

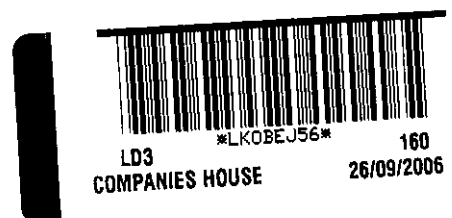


**Bristow Aviation Holdings Limited**

**Directors' report and consolidated  
financial statements**

**Registered number 03234500**

**31 March 2005**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

### Principal activities

The principal activity of the group (also referred to as 'Bristow') is to provide helicopter services.

Our principal service continues to be that of providing customers with helicopters and crew to transport personnel and time-sensitive equipment from onshore bases to offshore drilling rigs, platforms and other installations, both in the United Kingdom (UK) and overseas. We have operations in many of the major offshore oil and gas producing regions of the world, including Australia, Brazil, China and Nigeria and Trinidad. In addition to our oil and gas helicopter services we also provide engineering and maintenance services and operate search and rescue helicopters for Her Majesty's Coastguard (H.M. Coastguard).

### Business review

During the year we operated our helicopter service business through three business units:

European Operations;  
International Operations; and  
Technical Services.

#### European Operations

Bristow is the second largest provider of helicopter services in the North Sea, where there are harsh weather conditions and geographically concentrated offshore facilities. The facilities in the North Sea are large and require frequent crew change flight services. We deploy the majority of our large aircraft in this region. In addition to our oil and gas helicopter services we are the sole civil supplier of search and rescue facilities to H.M. Coastguard, in the UK. We also have an ownership interest in and lease aircraft to an unconsolidated associate in Norway for use in its North Sea operations.

In January 2005 Bristow was awarded two contracts to provide helicopter services in the North Sea. The first is a seven year contract that began on 1 July 2005, at the conclusion of the current seven year contract, and is for a total of two large and four medium aircraft. The second contract is a five year contract that commenced on 1 April 2005 and utilises two large aircraft.

In May 2005 Bristow was awarded a three year extension to the Integrated Aviation Consortium contract. This extension began on 1 July 2005 and will continue the utilisation of five large aircraft.

In December 2005 Bristow was informed that we were not awarded the contract extension in mid 2007 to provide search and rescue services, using seven aircraft operating in four bases for H.M. Coastguard.

During the year, Norsk Helicopters AS, our Norwegian associate, acquired Luftransport A/S, a Norwegian company, and its sister company, Luftransport AB, a Swedish company which collectively operate 28 aircraft engaged in air ambulance services in Scandinavia. Norsk Helicopters AS presently operates 11 aircraft in Norway. Subsequent to 31 March 2005 Norsk Helicopters AS entered into an agreement to purchase three large aircraft for use in Norway. Delivery of one aircraft is expected in 2005/6 with the further two expected in 2006/7.

Despite a predicted downturn in North Sea activity, and an increase in the global competition within our market, we have been successful in maintaining and winning significant term contracts in the North Sea. These contracts introduce stability to our operations in this region over the coming years and provide a good platform from which to develop future activities.

#### International Operations

We provide helicopter services to all of the major offshore oil and gas producing regions of the world. Our International operations are conducted in a variety of geographical locations where we deploy small, medium and large aircraft in response to the market requirements and local operating conditions.

Bristow was awarded the renewal of a contract in Nigeria with an international oil company in January 2005 for a minimum of five medium aircraft. The contract term is for five years commencing 1 April 2005.

## **Directors' report** *(continued)*

### **International Operations** *(continued)*

During the year we purchased a 48.5% interest in Aviasshelf, a Russian helicopter company that owns five large twin-engine helicopters and simultaneously, through two 51% owned companies, purchased two large twin-engine helicopters and two fixed wing aircraft. We have consolidated the result of the Russian Helicopter companies from the date of acquisition. The acquisition was financed with \$2m cash. Details of the acquisition are given in note 15.

International flight operations have generally remained subdued, reflecting uncertainty and volatility in the prevailing geo-political climate. However, the International market is seen as providing the most significant growth opportunities going forward.

### **Technical Services Operations**

Our Technical Services business unit provides helicopter repair and overhaul services from facilities located at Redhill, England.

In 2004 the operations of the Technical Services business unit were downsized, resulting in a significant reduction in staff and operations over the period ending 31 December 2004. In November 2004 certain assets and contracts held by the business unit were sold to FB Leasing Limited and FB Heliservices Limited, joint venture companies. The remaining services include engine overhaul, engineering and design services, technical manpower support, and engineering and administration support for our joint ventures.

### **General Operations overview**

Overall flight activity fell by 3.5% compared to last year, reflecting decreased operating activity in both the European and wider International geographical markets. Turnover increased by 6.6% and direct operating costs increased by 6.4% (before exceptional items). The increased turnover was partly attributable to retroactive rate increases with certain customers in the North Sea.

A series of restructuring initiatives initiated in the later half of 2004 designed to reduce costs and promote operational and managerial efficiencies going forward came to fruition. As a result of the restructuring and through costs savings relating to the operation of the pension plan, the operating cost base of the group has been reduced without affecting the quality and safety of our services. This enables the group to remain competitive in the global marketplace.

In January 2004 we entered into a purchase agreement with Eurocopter, to purchase two large aircraft. These aircraft were delivered and became operational in 2005/6. Subsequent to 31 March 2005 we entered into further agreements with Eurocopter to purchase four additional large aircraft, two are expected to be delivered in 2006/7 with a further two in 2007/8, and four medium aircraft, three of which are expected in 2006/7 and the fourth in 2007/8.

### **Exceptional items**

An internal review has identified issues in relation to the declaration and payment of payroll taxes for contract staff working in overseas operations. These financial statements include an adjustment of £8.1m to cost of sales that accrues for estimated taxes, penalties and interest that may be payable in relation to this issue for both current and prior years.

At this time, we cannot estimate what additional payments, fines, penalties and/or litigation, if any, may stem from this review and resulting declarations.

Further detail is provided in notes 3 and 27.

### **Results and dividends**

The audited financial statements for the year ended 31 March 2005 are set out on pages 7 to 42. The group loss for the year after taxation and minority interest was £30,838,000 (2004: £24,280,000 loss restated).

The directors do not recommend the payment of a dividend (2004: £nil).

## Directors' report *(continued)*

### Fixed Assets

A policy of annual revaluation has been adopted in relation to aircraft within these financial statements under Financial Reporting Standard 15, 'Tangible Fixed Assets'. The valuation of the aircraft was undertaken internally using a worldwide industry recognised index, HeliValue\$, Inc – 'The Official Helicopter Blue Book'. The index enables a desktop valuation of the aircraft appropriate to the age, condition and specification to be undertaken. Of the fleet of 79 aircraft, a total of 70 were revalued using this index at 31 March 2005. Certain aircraft held outside of the UK, which were not listed in the 'Blue Book' were not revalued. Further information is given in note 13.

### Pensions

Financial Reporting Standard 17, 'Retirement Benefits' ('FRS 17'), has been fully adopted in these financial statements. The financial statements have therefore been prepared on this basis, and as a consequence prior year figures have been restated accordingly.

As a result of the adoption of FRS 17 the group is now showing a net pension deficit of £45.1m as at 31 March 2005, of which £44.5m relates to the main UK scheme. Movements in the valuation of the pension scheme are now fully disclosed on the face of the financial statements.

The UK rules governing pension plan funding require us to make additional cash contributions to the plan. In February 2004 we agreed to a schedule of contributions for our defined benefit pension plan in order to comply with the minimum funding requirements in the UK. Those rules require us to make scheduled contributions in amounts sufficient to bring the plan up to 90% funded within three years and 100% funded within ten years. In recognition of participants' concerns regarding the under-funded position of the plan, as well as other changes made to the plan, on 1 February 2004 we contributed £5.2m into the plan to reach the 90% funded level and agreed to make monthly contributions to the plan for the next ten years to comply with the 100% funding requirement. In the year ended 31 March 2005 contributions of £2.8m were made into the plan.

In May 2006, the Pensions Regulator ('TPR') in the UK published a statement on regulating the funding of defined benefit schemes. In this statement, TPR focused on a number of items including the use of triggers to determine the level of funding of the schemes. Based on this statement, it is possible that we will see an increase in the required level of our contributions in future periods. We are not currently able to estimate what this increased level of funding will be and what impact it will have on our financial position in future periods.

Further information is outlined in notes 28 and 29.

### Directors and directors' interests

The directors who held office during the year were as follows:

K Chanter	(resigned 1 September 2004)
A C Brown	(appointed 1 September 2004, resigned 15 October 2004)
R D Burman	(appointed 15 October 2004)
W E Chiles	(appointed 15 October 2004)
H J Albert*	(resigned 15 October 2004)
P N Buckley*	
J H Cartwright*	

\* Non-executive directors

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of any group company.

None of the directors were granted options or exercised any right to subscribe for shares in any group company during the year.

## **Directors' report** *(continued)*

### **Supplier payment policy**

The group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payments, and abide by the terms of payment.

### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### **Employee consultation**

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and of the various factors affecting the performance of the company. This is achieved through formal and informal meetings and through company notices. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

### **Political and charitable contributions**

During the year the group made charitable donations of £12,485 (2004: £7,366). No political contributions were made by the group during the year (2004: *£nil*).

