

Bristow Aviation Holdings Limited

**Directors' report and consolidated
financial statements**

Registered number 03234500

31 March 2008

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2008.

Principal activities

The principal activity of the group (also referred to as 'Bristow' or 'company') 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, Nigeria, Russia and Trinidad. In addition to our oil and gas helicopter services we also provide engineering and maintenance services.

Business review

General market outlook

Our core business continues to be that of servicing operators in the oil and gas industry. We are currently operating in a climate of high global demand for oil and gas resource fuelled by economic expansion. This demand is expected to continue for the foreseeable future sustaining strength in oil and natural gas prices, driving further increases in offshore exploration and development activities by our customers. As a result of the current commodity price environment we have experienced a high level of fleet utilisation in all our present markets and expect this to continue. In addition, as operators increasingly pursue prospects in deepwater and push further offshore, we expect demand for medium and large helicopters to be sustained.

We expect significant growth in demand in Malaysia, Australia and West Africa and accordingly expect the importance of our Southeast Asia and Other International business units to continue to increase as the major oil and gas companies increasingly focus on prospects outside North America and the North Sea. This growth will provide us with opportunities to add new aircraft to our fleet, as well as opportunities to redeploy aircraft from weaker markets into markets that will sustain higher rates for our services. Currently, helicopter manufacturers are indicating very limited supply availability during the next few years. We expect this tightness in availability from the manufacturers and the lack of suitable aircraft in the secondary market, coupled with the increase in demand for helicopter support, will result in upward pressure on the rates we charge for our services.

While contracts in the North Sea are generally long term, we have experienced a trend of increased spot market contracting of helicopters as exploration activity has increased in the North Sea. Our Other International operations have experienced high customer demand for aircraft to support new and ongoing operations, and we expect this trend to continue. Due to the current high levels of fleet utilisation, we have experienced, along with other helicopter operators, some difficulty in meeting our customers' needs for short-notice exploration drilling support, particularly in remote locations.

Whilst current demand for our services is high and the general market outlook expectation is that demand will remain high, the demand for our services, revenue and profitability remain substantially dependant on the global level of oil and gas exploration, development and production activity and the quality of service we provide. This activity in turn is dependant on trends in, and expectations of oil and gas price movements. Historically these price movements have been volatile and are subject to factors beyond our control. Our business could be adversely affected by downward movement in oil and gas prices.

Directors' report *(continued)*

General Operations overview and key performance indicators

Overall flight activity increased by 6.1% compared to last year, driven by increases in most markets but most notably Malaysia and Australia. Turnover, including share of joint ventures' turnover, increased by 4.4% as a result of achieving better hourly rates in addition to the increased flight hours. However gross profit dropped slightly from £55.9m to £55.6m year on year due to the general increase in the cost of flying the helicopters. The gross margin decreased from 17.3% in 2007 to 16.5% in 2008. The group's operating profit reduced from £43.2m to £37.1m due to an increase in the number of people required to support the operation and a one-off cost relating to a claim by a former agent who was terminated in connection with the Internal Review.

The company continued its constant review of quality and safety in the workplace and ensuring compliance under the Bristow Group Inc's Code of Business Integrity.

The major element of the group's financing continues to be provided by unsecured subordinated loan stock.

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. We also have an ownership interest in and lease aircraft to an unconsolidated associate in Norway for use in its North Sea operations.

In the North Sea our operations in support of oil and gas production have over recent years declined reflecting a predicted general decline in North Sea activity and a more general global increase in the competitiveness within our market. However, Bristow has been successful in gaining additional contracts which introduce some stability to our operations for the coming years.

International Operations

Bristow has operations in many of the major offshore oil and gas producing regions of the world, including Australia, Nigeria, Russia and Trinidad. Many of the countries in which we operate limit foreign ownership of aviation companies. To comply with these regulations and yet expand, we have formed and acquired interests in numerous foreign helicopter operations.

We have experienced growth in demand and increased flight activity in many areas, notably Malaysia and Australia. The activity has stemmed from increased drilling activity by customers, introduction of new aircraft, increased ad-hoc work and from the inception of new contracts.

It is anticipated that our International operations will continue to be a significant growth area going forward.

Group Structure Changes

During the year the group structure was reviewed and a new company created, Bristow Southeast Asia Limited (a 100% owned subsidiary), to simplify the operation of aircraft in Australia, by consolidating the ownership of all helicopters used in Southeast Asia to one common owner.

Directors' report *(continued)*

Joint venture operations

We own a 50% interest in FBS Limited, FBH Limited and FB Leasing Limited, outlined in note 26. These entities principally provide pilot training, maintenance and support services to the MOD under an agreement that runs to 31 March 2012.

Joint venture earnings post tax increased by £2m to £5.6m in 2008 primarily due to lower interest charges, an increase in activity and rates for a manpower services contract, and a decrease in overhead costs compared to fiscal year 2007.

Associate operations

We own a 49% interest in Norsk Helikopter A.S. ('Norsk'), a Norwegian company that provides helicopter transportation services in the Norwegian sector of the North Sea. In 2006 Norsk completed the acquisition of Lufttransport A.S., a Norwegian company, and its sister company Lufttransport A.B., a Swedish company (sold in September 2007) which collectively engage in providing air ambulance services in Scandinavia.

Associate earnings post tax decreased from a profit of £0.9m in 2007 to a loss of £0.2m in 2008. The current year loss is mainly as a result of an exceptional one off pension adjustment.

Safety

In fiscal year 2008, we had one fatality caused by an aircraft crash at the Eket base in Nigeria which is still under investigation. However our accident rates have typically been significantly lower than the industry average.

The company has continued with the "Target Zero" campaign launched in 2007. It's called "Target Zero", as our common safety vision is to have zero accidents, zero harm to people, and zero harm to the environment. Through this process, we're communicating safety information via our managers and supervisors to every staff member at all levels in all operations.

Principal risks and uncertainties:

- Our future growth depends on the level of international oil and gas activity and our ability to operate outside of the North Sea.
- Our failure to attract and retain qualified personnel could have an adverse effect on us.
- We face substantial competition in the helicopter services business.
- Environmental regulations and liabilities may increase our costs and adversely affect us.
- Our dependence on a small number of helicopter manufacturers poses a significant risk to our business and prospects.
- A shortfall in availability of aircraft components and parts required for maintenance, and repairs of our aircraft and supplier cost increases could adversely affect us.

Directors' report *(continued)*

Results and dividends

The audited financial statements for the year ended 31 March 2008 are set out on pages 9 to 44. The group loss for the year after taxation and minority interest was £17.0m (2007: £16.5m loss).

The directors do not recommend the payment of a dividend (2007: £nil).

Fixed Assets

A policy of annual revaluation was adopted, effective 31 March 2005, in relation to aircraft within these financial statements under Financial Reporting Standard 15 'Tangible Fixed Assets' ('FRS 15'). 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. The aircraft were revalued using this index as at 31 March 2008. Of the fleet of 68 aircraft, a total of 50 were revalued. Certain aircraft held outside of the UK, which were not listed in the 'Blue Book' were not revalued. Further information is given in note 12.

