

Bristow Aviation Holdings Limited

**Directors' report and consolidated
financial statements**

Registered number 03234500

31 March 2004



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditors to the members of Bristow Aviation Holdings Limited	4
Consolidated profit and loss account	5
Consolidated balance sheet	6
Company balance sheet	7
Consolidated cash flow statement	8
Consolidated statements of total recognised gains and losses	9
Reconciliations of movements in shareholders' funds	9
Notes	10

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

Principal activities

The principal activity of the Group 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 and overseas. In addition to our oil and gas helicopter services we also provide engineering and maintenance services and operate search and rescue helicopters for H.M. Coastguard.

Business review

Overall flight activity fell by 9.2% compared to last year, reflecting decreased operating activity in both the European and wider International geographical markets. Turnover decreased by 12.6% and direct operating costs decreased by 14%. These decreases are a result of reduction in flight activity, adverse exchange rate movements, and through greater cost efficiencies. The group operating profit margin increased to 10% from 9.7% in the prior year, however profit before tax as a percentage of the group and share of joint venture turnover fell from 9.4% in 2003 to 8.6% in 2004.

Demand for our helicopter services in 2004 has declined over 2003. In the North Sea our operations in support of oil and gas production have reduced reflecting a predicted general decline in North Sea activity and a more general global increase in the competitiveness within our market. International flight operations have been subdued, reflecting uncertainty and volatility in the prevailing geo-political climate. A series of restructuring initiatives were initiated in the later half of the year, designed to reduce costs and promote operational and managerial efficiencies going forward. The restructuring programme has resulted in significant reductions in staffing, and amendments to the group defined benefit pension plan as outlined in note 22. These changes are aimed at reducing operational costs whilst maintaining the focus on the quality and safety of services. This will enable the group to compete effectively and expand into new areas in the future.

Since the year-end the company has amended its share capital as outlined in note 24.

Results and dividends

The audited financial statements for the year ended 31 March 2004 are set out on pages 5 to 34. The Group loss for the year after taxation was £26,483,000 (2003: £20,138,000 as restated). The directors do not recommend the payment of a dividend.

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)
P N Buckley*	
J H Cartwright*	
H J Albert*	(resigned 15 October 2004)
W E Chiles	(appointed 15 October 2004)
R D Burman	(appointed 15 October 2004)

*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)*

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 £7,366 (2003: £7,153). No political contributions were made by the group during the year (2003: £nil).

Auditors

In accordance with Section 384 of the Companies Act 1985, 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
14 January 2005

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 year. 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 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 5 to 34.

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 4, 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 2004 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

24th January 2005

Consolidated profit and loss account
for the year ended 31 March 2004

	Note	2004 £000	2003 £000
Turnover: group and share of joint ventures		201,892	223,685
Less: share of joint ventures' turnover		(23,829)	(19,938)
Group turnover	2	178,063	203,747
Cost of sales		(155,794)	(180,481)
Gross profit		22,269	23,266
Administrative expenses		(12,274)	(11,870)
Group operating profit		9,995	11,396
Share of operating profit in			
Joint ventures		6,096	5,304
Associates		1,043	947
		7,139	6,251
Total operating profit:			
Group and share of joint ventures and associates		17,134	17,647
(Loss)/profit on disposal of fixed assets		(949)	2,079
Profit/(loss) on disposal of subsidiary undertaking		1,179	(1,854)
Investment income		20	66
Interest receivable and similar income			
Group		1,212	720
Associates		596	761
		1,808	1,481
Interest payable and similar charges			
Group	6	(37,305)	(31,726)
Joint ventures		(2,453)	(2,179)
Associates		(648)	(320)
		(40,406)	(34,225)
Loss on ordinary activities before taxation	3	(21,214)	(14,806)
Tax on loss on ordinary activities	7	(5,269)	(5,332)
Loss on ordinary activities after taxation	16	(26,483)	(20,138)
Minority interests	17	-	-
Retained loss for the year	16	(26,483)	(20,138)

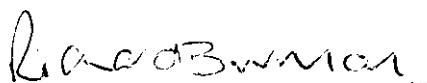
The turnover and loss for the year and the preceding year were derived wholly from continuing operations.