### **Auditors**

In accordance with Section 384 of the Companies Act, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

  
**I B McIntosh**  
*Secretary*

Redhill Aerodrome  
Redhill  
Surrey  
RH1 5JZ

25 September 2006

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- *select suitable accounting policies and then apply them consistently;*
- *make judgements and estimates that are reasonable and prudent;*
- *state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;*
- *prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.*

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

kpmg

KPMG LLP

1 Forest Gate  
Brighton Road  
Crawley  
RH11 9PT  
United Kingdom

## **Report of the independent auditors to the members of Bristow Aviation Holdings Limited**

We have audited the financial statements on pages 7 to 42.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2005 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

KPMG LLP  
Chartered Accountants  
Registered Auditor

*25th September 2006*



**Consolidated profit and loss account**  
*for the year ended 31 March 2005*

	<i>Note</i>	2005 £000	2004 (restated) £000
Turnover: group and share of joint ventures		215,259	201,892
Less: share of joint ventures' turnover		(25,473)	(23,829)
<b>Turnover</b>	2	<b>189,786</b>	<b>178,063</b>
<b>Cost of sales (including exceptional items)</b>	3,5	<b>(169,470)</b>	<b>(151,700)</b>
<b>Gross profit</b>		<b>20,316</b>	<b>26,363</b>
Administrative expenses		(10,781)	(11,909)
<b>Group operating profit</b>		<b>9,535</b>	<b>14,454</b>
Share of operating profit in			
Joint ventures		5,585	6,096
Associates		1,057	1,043
		<b>6,642</b>	<b>7,139</b>
<b>Total operating profit:</b>		<b>16,177</b>	<b>21,593</b>
<b>Group and share of associates</b>			
Profit/(loss) on disposal of fixed assets	6	1,000	(949)
Profit on disposal of subsidiary undertaking	7	-	1,179
Investment income	8	77	20
Interest receivable and similar income			
Group	9	1,873	1,212
Associates		422	596
		<b>2,295</b>	<b>1,808</b>
Interest payable and similar charges			
Group	10	(37,578)	(37,305)
Joint ventures		(2,183)	(2,453)
Associates		(569)	(648)
		<b>(40,330)</b>	<b>(40,406)</b>
Net pension finance charges		(773)	(1,320)
<b>Loss on ordinary activities before taxation</b>	11	<b>(21,554)</b>	<b>(18,075)</b>
Tax on profit on ordinary activities	12	(9,995)	(6,205)
<b>Loss on ordinary activities after taxation</b>		<b>(31,549)</b>	<b>(24,280)</b>
Minority interests – equity	23	(3)	-
<b>Retained loss for the year</b>	22	<b>(31,552)</b>	<b>(24,280)</b>

The turnover and loss for the year and the preceding year were derived wholly from continuing operations.

There is no difference between the result on ordinary activities before taxation and the result for the year stated above and their historical cost equivalents.

**Consolidated balance sheet**  
*at 31 March 2005*

	<i>Note</i>	2005	2004 (restated)
		£000	£000
<b>Fixed assets</b>			
Tangible assets	13	157,259	142,062
Investments	14	10,379	13,032
		<hr/>	<hr/>
		167,638	155,094
<b>Current assets</b>			
Stocks	16	9,721	12,306
Debtors - due within one year	17	73,878	73,381
- due after one year	17	980	1,217
Cash at bank and in hand		41,173	17,149
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	18	125,752 (325,795)	104,053 (282,578)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(200,043)	(178,525)
<b>Total assets less current liabilities</b>		(32,405)	(23,431)
<b>Creditors: amounts falling due after more than one year</b>	19	(52,988)	(50,000)
<b>Provisions for liabilities and charges</b>	20	(11,161)	(10,103)
		<hr/>	<hr/>
<b>Net liabilities excluding pension liabilities</b>		(96,554)	(83,534)
Pension liabilities	29	(45,112)	(38,592)
		<hr/>	<hr/>
<b>Net liabilities including pension liabilities</b>		(141,666)	(122,126)
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	21	10,000	10,000
Revaluation reserve	22	17,362	-
Profit and loss account	22	(170,364)	(132,204)
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		(143,002)	(122,204)
Minority interests - equity	23	1,336	78
		<hr/>	<hr/>
		(141,666)	(122,126)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 25 September 2006 and were signed on its behalf by:



**R D Burman**  
*Director*

**Company balance sheet**  
*at 31 March 2005*

	<i>Note</i>	<b>2005</b>	<b>2004</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Investments	14	101,000	101,000
<b>Current assets</b>			
Debtors – due after one year	17	50,000	50,000
		<u>50,000</u>	<u>50,000</u>
<b>Creditors:</b> amounts falling due within one year	18	(276,799)	(243,878)
		<u>(276,799)</u>	<u>(243,878)</u>
<b>Net current liabilities</b>		<b>(226,799)</b>	<b>(193,878)</b>
		<u>(226,799)</u>	<u>(193,878)</u>
<b>Total assets less current liabilities</b>		<b>(125,799)</b>	<b>(92,878)</b>
		<u>(125,799)</u>	<u>(92,878)</u>
<b>Creditors:</b> amounts falling due after more than one year	19	(50,000)	(50,000)
		<u>(50,000)</u>	<u>(50,000)</u>
<b>Net liabilities</b>		<b>(175,799)</b>	<b>(142,878)</b>
		<u>(175,799)</u>	<u>(142,878)</u>
<b>Capital and reserves</b>			
Called up share capital	21	10,000	10,000
Profit and loss account	22	(185,799)	(152,878)
		<u>(185,799)</u>	<u>(152,878)</u>
<b>Equity shareholders' funds</b>		<b>(175,799)</b>	<b>(142,878)</b>
		<u>(175,799)</u>	<u>(142,878)</u>

These financial statements were approved by the board of directors on 25 September 2006 and were signed on its behalf by:



**R D Burman**  
*Director*

**Consolidated cash flow statement**  
*for the year ended 31 March 2005*

	Note	2005 £000	2004 £000
<b>Cash flow statement</b>			
<b>Net cash flow from operating activities</b>	24	27,292	25,225
<b>Dividends from joint ventures and associates</b>			
Dividends received from joint ventures		6,245	-
Dividends received from associate		961	-
		<hr/>	<hr/>
<b>Net cash inflow from dividends from joint ventures and associates</b>		7,206	-
<b>Returns on investments and servicing of finance</b>			
Interest received		1,595	1,022
Dividend received from trade investments		77	20
Dividends paid to minority shareholders in subsidiary undertakings		(4)	-
Interest on finance lease rentals		(183)	-
Interest on other loans		(28)	-
Interest paid		(4,305)	(3,926)
		<hr/>	<hr/>
<b>Net cash outflow from return on investments and servicing of finance</b>		(2,848)	(2,884)
<b>Taxation</b>		(9,800)	(9,264)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(14,669)	(5,897)
Sale of investments		25	97
Sale of tangible fixed assets		13,885	1,493
Loan to associated undertaking (net)		1,158	(753)
		<hr/>	<hr/>
<b>Net cash inflow/(outflow) from capital expenditure</b>		399	(5,060)
<b>Acquisitions and disposals</b>			
Acquisition of shares in subsidiary undertakings	15	(1,290)	-
Acquisition of shares in joint venture		(4,250)	-
Acquisition of shares in other unlisted investments		(129)	-
Disposal of subsidiary undertakings		-	1,606
		<hr/>	<hr/>
<b>Net cash (outflow)/inflow from acquisitions and disposals</b>		(5,669)	1,606
<b>Net cash inflow before financing</b>		16,580	9,623
<b>Financing</b>			
Short term loan		-	1,942
Loans to related parties		8,204	(7,825)
Capital element of finance lease rental		(395)	-
Capital element of other loans		(58)	-
Settlement of bill of exchange		-	(2,813)
		<hr/>	<hr/>
<b>Net cash inflow/(outflow) from financing</b>	25	7,751	(8,696)
<b>Increase in cash in the year</b>	25	24,331	927

**Note of historical cost profit**  
*for the year ended 31 March 2005*

	Group 2005 £000	2004 (restated) £000
<b>Reported loss on ordinary activities before taxation</b>	<b>(21,554)</b>	<b>(18,075)</b>
Differences between actual depreciation charge based on revalued amount and a historical cost charge	-	-
<b>Historical cost loss on ordinary activities before taxation</b>	<b>(21,554)</b>	<b>(18,075)</b>

There are no differences arising in the year due to the revaluation of the aircraft being undertaken at 31 March 2005.