In addition, whilst considering the aircraft valuations, the company has assessed, and amended accordingly, the residual useful economic lives of the aircraft. This exercise has been undertaken to ensure that the depreciation charge in relation to the aircraft matches the cost of utilising the aircraft for operational purposes. The amended residual useful economic lives of the aircraft are considered consistent with those in 'The Official Helicopter Blue Book'.

Fleet renewal

We expect to incur additional capital expenditure over the next couple of years as a result of investing in additional new aircraft.

During the year we entered into agreements with Eurocopter and with Sikorsky to purchase a total of fourteen aircraft. Six of these are expected to be delivered in the financial year ending 31 March 2009. The remaining eight aircraft are expected to be delivered in the financial year ending 31 March 2010.

Pensions

The group is showing a net pension deficit of £48.9m as at 31 March 2008 (2007: £40.4m). Movements in the valuation of the pension schemes are fully disclosed on the face of the financial statements.

Further information is outlined in note 28.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report *(continued)*

Directors

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

R D Burman
W E Chiles
P N Buckley*
J H Cartwright*

* Non-executive directors

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 to 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 £8,112 (2007: £2,346). No political contributions were made by the group during the year (2007: £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



R D Burman
Director

Redhill Aerodrome
Redhill
Surrey
RH1 5JZ

Statement of directors' responsibilities in respect of the Director's Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Bristow Aviation Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of Bristow Aviation Holdings Limited for the year ended 31 March 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Note of Consolidated Historical Cost Profits and Losses, the Group Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Deficit and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing their Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. -

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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

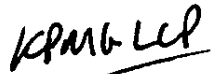
In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 31 March 2008 and of the Group's loss for the year then ended;

Independent auditor's report to the members of Bristow Aviation Holdings Limited (*continued*)

Opinion (*continued*)

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



KPMG LLP
Chartered Accountants
Registered Auditor

1 Forest Gate
Brighton Road
Crawley
RH11 9PT
United Kingdom

17th October 2008

Consolidated profit and loss account
for the year ended 31 March 2008

	<i>Note</i>	2008 £000	2007 £000
Turnover: group and share of joint ventures		336,552	322,229
Less: share of joint ventures' turnover		(30,270)	(28,589)
Turnover	2	306,282	293,640
Cost of sales (including exceptional items)		(250,705)	(237,789)
Gross profit		55,577	55,851
Administrative expenses		(22,228)	(13,020)
Other operating income	5	3,771	344
Group operating profit		37,120	43,175
Share of operating profit in			
Joint ventures		8,426	6,967
Associates		368	2,745
		8,794	9,712
Total operating profit:		45,914	52,887
Group and share of joint ventures and associates			
Profit on disposal of fixed assets	6	440	564
Investment income	7	22	50
Interest receivable and similar income			
Group	8	1,263	2,438
Joint ventures		728	473
Associates		1,773	52
		4,226	3,577
Interest payable and similar charges			
Group	9	(53,424)	(50,958)
Joint ventures		(1,877)	(2,100)
Associates		(2,295)	(1,352)
Net pension finance income	28	(57,596)	(54,410)
		592	579
(Loss) / profit on ordinary activities before taxation	10	(6,864)	2,633
Tax on (loss) / profit on ordinary activities	11	(10,320)	(18,576)
Loss on ordinary activities after taxation		(17,184)	(15,943)
Minority interests – equity	21	139	(546)
Retained loss for the year	20	(17,045)	(16,489)

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

Consolidated balance sheet
at 31 March 2008

	<i>Note</i>	£000	2008 £000	£000	2007 £000
Fixed assets					
Tangible assets	12	242,304		227,838	
Investments	13	19,886		17,327	
			262,190		245,165
Current assets					
Stocks	14	17,858		17,179	
Debtors - due within one year	15	114,247		96,440	
Cash at bank and in hand		26,339		20,894	
Creditors: amounts falling due within one year	16	(472,947)		(469,380)	
Net current liabilities			(314,503)		(334,867)
Total assets less current liabilities			(52,313)		(89,702)
Creditors: amounts falling due after more than one year	17		(50,156)		(1,599)
Provisions for liabilities and charges	18		(10,980)		(12,476)
Net liabilities excluding pension liabilities			(113,449)		(103,777)
Pension liabilities	28		(48,859)		(40,373)
Net liabilities including pension liabilities			(162,308)		(144,150)
Capital and reserves					
Called up share capital	19		10,000		10,000
Revaluation reserve	20		45,270		39,469
Profit and loss account	20		(218,909)		(195,426)
Equity shareholders' deficit			(163,639)		(145,957)
Minority interests – equity	21		1,331		1,807
			(162,308)		(144,150)

These financial statements were approved by the board of directors on 15 SEPTEMBER 2008 and were signed on its behalf by:



R D Burman
Director

Company balance sheet
at 31 March 2008

	<i>Note</i>	2008	2007
		£000	£000
Fixed assets			
Investments	13	101,000	101,000
Current assets			
Debtors – due within one year	15	50,000	51,020
		<u>50,000</u>	<u>51,020</u>
Creditors: amounts falling due within one year	16	(405,919)	(408,131)
		<u>(405,919)</u>	<u>(408,131)</u>
Net current liabilities		(355,919)	(357,111)
Total assets less current liabilities		(254,919)	(256,111)
Creditors: amounts falling due after more than one year	17	(50,000)	-
		<u>(50,000)</u>	<u>-</u>
Net liabilities		(304,919)	(256,111)
		<u>(304,919)</u>	<u>(256,111)</u>
Capital and reserves			
Called up share capital	19	10,000	10,000
Profit and loss account	20	(314,919)	(266,111)
		<u>(314,919)</u>	<u>(266,111)</u>
Equity shareholders' deficit		(304,919)	(256,111)
		<u>(304,919)</u>	<u>(256,111)</u>

These financial statements were approved by the board of directors on ~~15 September 2008~~ and were signed on its behalf by:



R D Burman
Director

Consolidated cash flow statement
for the year ended 31 March 2008

	<i>Note</i>	2008 £000	2007 £000
Cash flow statement			
Net cash flow from operating activities	22	32,184	43,930
Dividends from joint ventures and associates			
Dividends received from joint ventures		3,232	2,504
Dividends received from associate		58	137
		<hr/>	<hr/>
Net cash inflow from dividends from joint ventures and associates		3,290	2,641
Returns on investments and servicing of finance			
Interest received		1,264	2,414
Dividend received from trade investments		22	50
Interest on finance lease rentals		(112)	(335)
Interest paid		146	(3,658)
		<hr/>	<hr/>
Net cash outflow from return on investments and servicing of finance		1,320	(1,529)
Taxation		(14,166)	(10,527)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(32,700)	(48,778)
Sale of tangible fixed assets		8,099	5,707
Loan to associated undertaking (net of repayments)		133	415
		<hr/>	<hr/>
Net cash outflow from capital expenditure		(24,468)	(42,656)
Acquisitions and disposals			
Acquisition of shares in other unlisted investments		-	(115)
		<hr/>	<hr/>
Net cash outflow from acquisitions and disposals		-	(115)
		<hr/>	<hr/>
Net cash outflow before financing		(1,840)	(8,256)
Financing			
Short term loan repayment		1,181	(92)
Loans to related parties (net of repayments)	24	7,976	6,549
Capital element of finance lease rental & other loans		(1,872)	(988)
		<hr/>	<hr/>
Net cash inflow from financing	24	7,285	5,469
		<hr/>	<hr/>
Increase / (decrease) in cash in the year	24	5,445	(2,787)
		<hr/> <hr/>	<hr/> <hr/>