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 2004

	<i>Note</i>	£000	2004 £000	£000	2003 £000
Fixed assets					
Tangible assets	8		142,062		150,182
Investments	9		13,032		9,456
			<hr/>		<hr/>
			155,094		159,638
 Current assets					
Stocks	10	12,306		9,409	
Debtors – due within one year	11	70,819		70,942	
– due after one year	11	1,217		1,822	
Cash at bank and in hand		17,149		18,294	
		<hr/>		<hr/>	
		101,491		100,467	
Creditors: amounts falling due within one year	12	(280,054)		(255,945)	
		<hr/>		<hr/>	
Net current assets			(178,563)		(155,478)
			<hr/>		<hr/>
Total assets less current liabilities			(23,469)		4,160
 Creditors: amounts falling due after more than one year	13		(50,000)		(50,000)
 Provisions for liabilities and charges	14		(12,850)		(13,461)
			<hr/>		<hr/>
Net liabilities			(86,319)		(59,301)
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	15	10,000		10,000	
Profit and loss account	16	(96,397)		(69,423)	
		<hr/>		<hr/>	
Equity shareholders' funds			(86,397)		(59,423)
Minority interests	17		78		122
			<hr/>		<hr/>
			(86,319)		(59,301)
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 14 January 2005 and were signed on its behalf by:

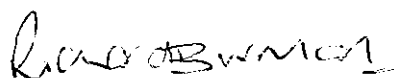


R D Burman
Director

Company balance sheet
at 31 March 2004

	<i>Note</i>	2004	2003
		£000	£000
Fixed assets			
Investments	9	101,000	101,000
Current assets			
Debtors – due within one year	11	-	109
– due after one year	11	50,000	50,000
		<u>50,000</u>	<u>50,109</u>
Creditors: amounts falling due within one year	12	(243,878)	(214,293)
		<u></u>	<u></u>
Net current assets		(193,878)	(164,184)
		<u></u>	<u></u>
Total assets less current liabilities		(92,878)	(63,184)
		<u></u>	<u></u>
Creditors: amounts falling due after more than one year	13	(50,000)	(50,000)
		<u></u>	<u></u>
Net liabilities		(142,878)	(113,184)
		<u></u>	<u></u>
Capital and reserves			
Called up share capital	15	10,000	10,000
Profit and loss account	16	(152,878)	(123,184)
		<u></u>	<u></u>
Equity shareholders' funds		(142,878)	(113,184)
		<u></u>	<u></u>

These financial statements were approved by the board of directors on 14 January 2005 and were signed on its behalf by:



R D Burman
Director

Consolidated cash flow statement
for the year ended 31 March 2004

	<i>Note</i>	2004 £000	2003 £000
Cash flow statement			
Cash flow from operating activities	18	25,225	27,112
Returns on investments and servicing of finance			
Interest received		1,022	563
Dividend received		20	66
Interest paid		(3,926)	(4,668)
		<hr/>	<hr/>
Net cash outflow from return on investments and servicing of finance		(2,884)	(4,039)
Taxation		(9,264)	(5,579)
Capital expenditure and financial investments			
Purchase of other unlisted investments		-	(58)
Purchase of tangible fixed assets		(5,897)	(8,257)
Sale of investments		97	-
Sale of tangible fixed assets		1,493	11,657
Loan to associated undertaking		(753)	(632)
		<hr/>	<hr/>
Net cash (outflow)/inflow from capital expenditure		(5,060)	2,710
Acquisitions and disposals			
Disposal of subsidiary undertakings		1,606	20
		<hr/>	<hr/>
Net cash inflow from acquisitions and disposals		1,606	20
		<hr/>	<hr/>
Net cash inflow before financing		9,623	20,224
Financing			
Short term loan		1,942	-
Loans to related parties		(7,825)	(6,304)
Settlement of bill of exchange		(2,813)	-
Repayment of loans from joint venture undertakings		-	(6,800)
		<hr/>	<hr/>
Net cash outflow from financing	19	(8,696)	(13,104)
		<hr/>	<hr/>
Increase in cash in the year	19	927	7,120
		<hr/> <hr/>	<hr/> <hr/>

Consolidated statements of total recognised gains and losses
for the year ended 31 March 2004

	Group 2004	2003	Company 2004	2003
	£000	£000	£000	£000
Loss for the financial year	(26,483)	(20,138)	(29,694)	(26,348)
Loss on foreign currency translation of reserves	(491)	(643)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total recognised gains and losses for the year	(26,974)	(20,781)	(29,694)	(26,348)
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Reconciliation of movements in shareholders' funds
for the year ended 31 March 2004

	Group 2004	2003	Company 2004	2003
	£000	£000	£000	£000
Loss for the financial year	(26,483)	(20,138)	(29,694)	(26,348)
Goodwill on businesses disposed of previously written off to reserves	-	103	-	-
Loss on foreign currency translation of reserves	(491)	(643)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net reduction in shareholders' funds	(26,974)	(20,678)	(29,694)	(26,348)
Opening shareholders' deficit	(59,423)	(38,745)	(113,184)	(86,836)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' deficit	(86,397)	(59,423)	(142,878)	(113,184)
	<hr/> <hr/>	<hr/> <hr/>	<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.