**Consolidated statements of total recognised gains and losses**  
*for the year ended 31 March 2005*

	Group 2005 £000	2004 (restated) £000	Company 2005 £000	2004 £000
<b>Retained loss for the financial year</b>	<b>(31,552)</b>	<b>(24,280)</b>	<b>(32,921)</b>	<b>(29,694)</b>
Actuarial (loss)/gain recognised on the pension schemes	<b>(10,901)</b>	6,492	-	-
Movement on deferred tax relating to actuarial losses on the pension schemes	<b>2,731</b>	(3,051)	-	-
Movement on current tax relating to actuarial losses on the pension schemes	<b>493</b>	1,140	-	-
Gain/(loss) on foreign currency translation of reserves	<b>72</b>	(491)	-	-
Revaluation of aircraft	<b>17,362</b>	-	-	-
<b>Total recognised losses for the year</b>	<b>(21,795)</b>	<b>(20,190)</b>	<b>(32,921)</b>	<b>(29,694)</b>
Prior year adjustment	<b>(35,807)</b>			
<b>Total recognised loss since last report</b>	<b>(57,602)</b>			

## Reconciliation of movements in shareholders' funds

*for the year ended 31 March 2005*

	Group 2005	2004 (restated)	Company 2005	2004
	£000	£000	£000	£000
<b>Retained loss for the financial year</b>	<b>(31,552)</b>	<b>(24,280)</b>	<b>(32,921)</b>	<b>(29,694)</b>
Goodwill impairment on items previously written off to reserves	997	-	-	-
Other recognised (losses)/gains relating to pension schemes	(7,677)	4,581	-	-
Gain/(loss) on foreign currency translation of reserves	72	(491)	-	-
Revaluation of aircraft	17,362	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net reduction in shareholders' funds</b>	<b>(20,798)</b>	<b>(20,190)</b>	<b>(32,921)</b>	<b>(29,694)</b>
Opening shareholders' funds (as previously stated)	(86,397)	(59,423)	(142,878)	(113,184)
Prior year adjustment	(35,807)	(42,591)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Opening shareholders' funds (as restated)	<b>(122,204)</b>	<b>(102,014)</b>	<b>(142,878)</b>	<b>(113,184)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>(143,002)</b>	<b>(122,204)</b>	<b>(175,799)</b>	<b>(142,878)</b>
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the group's financial statements, except for the change in accounting policy noted below in relation to Financial Reporting Standard 17, 'Retirement Benefits' ('FRS 17'), and the revaluation of aircraft under Financial Reporting Standard 15, 'Tangible Fixed Assets' ('FRS 15').

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The financial statements have been prepared on a going concern basis, despite the shareholders' deficit, as Bristow Group, Inc. (formerly Offshore Logistics, Inc.) have provided a letter of support confirming that for twelve months following the date on which the accounts are signed it will not seek repayment of the amounts owed to it on the 8.335% unsecured loan, or the 13.5% unsecured subordinated loan stock, if the effect of those repayments would otherwise render the group unable to meet its other liabilities as they fall due or make it unable to continue to carry out its trading. Accordingly the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future.

The company has fully implemented FRS 17 in these financial statements. The comparatives have been restated accordingly and the impact is further explained in notes 28 and 29.

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings to 31 March 2005. Where appropriate, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the group has a long-term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control. The group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets, other than goodwill, is included in investments in the consolidated balance sheet.

Where a group company is party to a joint arrangement that is not an entity, that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account. The company's loss for the year was £32,921,000 (2004: £29,694,000).

#### ***Goodwill***

Purchased goodwill, both positive and negative, arising on consolidation in respect of acquisitions before 1 April 1998, when FRS 10 *Goodwill and intangible assets* was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal. The cumulative amount taken to reserves is £15,858,000 (2004: £16,855,000). This goodwill is regularly reviewed for impairment and any impairment is taken to the profit and loss account. During the year £997,000 (2004: £nil) of the goodwill previously taken to reserves was expensed through the profit and loss account within operating profit, following an impairment review.

Purchased goodwill, representing the excess of the fair value of the consideration and associated costs given over the fair value of the separable net assets acquired, arising on consolidation in respect of acquisitions since 1 April 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 14 years. Provision is made for any impairment.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Goodwill (continued)*

On the subsequent disposal or termination of a business acquired since 1 April 1998, the profit or loss on disposal or termination is calculated after charging the un-amortised amount of any related goodwill.

#### *Tangible fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	15 - 40 years
Long leasehold property	-	over lease period
Short leasehold property	-	over lease period
Plant and equipment (including rotatable spares)	-	3 to 15 years
Vehicles	-	3 to 5 years
Aircraft	-	8 to 15 years

No depreciation is provided on freehold land.

A policy of revaluation has been adopted in relation to certain aircraft, under FRS 15 'Tangible Fixed Assets', which will require the annual revaluation of this asset class (further information is provided in note 13). As part of the revaluation exercise the group revised its estimate of the remaining useful life of the revalued aircraft to 10 years. Depreciation will therefore be provided to write off the revalued cost less the estimated residual value of these aircraft by equal instalments over their estimated useful economic lives as follows:

Aircraft (revalued)	-	10 years
---------------------	---	----------

#### *Investments*

Fixed asset investments are shown at cost less provision for impairment.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads

#### *Long-term contracts*

The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contract can be seen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings and associated undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of



## Notes (continued)

### 1 Accounting policies (continued)

#### *Foreign currencies (continued)*

exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### *Post retirement benefits*

The group operates a number of pension schemes under both defined contribution arrangements and providing benefits based on final pensionable pay. The group adopted FRS 17 in the year. Further details can be found in notes 28 and 29.

The assets of the defined benefit schemes are held separately from those of the group and are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Any pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full and shown in the balance sheet. The movement of the surplus or deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

The assets of the defined contribution schemes are held separately from those of the group in independently administered funds. The charge to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### *Research and development expenditure*

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

#### *Aircraft and major component overhaul and maintenance*

The group undertakes aircraft and major component overhauls and maintenance internally and also holds contracts with third party providers for such work.

Under certain contracts the providers invoice for their services by reference to units of economic consumption, typically hours flown. These invoiced amounts are recoverable from the third parties to the point at which the overhaul or maintenance work takes place. Accordingly, amounts invoiced to the group by third party providers are charged to the profit and loss account when the maintenance work has been performed, and amounts invoiced to the group in advance of the work being performed are treated as prepayments. Other contractual work is expensed at the point where the work or service is performed.

The costs of major overhauls of aircraft and components held under operating leases are charged to the profit and loss account in accordance with the legal obligations under the terms of the lease.

#### *Leased assets*

Assets held under finance lease are capitalised at the fair value of the asset at the inception of the lease, and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, categorised as appropriate under creditors due within and after more than one year. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease on a

## Notes (continued)

### 1 Accounting policies (continued)

#### *Leased assets (continued)*

reducing balance basis so as to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly except that assets are depreciated over their useful lives.

Rental income and rental costs arising from operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

### 2 Turnover

Turnover represents total revenue receivable for the period exclusive of VAT and intra-group transactions.

Revenue is recognised when it is realised or realisable, and earned. Revenue is considered to be realised or realisable and earned when the following conditions exist: the persuasive evidence of an arrangement, generally a customer contract; the services or products have been performed or delivered to the customer; the sales price is fixed or determinable within the contract; and collection is probable. More specifically, revenue from Helicopter Services is recognised based on contractual rates as the related services are performed. The charges under these contracts are generally based on a two-tier rate structure consisting of a daily or monthly fixed fee plus additional fees for each hour flown. These contracts are for varying periods and generally permit the customer to cancel the contract before the end of the term. We also provide services to customers on an "ad-hoc" basis, which usually entails a shorter notice period and shorter duration. The charges for ad-hoc services are based on an hourly rate or a daily or monthly fixed fee plus additional fees for each hour flown. In order to offset potential increases in operating costs, our long-term contracts may provide for periodic increases in the contractual rates charged for our services. We recognise these rate increases when the criteria outlined above have been met. This generally includes written recognition from the customers that they are in agreement with the amount of the rate escalation. In addition, our standard rate structure is based on fuel costs remaining at or below a predetermined threshold. Fuel costs in excess of this threshold are generally reimbursed by the customer.

No segmental reporting as required by Statement of Standard Accounting Practice 25 ('SSAP 25') or analysis of turnover by activity or geographical location as required by the Companies Act 1985 is given as, in the opinion of the directors, this would be seriously prejudicial to the commercial interests of the group.

### 3 Cost of sales

An internal review has identified issues in relation to the declaration and payment of payroll taxes for contract staff working in overseas operations. The cost of sales figure includes an accrual for £8.1m as an estimate for taxes, penalties and interest that may be payable in respect of the both current and prior years. Further detail is given in note 27.

### 4 Remuneration of directors

	2005 £000	2004 £000
Directors' emoluments	238	483
	<u>          </u>	<u>          </u>
Amounts paid to third parties in respect of directors' services	-	-
	<u>          </u>	<u>          </u>

## Notes (continued)

### 4 Remuneration of directors (continued)

	Number of directors	
	2005	2004
The number of directors who were members of pension schemes was as follows:		
Money purchase schemes	2	1
	<hr/>	<hr/>
The number of directors who exercised share options of an affiliated company	1	-
	<hr/>	<hr/>
<b>Highest paid director</b>	<b>2005</b>	<b>2004</b>
The above amounts include the following in respect of the highest paid director:	<b>£000</b>	<b>£000</b>
Emoluments	136	483
	<hr/>	<hr/>

The amount paid into money purchase schemes in respect of the highest paid director at 31 March 2005 was £8,500 (2004: £19,800). The highest paid director exercised share options during the current year. A termination payment of £392,208 (2004: £nil) was paid by way of compensation for loss of office in the year to 31 March 2005.

### 5 Staff numbers and costs

The average number of persons employed by the group including directors during the year, analysed by category, was as follows:

	Number of employees	
	2005	2004
Operating staff	1,556	1,660
Management and administration	234	205
	<hr/>	<hr/>
	1,790	1,865
	<hr/>	<hr/>
The aggregate payroll costs of these persons were as follows:		
	2005	2004
	£000	(restated) £000
Wages and salaries	57,980	56,610
Social security costs	12,577	4,659
Other pension costs	2,357	4,689
	<hr/>	<hr/>
	72,914	65,958
	<hr/>	<hr/>

Social security costs include an exceptional accrual of £7,377,000 in relation to the under-declaration and payment of payroll taxes for contract staff working in overseas operations. Further detail is given in note 3 and note 27.