Note of consolidated historical cost profits and losses
for the year ended 31 March 2008

	Group 2008	2007
	£000	£000
Reported (loss)/profit on ordinary activities before taxation	(6,864)	2,633
Differences between actual depreciation charge based on revalued amount and historic cost charge	4,769	2,896
Differences between profit on disposal of fixed assets based on revalued amount and a historic cost value	1,929	1,614
Historical cost (loss)/profit on ordinary activities before taxation	(166)	7,143

Consolidated statements of total recognised gains and losses
for the year ended 31 March 2008

	Group 2008 £000	2007 £000	Company 2008 £000	2007 £000
Retained loss for the financial year	(17,045)	(16,489)	(48,825)	(42,776)
Actuarial loss recognised on the pension schemes	(17,681)	(6,549)	-	-
Actuarial loss recognised on the associate pension schemes	(1,296)	-	-	-
Movement on deferred tax relating to actuarial losses and gains on the pension schemes	1,424	97	-	-
Movement on current tax relating to actuarial losses on the pension schemes	2,163	1,825	-	-
Share option reserve	586	488	-	-
Gain/(loss) on foreign currency translation of reserves	1,440	(1,370)	-	-
Revaluation of aircraft	12,727	13,753	-	-
Total recognised losses for the year	(17,682)	(8,245)	(48,825)	(42,776)

Reconciliation of movements in shareholders' deficit
for the year ended 31 March 2008

	Group 2008 £000	2007 £000	Company 2008 £000	2007 £000
Retained loss for the financial year	(17,045)	(16,489)	(48,825)	(42,776)
Other recognised losses relating to pension schemes	(15,390)	(4,627)	-	-
Share option reserve	586	488	-	-
Gain/(loss) on foreign currency translation of reserves	1,440	(1,370)	-	-
Revaluation of aircraft	12,727	13,753	-	-
Net movement in shareholders' deficit	(17,682)	(8,245)	(48,825)	(42,776)
Opening shareholders' deficit	(145,957)	(137,712)	(256,111)	(213,335)
Closing shareholders' deficit	(163,639)	(145,957)	(304,936)	(256,111)

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.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of certain aircraft. The financial statements have been prepared on a going concern basis, despite the shareholders' deficit, as Bristow Group 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 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings to 31 March 2008. 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 £48.8m (2007: £42.8m).

Share based payments

The share option programme allows employees to acquire shares of Bristow Group Inc. The fair value of the options and those not yet invested is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Notes (continued)

1 Accounting policies (continued)

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 (2007: £15,858,000). This goodwill is regularly reviewed for impairment and any impairment is taken to the profit and loss account.

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.

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, equipment and rotatable spares	-	3 to 15 years
Vehicles	-	3 to 5 years
Aircraft	-	10 to 15 years

No depreciation is provided on freehold land.

A policy of revaluation has been adopted in relation to aircraft, under FRS 15 'Tangible Fixed Assets', which will require the annual revaluation of this asset class (further information is provided in note 11). The revaluation exercise involved the group revising the associated aircraft, using 'The Official Blue Helicopter Book', as at 31 March 2008.

As part of the exercise the group also revised its estimate of the remaining useful life of the revalued aircraft to 10 - 15 years and their residual values to 50%. Depreciation will therefore be provided to write off the revalued cost, less the estimated residual value, of these aircraft by equal instalments over their remaining estimated useful economic lives as follows:

Aircraft (revalued)	-	10 years
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Aircraft purchased in the financial years 2006, 2007 and 2008 have been revalued to original cost, in view of the fact that the aircraft are too new to be included in the Blue Book, and the price profile for the equivalent aircraft is essentially flat for the opening years. The group estimate the useful life of these aircraft to be 15 years with a residual value of 50%.

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.

Notes (continued)

1 Accounting policies (continued)

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 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 result 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 Financial Reporting Standard 17, 'Retirement Benefits' ('FRS 17') in the prior year. Further details can be found in note 28.

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.

Notes (continued)

1 Accounting policies (continued)

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 party providers 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 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. Services are also provided 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, the long-term contracts may provide for periodic increases in the contractual rates charged for our services. These rate increases are recognised 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, the Company's 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.

Notes (continued)

3 Remuneration of directors

	2008 £000	2007 £000
Directors' emoluments	333	247

Number of directors 2008 2007

The number of directors who were members of pension schemes was as follows:

Money purchase schemes	1	1
------------------------	---	---

The number of directors who exercised share options of an affiliated company

-	-
---	---

Highest paid director

The above amounts include the following in respect of the highest paid director:

	2008 £000	2007 £000
Emoluments	333	247

The amount paid into money purchase schemes in respect of the highest paid director at 31 March 2008 was £83,520 (2007: £18,669).

The highest paid director was granted no (2007: 12,000) share options in an affiliated company during the year. Total share options held at 31 March 2008 remain at 51,000. No share options were exercised in the current or preceding year.

4 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 2008	2007
Operating staff	1,755	1,625
Management and administration	440	310
	2,195	1,935

Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2008 £000	2007 £000
Wages and salaries	82,858	75,783
Social security costs	5,390	8,306
Other pension costs	3,019	2,882
Share option expense	586	488
	<u>91,853</u>	<u>87,459</u>

5 Other operating income / (expense)

	2008 £000	2007 £000
Exchange Gain on foreign currency trading transactions	<u>3,771</u>	<u>344</u>

6 Profit on disposal of fixed assets

	2008 £000	2007 £000
Profit on sale of tangible fixed assets	<u>440</u>	<u>564</u>

7 Investment income

	2008 £000	2007 £000
Income from other unlisted investments	<u>22</u>	<u>50</u>

8 Interest receivable and similar income

	2008 £000	2007 £000
Interest receivable	1,234	2,438
Exchange gain on foreign currency balances	29	-
	<u>1,263</u>	<u>2,438</u>

Notes (continued)

9 Interest payable and similar charges

	2008 £000	2007 £000
Interest on finance lease rentals	112	335
On all other loans	52,725	46,395
Other interest and similar charges	8	13
Exchange loss on foreign currency balances	579	4,215
	<u>53,424</u>	<u>50,958</u>