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 upon a going concern basis, despite the shareholders' deficit, as Offshore Logistics Inc have confirmed that it will seek to ensure that adequate resources will be made available to enable the group to meet its obligations as they fall due and in particular, for twelve months following the date on which the accounts are signed, that it will not seek repayment of the amounts owed to Offshore Logistics Inc 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 the 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 made up to 31 March 2004.

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 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.

Goodwill

Purchased goodwill both positive and negative arising on consolidation in respect of acquisitions before 1 April 1998, when Financial Reporting Standard 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 credited to reserves is £16,855,000 (2003: £16,855,000). This goodwill is regularly reviewed for impairment and any impairment is taken to the profit and loss account as an operating item.

Purchased goodwill representing the excess of the fair value of the consideration given and associated costs 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.

Notes (continued)

1 Accounting policies (continued)

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 machinery	-	3 to 10 years
Vehicles	-	3 to 5 years
Aircraft and rotatable spares	-	8 to 15 years

No depreciation is provided on freehold land.

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 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.

Notes (continued)

1 Accounting policies (continued)

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 Financial Reporting Standard 19.

Post retirement benefits

The group operates two pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the group. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

The Group also contributes to money purchase schemes. The amounts charged to the profit and loss account in respect of pension costs and other post retirement benefits equate to the contributions payable in the 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 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.

Notes (continued)

2 Turnover

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

Revenue is recognised when the related product or service is provided. In the case of goods, revenue is recognised when the good is despatched to fulfil a specific order. In the case of services, revenue is recognised when the work is performed. The treatment of long-term contracts is outlined in note 1.

No segmental reporting as required by Statement of Standard Accounting Practice 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 Loss on ordinary activities before taxation

	2004	2003
	£000	£000
<i>Loss on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation:		
Owned	11,199	15,213
Assets held under finance leases	309	320
Rentals paid under operating leases:		
Aircraft hire	7,418	9,709
Rental of properties	2,133	2,116
Hire of plant and machinery	112	80
Auditors' remuneration:		
Audit fee – group	137	129
Audit fee – company	12	4
Other services	10	80
Research and development expenditure	658	799
Amortisation of goodwill	162	162
Re-organisation expenses	2,206	-

Notes (continued)

4 Remuneration of directors

	2004 £000	2003 £000
Directors' emoluments	483	262
Amounts paid to third parties in respect of directors' services	-	59
Retirement benefits are accruing to the following number of directors under:		
	Number of directors 2004	2003
Money purchase schemes	1	1
Highest paid director	2004	2003
The above amounts include the following in respect of the highest paid director:	£000	£000
Emoluments	483	262

The amount paid into money purchase schemes in respect of the highest paid director at 31 March 2004 was £19,800 (2003: £19,440).

5 Staff numbers and costs

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

	Number of employees 2004	2003
Operating staff	1,660	1,794
Management and administration	205	204
	1,865	1,998

The aggregate payroll costs of these persons were as follows:

	2004 £000	2003 £000
Wages and salaries	56,610	58,100
Social security costs	4,659	3,726
Other pension costs	9,148	8,257
	70,417	70,083

Notes (continued)

6 Interest payable and similar charges

	2004 £000	2003 £000
On all other loans	33,060	29,889
Other interest and similar charges	440	24
Exchange on foreign currency balances (net)	3,805	1,813
	<u>37,305</u>	<u>31,726</u>

7 Taxation

Analysis of charge in year

	2004 £000	2003 £000
<i>UK corporation tax</i>		
Current tax on income for the year	3,528	5,171
Double taxation relief	(3,163)	(3,445)
	<u>365</u>	<u>1,726</u>
<i>Foreign tax</i>		
Current tax on income for the year	3,588	4,150
	<u>3,953</u>	<u>5,876</u>
Adjustments in respect of prior years		
UK corporation tax	(188)	398
Foreign tax	(29)	(331)
	<u>3,736</u>	<u>5,943</u>
Share of joint ventures tax	1,093	938
Share of associates tax	306	393
	<u>5,135</u>	<u>7,274</u>

Deferred taxation

Origination and reversal of timing differences – current year	218	(1,736)
Origination and reversal of timing differences – prior years	(84)	(180)
Effect of decrease in tax rate on opening liability	-	(26)
	<u>134</u>	<u>(1,942)</u>
Total deferred tax		
	<u>134</u>	<u>(1,942)</u>
Total tax on loss on ordinary activities	<u>5,269</u>	<u>5,332</u>