## Notes (continued)

### 6 Profit on disposal of fixed assets

	2005 £000	2004 £000
Profit on sale of tangible fixed assets	1,000	(949)
Increase in tax charge to profit and loss account	1,969	316

The disposal of land and buildings, aircraft and plant and equipment in both 2005 and 2004 has had no material effect on the nature and focus of the group's operations.

### 7 Profit on disposal of subsidiary undertaking

	2005 £000	2004 £000
Profit on sale of subsidiary undertaking	-	1,179
Increase in tax charge to profit and loss account	-	-

The disposal of this subsidiary in 2004 has had no material effect on the nature and focus of the group's operations.

### 8 Investment income

	2005 £000	2004 £000
Income from other unlisted investments	77	20

### 9 Interest receivable and similar income

	2005 £000	2004 £000
Interest receivable	1,873	1,212

### 10 Interest payable and similar charges

	2005 £000	2004 £000
Interest on finance lease rentals	211	-
On all other loans	36,655	33,060
Other interest and similar charges	121	440
Exchange loss on foreign currency balances (net)	591	3,805
	37,578	37,305

## Notes (continued)

### 11 Loss on ordinary activities before taxation

	2005 £000	2004 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Depreciation		
Owned	11,192	11,199
Assets held under finance leases	566	309
Operating lease rental expenses		
Aircraft hire	8,446	7,418
Rental of properties	2,559	2,133
Hire of plant and machinery	121	112
Auditors' remuneration:		
Audit fee – group	147	137
Audit fee – company	12	12
Other	10	10
Research and development expenditure	595	658
Impairment of goodwill	997	-
Amortisation of goodwill	163	162
Re-organisation expenses	1,508	2,206
	<u>11,192</u>	<u>11,199</u>

## Notes (continued)

### 12 Taxation

#### Analysis of charge in year

	2005	2004 (restated)
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	3,174	4,667
Double taxation relief	(325)	(3,163)
	<hr/> 2,849	<hr/> 1,504
<i>Foreign tax</i>		
Current tax on income for the year	3,912	3,588
	<hr/> 6,761	<hr/> 5,092
Adjustments in respect of prior year		
UK corporation tax	(71)	(188)
Foreign tax	1,024	(29)
	<hr/> 7,714	<hr/> 4,875
Share of joint ventures tax	1,020	1,093
Share of associates tax	258	306
	<hr/> 8,992	<hr/> 6,274
	<hr/> <hr/>	<hr/> <hr/>
<b>Deferred taxation</b>		
Origination and reversal of timing differences – current year	1,354	15
Origination and reversal of timing differences – prior years	(351)	(84)
	<hr/> 1,003	<hr/> (69)
<b>Total deferred tax</b>	<hr/> <hr/>	<hr/> <hr/>
<b>Total tax on loss on ordinary activities</b>	<hr/> <hr/> 9,995	<hr/> <hr/> 6,205

## Notes (continued)

### 12 Taxation (continued)

#### Tax reconciliation

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2005 £000	2004 (restated) £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(21,554)	(18,075)
	<hr/>	<hr/>
Current tax at 30 % (2004: 30%)	(6,466)	(5,423)
<i>Effects of:</i>		
Net expenses and income not deductible for tax purposes	14,858	11,438
Accelerated capital allowances	(1,409)	(16)
Other timing differences	55	(2)
Utilisation of tax losses	(599)	(2)
Tax rate differentials on overseas earnings	(112)	(69)
Irrecoverable overseas withholding tax	1,712	565
	<hr/>	<hr/>
Adjustments to tax charge in respect of previous periods	14,505 953	11,914 (217)
	<hr/>	<hr/>
<b>Total current tax charge</b>	<b>8,992</b>	<b>6,274</b>
	<hr/>	<hr/>

## Notes (continued)

### 13 Tangible fixed assets

Group	Land and buildings £000	Aircraft £000	Plant and equipment £000	Assets in course of construction £000	Total £000
<b>Cost</b>					
At beginning of year	11,676	194,968	58,523	269	265,436
Exchange adjustments	(21)	(226)	(31)	(52)	(330)
Additions	121	5,917	3,561	11,420	21,019
Disposals	-	(19,367)	(220)	-	(19,587)
Revaluation	-	(49,258)	-	-	(49,258)
At end of year	11,776	132,034	61,833	11,637	217,280
<b>Depreciation</b>					
At beginning of year	8,142	66,306	48,926	-	123,374
Exchange adjustments	(6)	3	(17)	-	(20)
Charge for year	231	8,981	2,546	-	11,758
On disposals	-	(8,328)	(143)	-	(8,471)
Elimination on revaluation	-	(66,620)	-	-	(66,620)
At end of year	8,367	342	51,312	-	60,021
<b>Net book value</b>					
At 31 March 2005	3,409	131,692	10,521	11,637	157,259
At 31 March 2004	3,534	128,662	9,597	269	142,062

The net book value of aircraft at 31 March 2005 includes £4,798,000 (2004: £2,168,000) in respect of aircraft under finance lease and hire purchase contracts. Aircraft depreciation for the year to 31 March 2005 includes £566,000 (2004: £309,000) relating to these aircraft.

The net book value of aircraft held by the group, as lessor for use in operating leases, was £131,692,000 (2004: £128,662,000). The depreciation charge for the year in respect of these assets was £8,981,000 (2004: £9,033,000).

A policy of revaluation has been adopted in relation to aircraft, under FRS 15 'Tangible Fixed Assets', which will require the annual revaluation of these assets. The valuation of the aircraft was undertaken internally using a worldwide industry recognised index, HeliValue\$, Inc – 'The Official Helicopter Blue Book'. The index enables a desktop valuation of the aircraft appropriate to the age, condition and specification to be undertaken. Of the fleet of 79 aircraft, a total of 70 were revalued using this index at 31 March 2005. Certain aircraft held outside of the United Kingdom, which were not listed in the 'Blue Book' were not revalued, their net book value was £3,961,000 (2004: £nil).

The historic cost of the aircraft was £137,500,000, accumulated depreciation £96,129,000 and net book value £41,371,000 (2004: £41,436,000).



## Notes (continued)

### 13 Tangible fixed assets (continued)

Further analysis of land and buildings:

<b>Group</b>	<b>Freehold £000</b>	<b>Long leasehold £000</b>	<b>Short Leasehold £000</b>	<b>Total land &amp; buildings £000</b>
<b>Cost</b>				
At beginning of year	1,544	1,331	8,801	11,676
Exchange adjustments	(22)	-	1	(21)
Additions	67	-	54	121
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,589	1,331	8,856	11,776
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of year	379	379	7,384	8,142
Exchange adjustments	(6)	-	-	(6)
Charge for year	41	14	176	231
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	414	393	7,560	8,367
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 March 2005	1,175	938	1,296	3,409
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	1,165	952	1,417	3,534
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 14 Fixed asset investments

	Joint venture shares £000	Joint venture goodwill £000	Associate shares £000	Associate loans £000	Other unlisted investments £000	Total £000
<b>Group</b>						
<b>Cost</b>						
At beginning of year	6,185	2,231	3,145	2,007	1,366	14,934
Exchange	-	-	155	(6)	-	149
Additions	4,250	-	-	-	129	4,379
Repayments	-	-	-	(2,119)	-	(2,119)
Disposals	-	-	-	-	(25)	(25)
Dividends	(6,245)	-	(961)	961	-	(6,245)
Share of current year retained profits	2,382	-	652	-	-	3,034
Deferred group profit on asset disposal to joint ventures	(1,768)	-	-	-	-	(1,768)
Interest	-	-	-	105	-	105
At end of year	4,804	2,231	2,991	948	1,470	12,444
<b>Provisions/amortisation</b>						
At beginning of year	-	946	-	-	956	1,902
Amortisation charged in year	-	163	-	-	-	163
At end of year	-	1,109	-	-	956	2,065
<b>Net book value</b>						
At 31 March 2005	4,804	1,122	2,991	948	514	10,379
At 31 March 2004	6,185	1,285	3,145	2,007	410	13,032

During the year a subsidiary sold certain assets to joint venture companies. A group elimination entry to defer the unrealised profit on the disposal of these assets was made for £1,844,000. The deferred group profit is being amortised over the same term, and on the same basis, that the related assets are being amortised in the books of the joint venture companies. At the year end the unamortized provision was £1,768,000.

Investment in joint venture shares comprises the cost of shares of £5,978,000, plus the group's share of retained post-acquisition reserves of £594,000 less the elimination of group profit on disposal of fixed assets to the joint venture of £1,768,000. Positive goodwill of £2,231,000 relating to a joint venture acquisition post 1998 has been capitalised, and is being amortised over its useful life of 14 years.

Investment in associated undertakings comprises the cost of shares of £1,176,000, plus the group's share of retained post-acquisition reserves of £1,815,000. Goodwill of £516,025 has previously been written off to reserves relating to an acquisition prior to 1998.

## Notes (continued)

### 14 Fixed asset investments (continued)

The following information is given in respect of the group's share of the results of all joint ventures undertakings.