10 (Loss)/profit on ordinary activities before taxation

	2008 £000	2007 £000
<i>(Loss)/profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation		
Owned	15,088	10,799
Assets held under finance leases	389	315
Operating lease rental expenses		
Aircraft hire	18,914	13,123
Rental of properties	4,108	2,737
Hire of plant and machinery	313	152
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	45	26
Fees payable to the Company's auditor for the audit of the Company's subsidiary's	304	205
Services relating to the internal review as a consequence of the SEC investigation	-	84
Research and development expenditure	-	547
Amortisation of goodwill	162	162

Notes (continued)

11 Taxation

Analysis of charge in year

	2008 £000	2007 £000
<i>UK corporation tax</i>		
Current tax on income for the year	7,845	7,887
Double taxation relief	(325)	(1,672)
	<u>7,520</u>	<u>6,215</u>
<i>Foreign tax</i>		
Current tax on income for the year	4,294	7,520
	<u>11,814</u>	<u>13,735</u>
Adjustments in respect of prior year		
UK corporation tax	(988)	104
Foreign tax	(505)	359
	<u>10,321</u>	<u>14,198</u>
Share of joint ventures' tax	1,631	1,660
Share of associates' tax	74	512
	<u>12,026</u>	<u>16,370</u>
Total current tax charge		
	<u><u>12,026</u></u>	<u><u>16,370</u></u>
Deferred taxation		
Origination and reversal of timing differences – current year	(346)	2,350
Origination and reversal of timing differences – prior years	(586)	(144)
Rate Change	(774)	-
	<u>(1,706)</u>	<u>2,206</u>
Total deferred tax		
	<u><u>(1,706)</u></u>	<u><u>2,206</u></u>
Total tax on profit on ordinary activities		
	<u><u>10,320</u></u>	<u><u>18,576</u></u>

Notes (continued)

11 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:

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	(6,864)	2,633
	<hr/>	<hr/>
Current tax at 30 % (2007: 30%)	(2,059)	790
<i>Effects of:</i>		
Net expenses and income not deductible for tax purposes	12,494	14,371
Accelerated capital allowances	346	(2,350)
Losses not recognised for tax	67	1,338
Tax rate differentials on overseas earnings	(25)	(69)
Irrecoverable overseas withholding tax	2,696	1,827
	<hr/>	<hr/>
Adjustments to tax charge in respect of previous periods	13,519 (1,493)	15,907 463
	<hr/>	<hr/>
Total current tax charge	12,026	16,370
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

12 Tangible fixed assets

	Land and buildings	Aircraft	Plant, equipment and rotatable spares	Assets in course of construction	Total
Group	£000	£000	£000	£000	£000
Cost					
At beginning of year	14,422	206,577	59,725	3,472	284,196
Exchange adjustments	(49)	(1,097)	197	-	(949)
Additions	537	10,472	7,538	13,872	32,419
Transfers	514	16,031	799	(17,344)	-
Disposals	(1,908)	(9,944)	(1,098)	-	(12,950)
Reclassification of assets held for sale	-	(5,517)	-	-	(5,517)
Revaluation	-	3,783	-	-	3,783
At end of year	13,516	220,305	67,161	-	300,982
Depreciation					
At beginning of year	8,875	1,335	46,148	-	56,358
Exchange adjustments	-	(51)	123	-	72
Charge for year	588	9,943	4,947	-	15,478
On disposals	(1,572)	(595)	(916)	-	(3,083)
Reclassification of assets held for sale	-	(1,203)	-	-	(1,203)
Elimination on revaluation	-	(8,944)	-	-	(8,944)
At end of year	7,891	485	50,302	-	58,678
Net book value					
At 31 March 2008	5,625	219,820	16,859	-	242,304
At 31 March 2007	5,547	205,242	13,577	3,472	227,838

A policy of annual revaluation was adopted, effective 31 March 2005, 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' ('Blue Book'). The index enables a desktop valuation of the aircraft appropriate to the age, condition and specification to be undertaken. All aircraft were revalued using this index as at 31 March 2008, with the exception of certain aircraft either held outside the United Kingdom and aircraft recently acquired that are not listed in the 'Blue Book'. Of the fleet of 68 aircraft, a total of 50 were revalued using this index at 31 March 2008 (2007: 56 revalued out of fleet of 74 aircraft). 7 aircraft held outside of the United Kingdom, which were not listed in the 'Blue Book' were not revalued, their net book value was £1.1m, after modifications in the year (2007: £5.3m – 10 aircraft). A further 11 aircraft, 3 acquired in 2008 and 6 acquired in 2007 and 2 in 2006, were valued using their acquisition cost as the aircraft type is not currently listed in the 'Blue Book'.

In addition, whilst considering the aircraft valuations, the company has assessed, and amended accordingly, the residual useful economic lives of the aircraft. This exercise has been undertaken to ensure that the depreciation charge in relation to the aircraft matches the cost of utilising the aircraft for operational purposes. The amended residual useful economic lives of the aircraft are considered consistent with those in the 'Blue Book'.

Notes (continued)

12 Tangible fixed assets (continued)

The historic fair market value of the aircraft was £282.3m, accumulated depreciation £65.1m and net book value £217.2m (2007: £165.8m).

The net book value of aircraft at 31 March 2008 includes £1.0m (2007: £1.9m) in respect of aircraft under finance lease and hire purchase contracts. Aircraft depreciation for the year ended 31 March 2008 includes £0.2m (2007: £0.3m) relating to these aircraft.

The net book value of aircraft held by the group, as lessor for use in operating leases, was £167.0m (2007: £205.2m). The depreciation charge for the year in respect of these assets was £9.3m (2007: £8.1m).

Further analysis of land and buildings:

Group	Freehold £000	Long leasehold £000	Short leasehold £000	Total land & buildings £000
Cost				
At beginning of year	1,625	1,331	11,466	14,422
Exchange adjustments	(49)	-	-	(49)
Additions	251	16	270	537
Transfers	66	172	276	514
Disposals	(8)	-	(1,900)	(1,908)
At end of year	1,885	1,519	10,112	13,516
Depreciation				
At beginning of year	526	419	7,930	8,875
Exchange adjustments	-	-	-	-
Charge for year	171	28	389	588
On disposals	-	-	(1,572)	(1,572)
At end of year	697	447	6,747	7,891
Net book value				
At 31 March 2008	1,188	1,072	3,365	5,625
At 31 March 2007	1,099	912	3,536	5,547

Notes (continued)

13 Fixed asset investments

	Joint venture shares £000	Joint venture goodwill £000	Associate Shares £000	Associate Loans £000	Other Unlisted Investments £000	Total £000
Group						
<i>Cost</i>						
At beginning of year	7,290	2,231	5,412	3,217	1,566	19,716
Exchange	-	-	-	834	-	834
Repayments	-	-	-	(133)	-	(133)
Dividends	(3,232)	-	(59)	-	-	(3,291)
Share of current year retained profits	5,300	-	(307)	-	-	4,993
Deferred group profit on asset disposal to joint ventures released	338	-	-	-	-	338
Interest	-	-	-	(20)	-	(20)
At end of year	9,696	2,231	5,046	3,898	1,566	22,437
<i>Provisions/amortisation</i>						
At beginning of year	-	1,433	-	-	956	2,389
Amortisation charged in year	-	162	-	-	-	162
At end of year	-	1,595	-	-	956	2,551
<i>Net book value</i>						
At 31 March 2008	9,696	636	5,046	3,898	610	19,886
At 31 March 2007	7,290	798	5,412	3,217	610	17,327

Investment in joint venture shares comprises the cost of shares of £6.0m, plus the group's share of retained post-acquisition reserves of £5.0m less the elimination of group profit on disposal of fixed assets to the joint venture of £1.3m. Positive goodwill of £2.2m 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 £1.2m, plus the group's share of retained post-acquisition reserves of £3.8m. Goodwill of £0.5m has previously been written off to reserves relating to an acquisition prior to 1998.