Notes (continued)

7 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:

	2004 £000	2003 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(21,214)	(14,806)
	<hr/>	<hr/>
Current tax at 30 % (2003: 30%)	(6,364)	(4,442)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	11,438	10,558
Capital allowances for period in excess of depreciation	(16)	313
Statement of Standard Accounting Practice 24 charge in excess of pension contributions paid	(204)	1,003
Other timing differences	(2)	420
Utilisation of tax losses	(2)	(611)
Tax rate differentials on overseas earnings	(63)	(85)
Adjustments to tax charge in respect of previous years	(217)	67
Unrelieved overseas tax	565	51
	<hr/>	<hr/>
Total current tax charge	5,135	7,274
	<hr/>	<hr/>

Notes (continued)

8 Tangible fixed assets

	Land and buildings	Aircraft	Plant and equipment	Assets in course of construction	Total
	£000	£000	£000	£000	£000
Group					
<i>Cost</i>					
At beginning of year	12,740	195,620	57,437	269	266,066
Exchange adjustments	(58)	-	(98)	-	(156)
Additions	136	3,871	1,890	-	5,897
Disposals	(1,142)	(4,523)	(706)	-	(6,371)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	11,676	194,968	58,523	269	265,436
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At beginning of year	8,719	59,722	47,443	-	115,884
Exchange adjustments	(15)	-	(84)	-	(99)
Charge for year	249	9,033	2,226	-	11,508
On disposals	(811)	(2,449)	(659)	-	(3,919)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	8,142	66,306	48,926	-	123,374
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 March 2004	3,534	128,662	9,597	269	142,062
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	4,021	135,898	9,994	269	150,182
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of aircraft at 31 March 2004 includes £2,167,887 (2003: £2,477,415) in respect of aircraft acquired under finance leases and hire purchase contracts. Aircraft depreciation for the year to 31 March 2004 includes £309,528 (2003: £319,500) relating to these aircraft.

The net book value of aircraft held by Bristow as lessor for use in operating leases was £128,662,000 (2003: £135,898,000). The depreciation charge for the year in respect of these assets was £9,033,000 (2003: £15,533,000).

Notes (continued)

8 Tangible fixed assets (continued)

Further analysis of land and buildings:

Group	Freehold £000	Long leasehold £000	Short leasehold £000	Total land & buildings £000
Cost				
At beginning of year	1,685	1,331	9,724	12,740
Exchange adjustments	74	-	(132)	(58)
Additions	2	-	134	136
Disposals	(217)	-	(925)	(1,142)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,544	1,331	8,801	11,676
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	445	365	7,909	8,719
Re-classification	(34)	-	34	-
Exchange adjustments	18	-	(33)	(15)
Charge for year	39	14	196	249
On disposals	(89)	-	(722)	(811)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	379	379	7,384	8,142
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2004	1,165	952	1,417	3,534
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	1,240	966	1,815	4,021
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

9 Fixed asset investments

	Joint venture shares £000	Joint venture goodwill £000	Associate shares £000	Associate Loans £000	Other unlisted investments £000	Total £000
Group						
Cost						
At beginning of year	3,635	2,231	2,552	1,324	1,454	11,196
Exchange	-	-	(93)	(149)	-	(242)
Additions	-	-	-	753	-	753
Disposals	-	-	-	-	(88)	(88)
Share of current year retained profits	2,550	-	686	-	-	3,236
Interest	-	-	-	79	-	79
At end of year	6,185	2,231	3,145	2,007	1,366	14,934
Provisions/amortisation						
At beginning of year	-	784	-	-	956	1,740
Amortisation charged in year	-	162	-	-	-	162
At end of year	-	946	-	-	956	1,902
Net book value						
At 31 March 2004	6,185	1,285	3,145	2,007	410	13,032
At 31 March 2003	3,635	1,447	2,552	1,324	498	9,456

Investment in joint ventures shares comprises the cost of shares of £1,728,000, plus the group's share of post-acquisition reserves of £4,457,000. Positive goodwill of £2,231,000 relating to an 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 post-acquisition reserves of £1,969,000. Goodwill of £516,025 has previously been written off to reserves relating to an acquisition prior to 1998.

Notes (continued)

9 Fixed asset investments (continued)

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

	2004 £000	2003 £000
Turnover	23,829	19,938
Profit before tax	3,643	3,124
Taxation	(1,093)	(938)
Profit after tax	2,550	2,186
Fixed assets	24,933	26,468
Current assets	28,645	24,254
Share of gross assets	53,578	50,722
Liabilities due within one year	(4,978)	(14,126)
Liabilities due after one year	(42,415)	(32,961)
Share of gross liabilities	(47,393)	(47,087)
	6,185	3,635

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

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

The principal subsidiary, joint venture and associated undertakings at 31 March 2004 are shown in note 25.