	2005 £000	2004 £000
Turnover	25,473	23,829
Profit before tax	3,402	3,643
Taxation	(1,020)	(1,093)
Profit after tax	2,382	2,550
Fixed assets	38,588	24,933
Current assets	12,426	28,645
Share of gross assets	51,014	53,578
Liabilities due within one year	(5,519)	(4,978)
Liabilities due after one year	(40,691)	(42,415)
Share of gross liabilities	(46,210)	(47,393)
Share of net assets	4,804	6,185

FBS Limited accounts for the substantial part of the amounts included within the investment in joint venture undertaking figures disclosed above.

Company	Shares in subsidiary undertakings £000
<b>Cost</b>	
At beginning and end of year	101,000

The principal subsidiary, joint venture and associated undertakings at 31 March 2005 are shown in note 31.

## Notes (continued)

### 15 Acquisition of subsidiary undertaking

During the year the group acquired a 48.5% interest in Aviasheff, a Russian helicopter company that owns five large twin-engine helicopters, and simultaneously, through two 51% owned companies, purchased two large twin-engine helicopters and two fixed wing aircraft. The joint acquisition has resulted in the companies being consolidated from the date of acquisition. The acquisition was financed with a cash payment of \$2m for shares. Included in the total liabilities assumed is \$1.8m due to a company that is affiliated with the shareholders of Aviasheff. The purchase price was allocated to the assets and liabilities acquired based upon estimated fair value. No goodwill was recorded after taking into account acquisition costs.

The following table summarised the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The amounts are stated in United States dollars, as this is the functional currency of the entities, and a Sterling equivalent is also stated:

	Original book values \$000	Fair value adjustments \$000	Fair value as adjusted \$000	Sterling equivalent Fair value as adjusted £000
Fixed assets	10,008	2,089	12,097	6,350
Current assets	2,068	-	2,068	1,086
Other assets	100	-	100	53
<b>Total assets</b>	<b>12,176</b>	<b>2,089</b>	<b>14,265</b>	<b>7,489</b>
Liabilities due within one year	(2,915)	-	(2,915)	(1,530)
Liabilities due after one year	(6,495)	-	(6,495)	(3,410)
<b>Total liabilities</b>	<b>(9,410)</b>	<b>-</b>	<b>(9,410)</b>	<b>(4,940)</b>
<b>Net assets</b>	<b>2,766</b>	<b>2,089</b>	<b>4,855</b>	<b>2,549</b>
Analysed into:				
Minority interest			2,398	1,259
Group share of net assets			2,457	1,290
			<b>4,855</b>	<b>2,549</b>

Net cash outflows in respect of the acquisition comprised:-

	£000
Cash consideration	1,076
Acquisition costs	214
<b>Total acquisition costs</b>	<b>1,290</b>
Group share of net assets	(1,290)
<b>Goodwill</b>	<b>-</b>

The summary profit and loss information for the period since acquisition was not considered material for inclusion in these financial statements.

## Notes (continued)

### 16 Stocks

Group	2005 £000	2004 £000
Raw materials and consumables	9,632	11,467
Work in progress	89	839
	<u>9,721</u>	<u>12,306</u>

### 17 Debtors

	Group 2005 £000	2004 (restated) £000	Company 2005 £000	2004 £000
<b>Amounts due within one year</b>				
Trade debtors	38,563	36,427	-	-
Amounts due from joint venture undertakings	602	2,761	-	-
Amounts due from associated undertakings	1,115	1,588	-	-
Other debtors	10,377	13,393	-	-
Prepayments and accrued income	23,221	19,212	-	-
	<u>73,878</u>	<u>73,381</u>	<u>-</u>	<u>-</u>
<b>Amounts due after one year</b>				
Unsecured loan to subsidiary undertakings	-	-	50,000	50,000
Other debtors	980	1,217	-	-
	<u>74,858</u>	<u>74,598</u>	<u>50,000</u>	<u>50,000</u>

### 18 Creditors: amounts falling due within one year

	Group 2005 £000	2004 (restated) £000	Company 2005 £000	2004 £000
Obligations under finance lease	530	-	-	-
Other loans	147	-	-	-
Short term loan	1,800	1,848	-	-
Unsecured subordinated loan stock 13.5%	268,816	235,902	268,816	235,902
Trade creditors	13,546	13,133	-	-
Amounts owed to subsidiary undertakings	-	-	3,098	2,310
Corporation tax	1,800	5,989	-	-
Taxation and social security	9,638	2,451	-	-
Other creditors	5,225	4,886	4,885	4,886
Accruals and deferred income	24,293	18,369	-	780
	<u>325,795</u>	<u>282,578</u>	<u>276,799</u>	<u>243,878</u>

## Notes (continued)

### 18 Creditors: amounts falling due within one year (continued)

The unsecured subordinated loan stock 13.5% is due to Bristow Group, Inc. and has no scheduled date for repayment. The other loans are due to a company affiliated with the shareholders of Aviasheff and carry interest at 8.5%, they are secured on certain aircraft. The short term loan is an advance from a customer and bears no interest.

### 19 Creditors: amounts falling due after more than one year

	Group 2005 £000	2004 £000	Company 2005 £000	2004 £000
Obligations under finance lease	2,232	-	-	-
Other loans	756	-	-	-
Unsecured loan 8.335%	50,000	50,000	50,000	50,000
	<u>52,988</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

The unsecured loan 8.335% is due to Bristow Group, Inc. and is repayable in full on 15 January 2008.

Other borrowings are repayable as follows:

	Group 2005 £000	2004 £000	Company 2005 £000	2004 £000
<b>Finance leases</b>				
Between two and five years	2,232	-	-	-
	<u>2,232</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other loans</b>				
Between two and five years	729	-	-	-
After five years	27	-	-	-
	<u>756</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 20 Provisions for liabilities and charges

	Pension £000	Deferred taxation £000	Total £000
<b>Group</b>			
At beginning of year (as reported)	3,941	8,909	12,850
Reclassification of balance to Other debtors	38	-	38
Prior year adjustment	(3,979)	1,194	(2,785)
	<u>-</u>	<u>-</u>	<u>-</u>
At beginning of year (as restated)	-	10,103	10,103
Exchange	-	55	55
Movement in provision charged to the profit and loss account for the year	-	1,003	1,003
	<u>-</u>	<u>-</u>	<u>-</u>
At end of year	<u>-</u>	<u>11,161</u>	<u>11,161</u>

## Notes (continued)

### 20 Provisions for liabilities and charges (continued)

Deferred tax is provided as follows:

	2005 Provided £000	2004 Provided £000
Accelerated capital allowances	11,152	9,764
Other timing differences	9	339
	<hr/>	<hr/>
Undiscounted provision for deferred tax	11,161	10,103
	<hr/>	<hr/>

The prior year adjustments relates to the removal of the SSAP 24 pension provision and associated deferred tax on adoption of FRS 17.

No deferred tax is provided on the revaluation of aircraft. In the event of the aircraft being sold at the revalued amount a tax liability of £32.3m may arise.

### 21 Called up share capital

	2005 £000	2004 £000
<i>Authorised</i>		
4,600,000 'A' Ordinary shares of £1 each	4,600	4,600
4,900,000 'B' Ordinary share of £1 each	4,900	4,900
500,000 'C' Ordinary shares of £1 each	500	500
8,000,000 Deferred shares of £1 each	8,000	-
	<hr/>	<hr/>
	18,000	10,000
	<hr/>	<hr/>
	2005	2004
	£000	£000
<i>Issued and fully paid</i>		
4,600,000 'A' Ordinary shares of £1 each	920	4,600
4,900,000 'B' Ordinary share of £1 each	980	4,900
500,000 'C' Ordinary shares of £1 each	100	500
8,000,000 Deferred shares of £1 each	8,000	-
	<hr/>	<hr/>
	10,000	10,000
	<hr/>	<hr/>

In May 2004 the authorised share capital of the company was increased by £10m to £18m by the creation of 8,000,000 Deferred shares of £1 each. These deferred shares were issued for cash at par, and the proceeds of issue were used to initiate the buy back of ordinary shares at par. The buy back comprised 3,680,000 'A' Ordinary shares, 3,920,000 'B' Ordinary shares and 400,000 'C' Ordinary shares, totalling £8m.

New Articles of Association were issued, and the rights of each class of share varied, as follows. In March 2004 the Articles of Association re-designated the 'A' shares as 'C' shares. The 'A', 'B' and 'C' Ordinary shares and the Deferred shares all rank pari-passu in the event of the winding up of the company. The 'A', 'B' and 'C' Ordinary shares carry equal dividend rights, whilst the Deferred shares carry no dividend rights. The 'A' and 'B' Ordinary shares carry equal voting rights, at 0.7894 votes per £1 share, the 'C' Ordinary shares carry voting rights at 5 votes per £1 share, and the Deferred shares carry no voting rights. The put and call option rights and restriction on the transfer of shares outlined below remained unchanged.

## Notes (continued)

### 21 Called up share capital

The holders of 'A' and 'C' Ordinary shares have a 'put' option allowing them to require the holders of the 'B' Ordinary shares, or an EU national acceptable to the holders of the 'B' Ordinary shares, to buy their holding. The price is calculated with a premium of 10% per annum, compounded annually on nominal value, less dividends received, from December 1996 through to 31 March 2004. From 1 April 2004 to date of exercise the premium will be calculated at a rate equal to LIBOR plus 3% fixed on a quarterly basis and compounded annually.