Notes (continued)

13 Fixed asset investments (continued)

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

	2008 £000	2007 £000
Turnover	30,626	28,589
Profit before tax	7,277	5,340
Taxation	(1,631)	(1,660)
Profit after tax	5,646	3,680
Fixed assets	30,049	32,722
Current assets	20,330	18,165
Share of assets	50,379	50,887
Liabilities due within one year	(7,272)	(5,207)
Liabilities due after one year	(32,444)	(37,086)
Share of liabilities	(39,716)	(42,293)
Share of net assets (pre-deferred group profit adjustment)	10,663	8,594
Less: unamortized deferred group profit	(967)	(1,304)
Group share of net assets	9,696	7,290

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

Notes (continued)

13 Fixed asset investments (continued)

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

	2008 £000	2007 £000
Turnover	61,347	58,526
(Loss)/profit before tax	(154)	1,446
Taxation	(74)	(512)
(Loss)/profit after tax	(228)	934
Fixed assets	40,248	37,418
Current assets	15,397	13,459
Share of assets	55,645	50,877
Liabilities due within one year	(15,981)	(11,538)
Liabilities due after one year	(34,618)	(33,927)
Share of liabilities	(55,599)	(45,465)
Share of net assets	5,046	5,412

Norsk Helikopter A.S. accounts for the majority of the amounts included within the investment in associated undertakings figures disclosed above.

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

The principal subsidiary, joint venture and associated undertakings at 31 March 2008 are shown in note 26.

14 Stocks

Group	2008 £000	2007 £000
Raw materials and consumables	16,351	15,844
Work in progress	1,507	1,335
	17,858	17,179

Notes (continued)

15 Debtors

	Group 2008 £000	2007 £000	Company 2008 £000	2007 £000
Amounts due within one year				
Unsecured loan to subsidiary undertaking	-	-	50,000	50,000
Trade debtors	65,472	46,656	-	-
Amounts due from joint venture undertakings	173	-	-	-
Amounts due from associated undertakings	1,110	1,074	-	-
Amounts due from related company	499	-	-	-
Corporation Tax debtor	3,763	-	-	-
Other debtors	5,174	13,576	-	-
Deferred Tax	175	-	-	-
Aircraft held for resale	3,278	568	-	-
Prepayments and accrued income	34,603	34,566	-	1,020
	<u>114,247</u>	<u>96,440</u>	<u>50,000</u>	<u>51,020</u>

16 Creditors: amounts falling due within one year

	Group 2008 £000	2007 £000	Company 2008 £000	2007 £000
Obligations under finance lease	34	670	-	-
Short term loan	2,101	713	-	-
Unsecured loan 8.335%	-	50,000	-	50,000
Unsecured subordinated loan stock 13.5%	397,907	349,081	397,907	349,081
Trade creditors	18,488	17,851	-	-
Amounts due to joint venture undertakings	-	176	-	-
Amounts owed to subsidiary undertakings	-	-	2,111	3,145
Amounts owed to related company	10,643	2,283	-	-
Corporation tax	6,981	5,393	-	-
Taxation and social security	1,803	14,419	-	-
Other creditors	6,115	4,884	4,884	4,885
Accruals and deferred income	28,875	23,910	1,017	1,020
	<u>472,947</u>	<u>469,380</u>	<u>405,919</u>	<u>408,131</u>

The unsecured subordinated loan stock 13.5% is due to Bristow Group Inc. and has no scheduled date for repayment. The 'other loans' carry interest at 8.5%, are secured on certain aircraft, and are due to a company affiliated with the shareholders of a subsidiary undertaking, Aviasheff.

The unsecured loan 8.335% due to Bristow Group Inc. was previously repayable in full on 15 January 2008. The loan was rolled over on 30 October 2007 under the same terms and conditions, repayable 15 January 2018.

Notes (continued)

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Obligations under finance lease	-	1,235	-	-
Unsecured loan 8.335% - 2018	50,000	-	50,000	-
Other loans	156	364	-	-
	<u>50,156</u>	<u>1,599</u>	<u>50,000</u>	<u>-</u>

Other borrowings are repayable as follows:

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Finance leases				
Between two and five years	-	1,235	-	-
	<u>-</u>	<u>1,235</u>	<u>-</u>	<u>-</u>
Other loans				
Between two and five years	156	364	-	-
More than five years	50,000	-	50,000	-
	<u>50,156</u>	<u>364</u>	<u>50,000</u>	<u>-</u>

18 Provisions for liabilities and charges

Group	Deferred taxation £000
At beginning of year	12,476
Exchange	210
Movement in provision charged to the profit and loss account for the year	(1,706)
At end of year	<u>10,980</u>

Deferred tax is provided as follows:

	2008 Provided £000	2007 Provided £000
Accelerated capital allowances	10,980	12,476
Undiscounted provision for deferred tax	<u>10,980</u>	<u>12,476</u>

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 £29.9m (2007: £44.4m) may arise.

Notes (continued)

19 Called up share capital

	2008 £000	2007 £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	8,000
	<hr/> 18,000 <hr/>	<hr/> 18,000 <hr/>
	2008 £000	2007 £000
<i>Issued and fully paid</i>		
920,000 'A' Ordinary shares of £1 each	920	920
980,000 'B' Ordinary share of £1 each	980	980
100,000 'C' Ordinary shares of £1 each	100	100
8,000,000 Deferred shares of £1 each	8,000	8,000
	<hr/> 10,000 <hr/>	<hr/> 10,000 <hr/>

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 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 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 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 Civil Aviation Authority, and there are provisions in the Articles that are designed to secure that the holding of any Civil Aviation Authority licence within the group is not jeopardised by a share transfer.

