resigned November 2017



BAS BUILDING

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