The holders of the 'B' Ordinary shares have a 'call' option to enable them, or a related party or nominated EU national, to acquire the 'A' and 'C' Ordinary shares. The price is calculated at a premium of 12% per annum, compounded annually on nominal value, less dividends paid, from December 1996 through to 31 March 2004. From 1 April 2004 to date of exercise the premium will be calculated at a rate equal to LIBOR plus 3% fixed on a quarterly basis and compounded annually.

The exercise of options is subject to prior consultation with the CAA, and there are provisions in the Articles that are designed to secure that the holding of any CAA licence within the group is not jeopardised by a share transfer.

### 22 Reserves

#### Group

	Revaluation reserve £000	Profit and loss account £000
At beginning of year (as previously stated)	-	(96,397)
Prior year adjustments	-	(35,807)
	<hr/>	<hr/>
At beginning of year (as restated)	-	(132,204)
Impairment of goodwill	-	997
Retained loss for the year	-	(31,552)
Net actuarial loss on pensions	-	(7,677)
Exchange adjustments	-	72
Revaluation of aircraft	17,362	-
	<hr/>	<hr/>
<b>At end of year</b>	<b>17,362</b>	<b>(170,364)</b>
	<hr/> <hr/>	<hr/> <hr/>

The prior year adjustment relates to the adoption of Financial Reporting Standard 17 (see note 28).

#### Company

	Profit and loss account £000
At beginning of year	(152,878)
Retained loss for the year	(32,921)
	<hr/>
<b>At end of year</b>	<b>(185,799)</b>
	<hr/> <hr/>



## Notes (continued)

### 23 Minority interest

	Equity £000	Equity £000
At beginning of year	78	122
Dividends paid	(4)	-
Share of profit on ordinary activities after tax	3	-
Acquisition of minority interest shareholding	-	(44)
Acquisition of subsidiary undertakings	1,259	-
	<hr/>	<hr/>
At end of year	1,336	78
	<hr/>	<hr/>

### 24 Reconciliation of operating profit to operating cash flows

Group	2005 £000	2004 £000
Group operating profit	9,535	14,454
Depreciation	11,758	11,508
Decrease/(increase) in stocks	3,081	(2,897)
(Increase)/decrease in debtors	(9,917)	5,472
Increase in creditors	14,099	1,665
Goodwill amortisation	163	162
Impairment of goodwill	997	-
Difference between pension charge and cash contribution	(2,424)	(5,139)
	<hr/>	<hr/>
Net cash inflow from operating activities	27,292	25,225
	<hr/>	<hr/>

### 25 Reconciliation of net cash flow to movement in net debt

Group	2005 £000	2004 £000
Increase in cash in the year	24,331	927
Cash (inflow)/outflow from financing	(7,751)	8,696
	<hr/>	<hr/>
Changes in net debt resulting from cash flows	16,580	9,623
Acquired – finance lease and other loans	(4,118)	-
Reclassifications – short term loan debtors	6,998	-
Interest accrued on loan balances	(32,914)	(28,965)
Exchange losses	(399)	(1,990)
	<hr/>	<hr/>
Movement in net debt in the year	(13,853)	(21,332)
Net debt at beginning of year	(262,776)	(241,444)
	<hr/>	<hr/>
Net debt at end of year	(276,629)	(262,776)
	<hr/>	<hr/>

## Notes (continued)

### 26 Analysis of net debt

	At beginning of year £000	Acquired/ reclassifications £000	Cash flow £000	Other non cash changes £000	At end of Year £000
Cash in hand, at bank	17,149	-	24,331	(307)	41,173
Short term loan debtors	7,825	6,998	(8,204)	(140)	6,479
Debt due in less than one year	(237,750)	(708)	453	(33,288)	(271,293)
Debt due after one year	(50,000)	(3,410)	-	422	(52,988)
	(279,925)	2,880	(7,751)	(33,006)	(317,802)
<b>Total net debt</b>	<b>(262,776)</b>	<b>2,880</b>	<b>16,580</b>	<b>(33,313)</b>	<b>(276,629)</b>

### 27 Contingent liabilities

#### *UK Bank facilities*

The company is party to bank agreements guaranteeing the obligations of Bristow Aviation Holdings Limited and certain of its subsidiary undertakings. The agreements contain charges over certain property as security for such guarantees or obligations which have arisen, or may arise, pursuant to bank loans and overdrafts and revolving credit and guarantee facilities provided to Bristow Aviation Holdings Limited and its subsidiary undertakings by its principal bankers.

As of 31 March 2005 there was a £6m facility for revolving credit and guarantee facilities and a £1m overdraft facility in place with National Westminster Bank Plc. On 31 March 2005 the amount due under revolving credit and guarantee facilities was £1.6m (2004: £1.5m) and there were no borrowings outstanding under the overdraft facility (2004: £nil).

The group has given joint and several guarantees of up to £15m in relation to 'Defence Helicopter Flying School' contract entered into in 1996 between the UK Government and an associated company. The guarantees relate to the performance of a fifteen year contract valued at £500m over the full term. The associated company purchased and modified 47 aircraft dedicated to conducting these training activities, which commenced in 1997. The group has also guaranteed repayment of up to £10m of the associated company's outstanding debt obligation, which is primarily secured over the aircraft utilised in the training activities.

#### *Internal review*

Bristow Group, Inc. ('BGI', formerly Offshore Logistics, Inc.) owns 49% of the share capital of Bristow Aviation Holdings Limited ('BAHL'). BGI is listed on the New York Stock Exchange which is regulated by the United States Securities and Exchange Commission ('SEC').

In February 2005, BGI voluntarily advised the staff of the SEC that the Audit Committee of BGI's Board of Directors had engaged special outside counsel to undertake an 'Internal Review' of certain payments made by two affiliated entities in a foreign country, one of which is a subsidiary of BAHL. The review of these payments, which initially focused on Foreign Corrupt Practices Act matters, was subsequently expanded by such special outside counsel to cover operations in other countries in which subsidiary, associated and affiliated companies of BAHL ('The BAHL group') operate and other issues. In connection with this review, special outside counsel to the Audit Committee retained forensic accountants.

The SEC notified BGI that it had initiated an informal inquiry and requested that BGI provide certain documents on a voluntary basis. The SEC subsequently advised BGI that the inquiry has become a formal investigation. BGI has responded to the SEC's requests for documents and intends to continue to do so.

## Notes (continued)

### 27 Contingent liabilities (continued)

As a follow-up to matters identified during the course of the review, special counsel to the BGI Audit Committee is completing certain work, and may be called upon to undertake additional work in the future to assist in responding to inquiries from the SEC, from other governmental authorities or customers, or as follow-up to the previous work performed by such special counsel.

In October 2005, the BGI Audit Committee reached certain conclusions with respect to the findings of the Internal Review. The BGI Audit Committee concluded that, over a considerable period of time, (a) improper payments were made by, and on behalf of, certain foreign affiliated entities or indirectly to employees of the Nigerian Government, (b) improper payments were made by certain foreign affiliated entities to Nigerian employees of certain customers with whom certain BAHL group companies have contracts, (c) inadequate employee payroll declarations and, in certain instances, tax payments were made in certain jurisdictions, (d) inadequate valuations for customs purposes may have been declared in certain jurisdictions resulting in the underpayment of import duties.

Based on the BGI Audit Committee's findings and recommendations, the Board of Directors of BAHL took disciplinary action with respect to personnel who it determined bore responsibility for these matters. The disciplinary actions included termination or resignation of employment (including of certain members of senior management) changes of job responsibility, reductions in incentive compensation payments and reprimands.

The BAHL group has initiated remedial action, including initiating action to correct under-reporting of payroll tax, disclosing to certain customers inappropriate payments made to customer personnel and terminating certain agency and business relationships. Steps have also been taken to reinforce the commitment to conduct business with integrity by creating an internal corporate compliance function, instituting a new code of business conduct and developing and implementing a training programme for all employees. The compliance programme has begun full operation, and clear corporate policies have been established and communicated to relevant personnel related to employee expenses, delegation of authority, revenue recognition and customer billings.

The conclusions of the Internal Review have been communicated to regulatory authorities in some, but not all, of the jurisdictions in which the relevant activities took place. The BAHL group is in the process of gathering and analysing additional information related to these matters, and expects to disclose the conclusions to regulatory authorities in other jurisdictions once this process has been completed. Such disclosure may result in legal and administrative proceedings, the institution of administrative, civil injunctive or criminal proceedings involving BAHL group companies and/or current or former employees, officers and/or directors who are within the jurisdictions of such authorities, the imposition of fines and other penalties, remedies and/or sanctions, including precluding BAHL group companies from participating in business operations in their countries.

In connection with conclusions regarding payroll declarations and tax payments, as of 31 March 2005 an aggregate of £8.1million for the taxes, penalties and interest attributable to under-reported employee payroll has been accrued. At this time, it cannot be estimated what further additional payments, fines, penalties and/or litigation and related expenses may be required, if any, in connection with the matters identified as a result of the Internal Review, the SEC investigation and/or any other related regulatory investigation that may be instituted or third-party litigation.

The BAHL group companies affected have commenced actions to disclose activities in Nigeria identified in the Internal Review to affected customers, and one or more of these customers may seek to cancel their contracts with us. One of our customers has already commenced its own investigation. The BAHL group has been advised that the customer intends to exercise its right to audit a specific contract, as well as to review its other relations with the BAHL group. Although we have no indication as to what the final outcome of the audit and review will be, it is possible that the customer may seek to cancel one or more existing contracts if it believes that they were improperly obtained or that we breached any of their terms.