Notes (continued)

20 Reserves

Group

	Revaluation reserve £000	Profit and loss account £000
At beginning of year	39,469	(195,426)
Retained loss for the year	-	(17,045)
Net actuarial loss on pensions	-	(15,390)
Share option reserve	-	586
Exchange adjustments	(98)	1,538
Revaluation of aircraft	12,727	-
Differences between actual depreciation charge based on revalued amount and historic cost charge	(2,059)	2,059
Differences between profit on disposal of fixed assets based on revalued amount and a historic cost value	(4,769)	4,769
At end of year	45,270	(218,909)

Company

	Profit and loss account £000
At beginning of year	(266,111)
Retained loss for the year	(48,808)
At end of year	(314,919)

Notes (continued)

21 Minority interest

	2008 Equity £000	2007 Equity £000
At beginning of year	1,807	1,513
Exchange	(337)	(252)
Share of profit on ordinary activities after tax	(139)	546
	<u> </u>	<u> </u>
At end of year	1,331	1,807
	<u> </u>	<u> </u>

22 Reconciliation of operating profit to operating cash flows

Group	2008 £000	2007 £000
Group operating profit	37,120	43,175
Depreciation	15,477	11,114
Increase in stocks	(683)	(1,049)
Increase in debtors	(17,531)	(6,901)
Increase in creditors	2,402	3,012
Goodwill amortisation	162	162
Difference between pension charge and cash contribution	(4,763)	(5,583)
	<u> </u>	<u> </u>
Net cash inflow from operating activities	32,184	43,930
	<u> </u>	<u> </u>

23 Reconciliation of net cash flow to movement in net debt

Group	2008 £000	2007 £000
Increase/(decrease) in cash in the year	4,992	(2,158)
Cash inflow from financing	(7,285)	(5,469)
	<u> </u>	<u> </u>
Changes in net debt resulting from cash flows	(2,293)	(7,627)
Interest accrued on loan balances	(48,826)	(42,750)
Exchange losses	453	(1,553)
	<u> </u>	<u> </u>
Movement in net debt in the year	(50,666)	(51,930)
Net debt at beginning of year	(373,193)	(321,263)
	<u> </u>	<u> </u>
Net debt at end of year	(423,859)	(373,193)
	<u> </u>	<u> </u>

Notes (continued)

24 Analysis of net debt

	Note	At beginning of year £000	Cash flow £000	Other non cash changes £000	At end of year £000
Cash in hand, at bank		20,894	4,992	453	26,339
Other debtors - short term loans	30	7,976	(7,976)	-	-
Debt due in less than one year		(400,464)	(908)	1,174	(400,198)
Debt due after one year		(1,599)	1,599	(50,000)	(50,000)
		(394,087)	(7,285)	(48,826)	(450,198)
Total net debt		(373,193)	(2,293)	(48,373)	(423,859)

25 Contingent liabilities

UK Bank facilities

The company is party to bank agreements guaranteeing its obligations and those of 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 2008 there was a £3m (2007: £6m) facility for revolving credit and guarantee facilities and a £1m (2007: £1m) overdraft facility in place with National Westminster Bank Plc. On 31 March 2008 the amount due under revolving credit and guarantee facilities was £0.1m (2007: £0.3m) and there were no borrowings outstanding under the overdraft facility (2007 £nil).

The group has given joint and several guarantees of up to £15m (2007: £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.

Legal issues

In November 2005, certain of the 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. The group has responded to this claim and is continuing to investigate this matter.

There are various litigation and regulatory matters which arise, from time to time, in the ordinary course of business. The amount, if any, of the group's ultimate liability with respect to these matters cannot always be determined. The resolution of any pending matters is not expected to have a material adverse effect on the group's business or financial condition.

Notes (continued)

26 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	60.0
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
Bristow International Aviation (Guernsey) Limited	Guernsey	Personnel support	Ordinary	100.0
Caledonian Helicopters Limited*	England	Helicopter contractor	Ordinary	100.0
Sakhalin Bristow Air Services Limited*	England	Helicopter contractor	Ordinary	49.0
United Helicopters Limited*	England	Helicopter lease rental	Ordinary	100.0
Bristow South East Asia Ltd	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. Aviasheff 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)

27 Equity-settled share option plans

Share option plans

Incentive and Stock Option Plans — Stock-based awards are currently made under the Bristow Group Inc. 2007 Long-Term Incentive Plan ("2007 Plan"). 1,200,000 shares of Common Stock are reserved, including 1,168,183 available for incentive awards under the 2007 Plan. Awards granted under the 2007 Plan may be in the form of stock options, stock appreciation rights, shares of restricted stock, other stock-based awards (payable in cash or Common Stock) or performance awards, or any combination thereof, and may be made to outside directors, employees or consultants.

The 2003 Non-qualified Stock Option Plan for Non-employee Directors ("2003 Director Plan") provides for a maximum of 250,000 shares of Common Stock to be issued pursuant to such plan. As of the date of each annual meeting, each non-employee director who meets certain attendance criteria is automatically granted an option to purchase 5,000 shares of our Common Stock. The exercise price of the options granted is equal to the fair market value of the Common Stock on the date of grant, and the options are exercisable not earlier than six months after the date of grant and expire no more than ten years after the date of grant. 25,000 shares remain for future grants under this plan.

In addition, the Company has the following incentive and stock plans which have awards outstanding as of March 31, 2008 but under which we no longer make future grants:

The 1994 Long-Term Management Incentive Plan, as amended ("1994 Plan"), which provided for awards to officers and key employees in the form of stock options, stock appreciation rights, restricted stock, deferred stock, other stock-based awards or any combination thereof. Options become exercisable at such time or times as determined at the date of grant and expire no more than ten years after the date of grant. This plan expired in 2005.

The 2004 Stock Incentive Plan ("2004 Plan"), which provided for awards to officers and key employees in the form of stock options, stock appreciation rights, restricted stock, other stock-based awards or any combination thereof. Options become exercisable at such time or times as determined at the date of grant and expire no more than ten years after the date of grant. This Plan expired in 2007.

The 1991 Non-qualified Stock Option Plan for Non-employee Directors, as amended, ("1991 Director Plan"), which provided that as of the date of each annual meeting, each non-employee director who meets certain attendance criteria is automatically granted an option to purchase 2,000 shares of our Common Stock. The exercise price of the options granted is equal to the fair market value of the Common Stock on the date of grant, and the options are exercisable not earlier than six months after the date of grant and have an indefinite term. This plan expired in 2003.

On December 5, 2007, our board of directors established a new program to allow vesting of outstanding stock options and restricted stock grants and to waive forfeitures of outstanding performance restricted stock units in retirement if the employee has achieved no less than five consecutive years of employment with the Company, voluntarily terminates employment after the age of 62 and enters into a noncompetition/nonsolicitation agreement in the form approved and provided by the Company. Upon termination of employment, any unexercised options to purchase Common Stock and shares of restricted stock under the 1994, 2004 and 2007 Plans will automatically vest and options will remain exercisable for the remainder of the term specified in the applicable award document and any outstanding performance restricted stock units granted under the 2004 or 2007 Plans will not be forfeited solely due to termination of employment so that the right remains to receive shares of Common Stock if the applicable performance measures are achieved in accordance with the 2004 or 2007 Plans.