The BAHL group may encounter difficulties in conducting future business in Nigeria with certain customers. It is also possible that certain existing contracts may be cancelled (although none have been cancelled as of the date of approval of these financial statements) and the group may become the subject of claims by third parties, possibly resulting in litigation. The matters identified by the Internal Review could have a material adverse effect on the group's business, financial condition and result of operations.

## Notes (continued)

### 27 Contingent liabilities (continued)

As of this date, neither BAHL nor any group company nor any of their directors or officers have been cited in court, or been served with any legal action, or, received any formal notice of being under investigation in relation to the above matters. Further, at present, there has been no formal determination that there have been any violations of applicable laws.

In the light of the above, the Directors are of the view that, except in relation to the under-reporting of employee payroll, there is no requirement to make a provision in respect of the above matters.

#### Legal issues

In November 2005, certain of our consolidated entities were named in a lawsuit filed with the High Court of Lagos State, Nigeria by Mr Benneth Osita Onwubalili and Kensit Nigeria Limited, which allegedly acted as agents of the affiliates in Nigeria. The claimants allege that an agreement between the parties was terminated without justification by the defendants and seek damages of \$16.3m. We are continuing to investigate this matter, but do not consider there to be any material exposure.

### 28 Prior year adjustment

As set out in the Accounting Policies notes the Company has adopted FRS 17 in full in these financial statements. The full adoption this year of the Standard has had the following impact on the financial statements:

	2005 £000	2004 £000
Increase in operating profit	2,217	4,459
Inclusion of 'Net pension finance charge'	(773)	(1,320)
Decrease in taxation credit	(430)	(936)
Increase in retained profit	1,014	2,203
Decrease in net assets	(42,471)	(35,807)

The impact of the prior year adjustment on the net assets at 31 March 2004 represents the reversal of the SSAP 24 pension provisions as at 31 March 2004, net of deferred tax of £2,785,300, and the inclusion of the FRS 17 liability, net of deferred tax of £38,592,000. The impact of the prior year adjustment on the profit and loss account for the year ended 31 March 2004 represents the reversal of the SSAP 24 net pension charges and associated tax of £5,808,000 and the inclusion of net pension charges and associated tax under FRS 17, of £3,605,000.

The impact on net assets at 31 March 2005 and the profit and loss account for the year ended 31 March 2005 represents the difference between the actual position following adoption of FRS 17 and the position which would have been reported had SSAP 24 continued to be applied on the same basis as 31 March 2004.

### 29 Pensions

The group maintains a defined benefit scheme and operates defined contribution schemes for its employees.

The group operates two pension schemes that provide benefits based on final pensionable pay. The schemes cover most full-time employees of the group who were employed on, or before, 31 December 1997. The main scheme is The Bristow Staff Pension Scheme ("Staff Scheme"), which covers UK based staff. The other scheme is The Bristow Expatriate Pension Scheme ("Expatriate Scheme"), which covers internationally based staff. These schemes have two sections, the defined benefit section and the defined contribution section.

Members of the defined benefit schemes ceased to accrue defined benefit entitlements in respect of service with effect from 1 February 2004, however death-in-service benefit continued to be provided. The age distribution of the defined benefit section of the schemes is expected to increase over time and the cost of providing the death-in-service benefit is expected to increase as the members approach retirement.

## Notes (continued)

### 29 Pensions (continued)

From 1 February 2004 defined benefit scheme members became eligible to receive an employer contribution into a defined contribution section of the respective scheme. For those members who have stayed in the schemes company contributions into the defined contribution sections were made at a rate of 5%. The group contribution increased to 7% with effect from 1 January 2005 if employees contribute up to the same level themselves. Both the defined contribution and defined benefit sections of the Expatriate Scheme were closed to new members on 31 December 1997.

The FRS 17 valuation of the Staff Scheme was updated to 1 April 2004 by an independent qualified actuary in accordance with FRS 17. The FRS 17 valuation of the Expatriate Scheme disclosed in these financial statements was based on the last actuarial valuation of the scheme, undertaken on 1 April 2002, by a qualified actuary. Subsequent to this FRS17 valuation a formal full actuarial valuation of the Expatriate Scheme was undertaken, valuing the Scheme as at 1 April 2005 for funding purposes. The assumptions used by the actuary for this valuation once modified for FRS17 disclosure did not give rise to significantly different numbers than those disclosed.

The defined benefit liabilities of both schemes have been measured using the projected unit method.

The following table set out the key FRS 17 assumptions which are common to both schemes. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions that, due to the timescale covered, may not necessarily be borne out in practice.

Financial assumptions:

	As at 31 March 2005 % pa	As at 31 March 2004 % pa	As at 31 March 2003 % pa
Inflation rate	2.70	2.60	2.25
Rate of increase in pensionable salary *	2.70	2.60	2.25
Rate of increase of pensions in payment **	2.70	2.60	2.25
Rate of increase for deferred pensioners **	2.70	2.60	2.25
Discount rate	5.45	5.50	5.50

\* reflecting the Scheme amendments with effect from 31 March 2003

\*\* in excess of any Guaranteed Minimum Pension (GMP) element

	Expected rate of return		
Scheme assets	2005 % pa	2004 % pa	2003 % pa
Equities	8.00	8.20	8.50
Bonds	5.00	5.00	5.00
Other – Property	3.70	4.00	4.25

The following table sets out the market values of the respective scheme assets split into the main asset classes, showing the expected rate of return on each asset class, and the present value of the FRS 17 liabilities and the deficit of assets below the FRS 17 liabilities (which equals the group pension liability). The scheme assets are not intended to be realised in the short term and their value may be subject to significant change before they are realised. The present value of the respective scheme liabilities is derived from cash flow projections over long periods and thus inherently uncertain.

## Notes (continued)

### 29 Pensions (continued)

	Staff £000	2005 Expatriate £000	Total £000
<b>Market value of assets</b>			
Equities	97,966	2,409	100,375
Bonds	57,612	549	58,161
Other – Property	625	-	625
<b>Total value of plan assets</b>	<b>156,203</b>	<b>2,958</b>	<b>159,161</b>
<b>Actuarial value of plan liability</b>	<b>(219,800)</b>	<b>(3,700)</b>	<b>(223,500)</b>
<b>Gross pension liability</b>	<b>(63,597)</b>	<b>(742)</b>	<b>(64,339)</b>
Deferred tax	19,079	148	19,227
<b>Net pension liability at 31 March 2005</b>	<b>(44,518)</b>	<b>(594)</b>	<b>(45,112)</b>

	Staff £000	2004 Expatriate £000	Total £000
<b>Market value of assets</b>			
Equities	92,999	2,320	95,319
Bonds	54,482	580	55,062
Other – Property	1,930	-	1,930
<b>Total value of plan assets</b>	<b>149,411</b>	<b>2,900</b>	<b>152,311</b>
<b>Actuarial value of plan liability</b>	<b>(204,200)</b>	<b>(3,200)</b>	<b>(207,400)</b>
<b>Gross pension liability</b>	<b>(54,789)</b>	<b>(300)</b>	<b>(55,089)</b>
Deferred tax	16,437	60	16,497
<b>Net pension liability at 31 March 2004</b>	<b>(38,352)</b>	<b>(240)</b>	<b>(38,592)</b>

## Notes (continued)

### 29 Pensions (continued)

	Staff £000	2003 Expatriate £000	Total £000
Market value of assets			
Equities	77,216	1,718	78,934
Bonds	41,990	457	42,447
Other – Property	2,719	-	2,719
Total value of plan assets	121,925	2,175	124,100
Actuarial value of plan liability	(186,600)	(2,900)	(189,500)
Gross pension liability	(64,675)	(725)	(65,400)
Deferred tax	19,402	145	19,547
Net pension liability at 31 March 2003	(45,273)	(580)	(45,853)

#### Analysis of movement in deficit during the year

	Staff £000	Expatriate £000	Total £000
<b>Year to 31 March 2005</b>			
Gross pension liability at start of the year	(54,789)	(300)	(55,089)
Company contributions paid	2,764	-	2,764
Current service cost	(138)	(18)	(156)
Past service cost	(184)	-	(184)
Other finance (charges)/income	(819)	46	(773)
Actuarial loss	(10,431)	(470)	(10,901)
Gross pension liability at end of year	(63,597)	(742)	(64,339)
<b>Year to 31 March 2004</b>			
Gross pension liability at start of the year	(64,675)	(725)	(65,400)
Company contributions paid	8,658	280	8,938
Current service cost	(3,105)	(244)	(3,349)
Curtailment cost	(450)	-	(450)
Other finance (charges)/income	(1,345)	25	(1,320)
Actuarial (loss)/gain	6,128	364	6,492
Gross pension liability at end of year	(54,789)	(300)	(55,089)

## Notes (continued)

### 29 Pensions (continued)

Analysis of amount recognised in the statement of total recognised gains and losses

Year ended 31 March 2005	Staff £000	Expatriate £000	Total £000
Gain on assets	(3,073)	(77)	(3,150)
Experience (gain)/loss on liabilities	(896)	347	(549)
Loss on change of assumptions (financial and demographic)	14,400	200	14,600
	<hr/>	<hr/>	<hr/>
Total loss recognised in the statement of total recognised gains and losses before adjustment for tax	10,431	470	10,901
	<hr/>	<hr/>	<hr/>