Notes (continued)

27 Equity-settled share option plans (continued)

Details of the Bristow Group stock options outstanding related to employees of Bristow Aviation Holdings Ltd. and subsidiaries ("BAHL") during the year are as follows:

	Number of share options	Fiscal Year 2008 Weighted average exercise Value (in \$)	Number of share options	Fiscal Year 2007 Weighted average exercise Value (in \$)
Outstanding at the beginning of the financial year	117,691	3,709,867	126,815	3,551,224
Granted during the year	57,600	2,693,440	39,650	1,386,966
Forfeited during the year	7,809	276,620	20,841	630,344
Exercised during the year	15,016	323,954	27,933	597,979
Expired during the year	-	-	-	-
Outstanding at the end of the year	152,466	5,802,733	117,691	3,709,867
Exercisable at the end of the financial year	71,321	2,212,574	41,334	1,228,354

The options outstanding at 31 March, 2008 had a weighted average exercise price of \$38.06, and a weighted average remaining contractual life of 8.4 years. In fiscal year 2008, options were granted on May 24, 2007 and February 7, 2008. The aggregate of the estimated fair values of the options granted on these dates are \$2,545,460 and \$147,980, respectively.

The inputs into the Black-Scholes option pricing model utilized by Bristow Group to estimate the fair value of the option are as follows:

	Fiscal Year 2008	Fiscal Year 2007
Weighted average share price	\$46.76	\$34.98
Weighted average exercise price	\$21.57	\$21.45
Expected volatility	33.67 - 44.98%	33.96%
Expected life	4.09 - 6.00	4.09
Risk-free rate	2.98 - 4.70%	4.21 - 5.01%
Expected dividends	-	-

Notes (continued)

27 Equity-settled share option plans (continued)

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for a period equal to the expected term of the option. Expected volatilities are based on the historical volatility of shares of Bristow Group common stock, which has not been adjusted for any expectation of future volatility given uncertainty related to the future performance of Bristow Group common stock at this time. We also use historical data to estimate the expected term of the options within the option pricing model; groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of the options represents the period of time that the options granted are expected to be outstanding.

Bristow Aviation Holdings Ltd. and subsidiaries ("BAHL") recognised total expenses of \$599,213 related to equity-settled shared-based payment transactions in fiscal year 2008 (2007: \$380,396). A corresponding credit has been recorded in equity of \$599,213 (2007: \$380,396).

Details of the Bristow Group restricted stock units and awards outstanding related to employees of Bristow Aviation Holdings Ltd. and subsidiaries ("BAHL") during the year are as follows:

	Number of units and awards	Fiscal Year 2008 Weighted average exercise Value (in \$)	Number of units and awards	Fiscal Year 2007 Weighted average exercise Value (in \$)
Outstanding at the beginning of the financial year	106,550	3,554,985	54,940	1,690,578
Granted during the year	58,600	2,721,970	62,550	2,217,100
Forfeited during the year	17,355	607,304	10,940	352,693
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	147,795	5,669,651	106,550	3,554,985
Exercisable at the end of the financial year	-	-	-	-

In fiscal year 2008, units and awards were granted on May 24, 2007. The aggregate of the estimated fair values of the units and awards granted on this date is \$2,721,970.

For restricted stock units and awards, the close price on the grant date is utilised by Bristow Group to estimate the fair value of the units and awards. The weighted average unit/award prices for fiscal year 2008 and fiscal year 2007 are \$46.45 and \$35.45, respectively.

Bristow Aviation Holdings Ltd. and subsidiaries ("BAHL") recognised total expenses of \$1,288,319 related to restricted stock units/awards in fiscal year 2008 (2007: \$741,367). A corresponding credit has been recorded in equity of \$1,288,319 (2007: \$741,367).

Notes (continued)

28 Pensions

The group maintains defined benefit schemes and also 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.

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.

Defined benefit section

The FRS 17 valuation of the Company Scheme was assessed as at 31 March 2008 by an independent qualified actuary in accordance with FRS 17. As required by FRS 17, the defined benefit liabilities 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 2008 % pa	As at 31 March 2007 % pa	As at 31 March 2006 % pa
Inflation rate	3.5	3.0	2.7
Rate of increase in pensionable salary *	3.5	3.0	2.7
Rate of increase of pensions in payment **	3.5	3.0	2.7
Rate of increase for deferred pensioners **	3.5	3.0	2.7
Discount rate	6.2	5.3	4.9

* reflecting the Scheme amendments with effect from 1 February 2004

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

	Expected rate of return		
Scheme assets	2008 % pa	2007 % pa	2006 % pa
Equities	8.60	8.10	7.80
Bonds	5.20	4.90	4.50
Other – Property	4.80	4.00	3.70

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

Notes (continued)

28 Pensions (continued)

present value of the respective scheme liabilities is derived from cash flow projections over long periods and thus inherently uncertain.

	2008 £000	2007 £000	2006 £000
<i>Staff scheme</i>			
Market value of assets			
Equities	121,244	131,620	123,551
Bonds	64,902	61,971	62,433
Other – Property	1,072	257	357
Total value of plan assets	187,218	193,848	186,341
Actuarial value of plan liability	(253,600)	(250,400)	(242,700)
Gross pension liability	(66,382)	(56,552)	(56,359)
Deferred tax	18,587	16,966	16,908
Net pension liability	(47,795)	(39,586)	(39,451)
<i>Expatriate scheme</i>			
Market value of assets			
Equities	1,869	1,926	2,628
Bonds	373	434	582
Other – Property	694	656	-
Total value of plan assets	2,936	3,016	3,210
Actuarial value of plan liability	(4,000)	(4,000)	(4,000)
Gross pension liability	(1,064)	(984)	(790)
Deferred tax	-	197	158
Net pension liability	(1,064)	(787)	(632)

Notes (continued)

28 Pensions (continued)

<i>Aggregated schemes</i>	2008 £000	2007 £000	2006 £000
Market value of assets			
Equities	123,113	133,546	126,179
Bonds	65,275	62,405	63,015
Other – Property	1,766	913	357
Total value of plan assets	190,154	196,864	189,551
Actuarial value of plan liability	(257,600)	(254,400)	(246,700)
Gross pension liability	(67,446)	(57,536)	(57,149)
Deferred tax	18,587	17,163	17,066
Net pension liability at 31 March 2008	(48,859)	(40,373)	(40,083)

Analysis of movement in gross pension liability during the year

	2008 Staff £000	2008 Expatriate £000	Total £000
Year to 31 March 2008			
Gross pension liability at start of the year	(56,552)	(984)	(57,536)
Company contributions received	7,100	221	7,321
Current service cost	(104)	(38)	(142)
Other finance income	597	(5)	592
Actuarial loss	(17,423)	(258)	(17,681)
Gross pension liability at end of year	(66,382)	(1,064)	(67,446)
	2007 Staff £000	2007 Expatriate £000	Total £000
Year to 31 March 2007			
Gross pension liability at start of the year	(56,359)	(790)	(57,149)
Company contributions received	5,500	221	5,721
Current service cost	(125)	(13)	(138)
Other finance (charges)/income	549	30	579
Actuarial gain/(loss)	(6,117)	(432)	(6,549)
Gross pension liability at end of year	(56,552)	(984)	(57,536)