Year ended 31 March 2004	Staff £000	Expatriate £000	Total £000
Gain on assets	(15,850)	(227)	(16,077)
Experience gain on liabilities	(1,278)	(170)	(1,448)
Loss on change of assumptions (financial and demographic)	11,000	33	11,033
	<hr/>	<hr/>	<hr/>
Total loss recognised in the statement of total recognised gains and losses before adjustment for tax	(6,128)	(364)	(6,492)
	<hr/>	<hr/>	<hr/>

History of experience gains and losses

Year ended 31 March 2005	Staff £000	Expatriate £000	Total £000
Gain on assets	(3,073)	(77)	(3,150)
% of plan assets at end of year	2.0	2.6	2.0
Experience (gain)/loss on liabilities	(896)	347	(549)
% of plan assets at end of year	0.6	11.7	0.3
Total loss recognised in the statement of total recognised gains and losses before adjustment for tax	10,431	470	10,901
% of plan assets at end of year	6.7	15.9	6.8

Year ended 31 March 2004	Staff £000	Expatriate £000	Total £000
Gain on assets	(15,850)	(227)	(16,077)
% of plan assets at end of year	10.6	7.8	10.6
Experience gain on liabilities	(1,278)	(170)	(1,448)
% of plan assets at end of year	0.9	5.9	1.0
Total loss recognised in the statement of total recognised gains and losses before adjustment for tax	(6,128)	(364)	(6,492)
% of plan assets at end of year	4.1	12.6	4.3



## Notes (continued)

### 29 Pensions (continued)

Analysis of amount charged through to the profit and loss account

Analysis of amount charged to operating profit

Year ended 31 March 2005	Staff £000	Expatriate £000	Total £000
Current service cost	138	18	156
Past service costs	184	-	184
	<hr/>	<hr/>	<hr/>
Total charged to operating profit	322	18	340
	<hr/>	<hr/>	<hr/>

Analysis of amount charged to net pension finance charges

Year ended 31 March 2005	Staff £000	Expatriate £000	Total £000
Interest on pension plan liabilities	11,054	175	11,229
Expected return on assets in the pension plan	(10,235)	(221)	(10,456)
	<hr/>	<hr/>	<hr/>
Total charge/(credit) to net pension finance charge	819	(46)	773
	<hr/>	<hr/>	<hr/>

Analysis of amount charged to operating profit

Year ended 31 March 2004	Staff £000	Expatriate £000	Total £000
Current service cost	3,105	244	3,349
Loss due to curtailments	450	-	450
	<hr/>	<hr/>	<hr/>
Total charged to operating profit	3,555	244	3,799
	<hr/>	<hr/>	<hr/>

Analysis of amount charged to net pension finance charges

Year ended 31 March 2004	Staff £000	Expatriate £000	Total £000
Interest on pension plan liabilities	10,098	153	10,251
Expected return on assets in the pension plan	(8,753)	(178)	(8,931)
	<hr/>	<hr/>	<hr/>
Total charge/(credit) to net pension finance charge	1,345	(25)	1,320
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 29 Pensions (continued)

The defined benefit sections of both schemes were closed to new members on 31 December 1997. Most staff who commenced employment after this date were able to join a company defined contribution scheme operated by private insurance companies and a stakeholder pension plan. Contributions to these schemes by the group matched those of the employee up to a maximum of 5% of gross pensionable salary over the year. In line with the defined benefit scheme, the employer contributions into the defined contributions schemes were increased to a maximum of 7% with effect from 1 January 2005, if employees contribute to the same level themselves. Contributions into defined contribution schemes during the year totalled £2,017,827 (2004: £821,036).

In May 2006, the Pensions Regulator ('TPR') in the UK published a statement on regulating the funding of defined benefit schemes. In this statement, TPR focused on a number of items including the use of triggers to determine the level of funding of the schemes. Based on this statement, it is possible that we will see an increase in the required level of our contributions in future periods. We are not currently able to estimate what this increased level of funding will be and what impact it will have on our financial position in future periods.

### 30 Commitments

(a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

Group	2005 £000	2004 £000
Contracted	11,900	21,195

(b) Annual commitments under non-cancellable operating leases are as follows:

Group	2005 Land and buildings £000	Aircraft, plant and machinery £000	2004 Land and buildings £000	Aircraft, plant and machinery £000
Operating leases which expire:				
Within one year	-	95	-	-
In the second to fifth years inclusive	-	5,726	-	6,024
Over five years	729	-	724	-
	<u>729</u>	<u>5,821</u>	<u>724</u>	<u>6,024</u>

In January 2004 the group entered into a purchase agreement with Eurocopter for two new large aircraft to be delivered in 2005. The financial commitment in relation to these aircraft is included in note (a), above. We took delivery of both of these aircraft during the second quarter of the 2005/6 year.

The group is committed to the exercise of a purchase option, on an aircraft, at the conclusion of its lease in 2006/7. The financial commitment in relation to this aircraft is included in note (a), above. The aircraft is then committed to be sold to a third party.

## Notes (continued)

### 31 Principal subsidiary, joint venture and associated undertakings

Name	Country of incorporation/ registration	Principal activity	Shares held	
			Class	% held
Principal subsidiary undertakings				
Aviasheff*	Russia	Helicopter contractor	Ordinary	48.5
Bristow Caribbean Limited*	Trinidad	Helicopter contractor	Ordinary	40.0
Bristow Helicopters Australia Pty Ltd*	Australia	Helicopter contractor	Ordinary	100.0
Bristow Helicopters Group Limited	England	Holding company	Ordinary	100.0
			Deferred	100.0
Bristow Helicopters (International) Limited*	England	Helicopter contractor	Ordinary	100.0
			Preference	100.0
Bristow Helicopters Leasing Ltd*	England	Helicopter contractor	Ordinary	51.0
Bristow Helicopters Limited*	England	Helicopter contractor	Ordinary	100.0
			5% Non-cumulative preference	100.0
Bristow Helicopters (Nigeria) Limited*	Nigeria	Helicopter contractor	Ordinary	40.0
Bristow Technical Services Limited*	England	Helicopter maintenance	Ordinary	100.0
British Island Airways (Guernsey) Limited	Guernsey	Personnel support	Ordinary	-
Caledonian Helicopters Limited*	England	Helicopter contractor	Ordinary	100.0
Sakhalin Bristow Air Services Limited*	England	Helicopter contractor	Ordinary	51.0
United Helicopters Limited*	England	Helicopter lease rental	Ordinary	100.0
Associated undertakings				
Norsk Helikopter A.S.*	Norway	Air transport	Ordinary	49.0
Joint venture undertakings				
FBS Limited*	England	Helicopter flying school	Ordinary	50.0
FBH Limited*	England	Helicopter support	Ordinary	50.0
FB Leasing Limited*	England	Helicopter rental	Ordinary	50.0

\* Indicates entities held indirectly.

All companies in the group provide services connected with air transport or associated activities. Bristow Caribbean Limited, Bristow Helicopters (Nigeria) Limited and British Island Airways (Guernsey) Limited have been treated as subsidiary undertakings due to the dominant influence of the group over the operating and financial policies of those companies. Aviashelf is considered a subsidiary undertaking due to the presence of share options which, if exercised, would confer a majority of the voting rights. All of these principal subsidiaries have been included in the consolidation.

The company has taken advantage of the exemption available in schedule 5 of the Companies Act 1985 and has only included those undertakings whose results or financial position principally affect the figures in the company's individual and group accounts.

## Notes (continued)

### 32 Related party transactions

#### a) Transactions with joint venture and associated undertakings

	2005 £000	2004 £000
Sales to joint ventures in respect of aircraft rental and related services	4,086	2,553
Sale to joint venture of contracts and aircraft	7,850	-
Sales to associated undertakings in respect of aircraft rental and related services	5,316	8,180
 Purchases from associated undertakings in respect of aircraft and related services	 -	 49
 Loans outstanding to associated undertakings	 916	 2,007
Interest receivable from associated undertakings on loans charged at commercial rates	105	79
 Other amounts receivable from joint ventures	 602	 2,761
Other amounts receivable from associated undertakings	1,115	1,588

#### b) Transactions with other related parties

	2005 £000	2004 £000
Purchases from Bristow Group, Inc. in respect of aircraft rental and related services	11,982	10,729
Sales to Bristow Group, Inc. in respect of aircraft rental and related services	1,305	3,084
Interest payable to Bristow Group, Inc in respect of		
- unsecured loan 8.335%	3,738	4,093
- unsecured subordinated loan stock 13.5%	32,917	28,966
Management fees payable to Caledonia Industrial and Services Limited	-	360
Management fees payable to Bristow Group, Inc	-	358
Interest receivable from Bristow Group, Inc in respect of		
- loans charged at commercial rates	551	620
Amounts due to Bristow Group, Inc.		
- management fees	4,855	4,855
- unsecured loan	50,000	50,000
- unsecured subordinated loan stock 13.5% including interest	268,816	235,902
- trade creditors	2,344	2,761
- interest on unsecured loan 8.335%	1,060	780
Amounts due from Bristow Group, Inc.		
- debtors	232	8,939
Loans to Bristow Group, Inc.	6,479	6,998

Bristow Group, Inc. (formerly Offshore Logistics, Inc.) owns 49% of the share capital of Bristow Aviation Holdings Limited.

Included in the debt assumed on acquisition of the Russian entities, outlined in note 15, was \$1.8m due to a company affiliated with the shareholders of Aviasheff. At the year end the balance on this debt was \$1.7m, equivalent to £0.9m.