Notes (continued)

28 Pensions (continued)

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

	Staff £000	2008 Expatriate £000	Total £000
Year ended 31 March 2008			
Loss on assets	18,781	282	19,063
Experience loss on liabilities	7,542	(24)	7,518
Gain on change of assumptions (financial and demographic)	(8,900)	-	(8,900)
Total loss recognised in the statement of total recognised gains and losses before adjustment for tax	17,423	258	17,681

	Staff £000	2007 Expatriate £000	Total £000
Year ended 31 March 2007			
Loss on assets	1,407	303	1,710
Experience loss on liabilities	3,110	129	3,239
Loss on change of assumptions (financial and demographic)	1,600	-	1,600
Total loss recognised in the statement of total recognised gains and losses before adjustment for tax	6,117	432	6,549

History of experience gains and losses

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Staff Scheme					
Loss/ (Gain) on assets	18,781	1,407	(22,927)	(3,073)	(15,850)
% of plan assets at end of year	10.0	0.7	12.3	2.0	10.6
Experience gain on liabilities	7,542	3,110	509	(896)	(1,278)
% of plan liabilities at end of year	3.0	1.2	0.2	0.4	0.6
Total loss/ (gain) recognised in the statement of total recognised gains and losses before adjustment for tax	17,423	6,117	(3,218)	10,431	(6,128)
% of plan liabilities at end of year	6.9	2.4	1.3	4.8	3.0
Expatriate Scheme					
Loss/(Gain) on assets	282	303	(500)	(77)	(227)
% of plan assets at end of year	9.6	10.1	15.6	2.6	7.8
Experience (gain)/loss on liabilities	(24)	129	413	347	(170)
% of plan liabilities at end of year	0.6	3.2	10.3	9.4	5.3
Total loss/(gain) recognised in the statement of total recognised gains and losses before adjustment for tax	258	432	113	470	(364)
% of plan liabilities at end of year	6.5	10.8	2.8	12.7	11.4

Notes (continued)

28 Pensions (continued)

History of experience gains and losses (continued)

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
<i>Aggregated schemes</i>					
Loss/(Gain) on assets	19,063	1,710	(23,427)	(3,150)	(16,077)
% of plan assets at end of year	10.0	0.9	12.4	2.0	10.6
Experience loss on liabilities	7,518	3,239	922	(549)	(1,448)
% of plan liabilities at end of year	2.9	1.3	0.4	0.3	0.7
Total loss/(gain) recognised in the statement of total recognised gains and losses before adjustment for tax	17,681	6,549	(3,105)	10,901	(6,492)
% of plan liabilities at end of year	6.9	2.6	1.3	6.8	3.1

Analysis of amount charged to operating profit

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Current service cost – staff scheme	104	125	139	138	3,105
Current service cost – expatriate scheme	38	13	18	18	244
Past service costs	-	-	-	184	-
Loss due to curtailments	-	-	-	-	450
Total charged to operating profit	142	138	157	340	3,799

Analysis of amount charged to net pension finance charges

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
<i>Staff scheme</i>					
Interest on pension plan liabilities	13,009	11,818	11,767	11,054	10,098
Expected return on assets in the pension plan	(13,606)	(12,367)	(10,659)	(10,235)	(8,753)
Total (credited)/ charged to net pension finance charges	(597)	(549)	1,108	819	1,345
<i>Expatriate scheme</i>					
Interest on pension plan liabilities	196	173	174	175	153
Expected return on assets in the pension plan	(191)	(203)	(183)	(221)	(178)
Total credited to net pension finance income	5	(30)	(9)	(46)	(25)

Notes (continued)

28 Pensions (continued)

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
<i>Aggregated schemes</i>					
Interest on pension plan liabilities	13,205	11,991	11,941	11,229	10,251
Expected return on assets in the pension plan	(13,797)	(12,570)	(10,842)	(10,456)	(8,931)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total (credited)/ charged to net pension finance charges	<u>(592)</u>	<u>(579)</u>	<u>1,099</u>	<u>773</u>	<u>1,320</u>

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 7% of gross pensionable salary over the year.

Contributions into defined contribution schemes by the group during the year totalled £2.6m (2007: £2.4m).

29 Commitments

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

Group	2008 £000	2007 £000
Contracted	<u>210,934</u>	<u>16,568</u>

During the year agreements with Eurocopter and Sikorsky were entered into to purchase a total of fourteen aircraft. Six of these are expected to be delivered in the financial year ending 31 March 2009. The remaining eight aircraft are expected to be delivered in the financial year ending 31 March 2010.

In August 2007, agreements with Frasca International were entered into for the manufacture and purchase of two flight simulators, with a total contract value of \$7,999,000. 20% of the contract value is payable in the year to March 2009, 10% in the year to March 2010 and the balance upon CAA qualification.

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

Group	2008 Land and buildings £000	Aircraft, plant and machinery £000	2007 Land and Buildings £000	Aircraft, plant and machinery £000
Operating leases which expire:				
Within one year	27	-	-	64
In the second to fifth years inclusive	630	401	25	361
Over five years	32	-	699	-
	<u>689</u>	<u>401</u>	<u>724</u>	<u>425</u>

Notes (continued)

30 Related party transactions

a) Transactions with joint venture and associated undertakings

	2008 £000	2007 £000
Sales to joint ventures in respect of aircraft rental and related services	292	802
Sales to associated undertakings in respect of aircraft rental and related services	5,650	5,432
Purchases from joint ventures in respect of aircraft and related services	51	457
Purchases from associated undertakings in respect of aircraft and related services	1,148	80
Loans outstanding to associated undertakings	3,541	3,190
Interest receivable from associated undertakings on loans charged at commercial rates	165	186
Other amounts receivable from joint ventures	586	491
Other amounts receivable from associated undertakings	1,559	1,178
Other amounts payable to joint ventures	16	668
Other amounts payable to associated undertakings	-	104

b) Transactions with other related parties

	2008 £000	2007 £000
Purchases from Bristow Group Inc. in respect of aircraft rental and related services	20,429	13,663
Sales to Bristow Group Inc. in respect of aircraft rental and related services	7,451	4,785
Interest payable to Bristow Group Inc. in respect of		
- unsecured loan 8.335%	3,443	3,645
- unsecured subordinated loan stock 13.5%	48,826	42,750
Interest receivable from Bristow Group Inc. in respect of		
- loans charged at commercial rates	80	581
Amounts due to Bristow Group Inc.		
- management fees	4,855	4,855
- unsecured loan 8.335%	50,000	50,000
- unsecured subordinated loan stock 13.5% including interest	397,907	349,081
- trade creditors	10,643	2,283
- interest on unsecured loan 8.335%	1,017	1,020
Amounts due from Bristow Group Inc.		
- debtors	499	5,114
Other debtors - short term loans to Bristow Group Inc.	-	7,976
Other loans - debt due to company affiliated with shareholders of Aviasheff	393	565

Bristow Group Inc. owns 49% of the share capital of Bristow Aviation Holdings Limited.