10 Stocks

Group	2004 £000	2003 £000
Raw materials and consumables	11,467	8,237
Work in progress	839	1,172
	12,306	9,409

Notes (continued)

11 Debtors

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Amounts due within one year				
Trade debtors	34,660	42,301	-	-
Amounts due from joint venture undertakings	2,761	363	-	-
Amounts due from associated undertakings	1,588	1,322	-	-
Other debtors	12,598	7,566	-	-
Prepayments and accrued income	19,212	19,390	-	109
	<u>70,819</u>	<u>70,942</u>	<u>-</u>	<u>109</u>
Amounts due after one year				
Unsecured loan to subsidiary undertaking	-	-	50,000	50,000
Other debtors	1,217	1,822	-	-
	<u>72,036</u>	<u>72,764</u>	<u>50,000</u>	<u>50,109</u>

The unsecured loan to the subsidiary undertaking is at an interest rate of 8.335% and is repayable in full on 15 January 2008.

12 Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Unsecured subordinated loan stock 13.5%	235,902	206,937	235,902	206,937
Trade creditors	13,133	14,987	-	-
Amounts owed to subsidiary undertakings	-	-	2,310	1,931
Amounts owed to associated undertakings	-	70	-	-
Corporation tax	4,222	10,325	-	-
Taxation and social security	1,694	1,519	-	-
Other creditors	6,733	7,328	4,886	4,528
Accruals and deferred income	18,370	14,779	780	897
	<u>280,054</u>	<u>255,945</u>	<u>243,878</u>	<u>214,293</u>

The unsecured subordinated loan stock 13.5% has no scheduled date for repayment.

Notes (continued)

13 Creditors: amounts falling due after more than one year

	Group 2004 £000	2003 £000	Company 2004 £000	2003 £000
Unsecured loan 8.335%	50,000	50,000	50,000	50,000

The unsecured loan 8.335% is repayable in full on 15 January 2008.

14 Provisions for liabilities and charges

	Pension £000	Deferred taxation £000	Total £000
Group			
At beginning of year	4,686	8,775	13,461
Movement in provision (credited)/charged to the profit and loss account for the year	(745)	134	(611)
At end of year	3,941	8,909	12,850

Deferred tax is provided as follows:

	2004 Provided £000	2003 Provided £000
Accelerated capital allowances	9,764	9,832
Statement of Standard Accounting Practice 24 charge in excess of pension contributions paid	(1,194)	(1,398)
Other timing differences	339	341
Undiscounted provision for deferred tax	8,909	8,775

15 Called up share capital

	2004 £000	2003 £000
<i>Authorised, issued and fully paid</i>		
4,600,000 'A' Ordinary shares of £1 each (2003: 4,900,000 'A' Ordinary shares of £1 each)	4,600	4,900
4,900,000 'B' Ordinary shares of £1 each	4,900	4,900
500,000 'C' Ordinary shares of £1 each (2003: 200,000 'C' Ordinary shares of £1 each)	500	200
	10,000	10,000

The 'A', 'B' and 'C' ordinary shares rank pari-passu in the event of the winding up of the company. The shares carry equal dividend rights. The 'A' and 'B' shares carry equal voting rights, at 0.7653 votes per £1 share. The 'C' shares carry voting rights at 12.5 votes per £1 share.

Notes (continued)

15 Called up share capital (continued)

The holders of 'A' and 'C' shares have a 'put' option allowing them to require the holders of the 'B' shares, or an EU national acceptable to the holders of the 'B' 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' shares have a 'call' option to enable them, or a related party or nominated EU national, to acquire the 'A' and 'C' 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 license within the group is not jeopardised by a share transfer.

In March 2004 the holders of 300,000 'A' shares transferred their ownership to a holder of 'C' shares. Under the Articles of Association the 'A' shares were re-designated as 'C' shares.

16 Reserves

Group	Profit and loss account £000
At beginning of year	(69,423)
Goodwill, previously eliminated to reserves, recognised upon the disposal of a subsidiary	-
Loss for year	(26,483)
Exchange adjustments	(491)
	<hr/>
At end of year	(96,397)
	<hr/>
Company	Profit and loss account £000
At beginning of year	(123,184)
Loss for year	(29,694)
	<hr/>
At end of year	(152,878)
	<hr/>

17 Minority interests

	Equity £000
At beginning of year	122
Acquisition of minority interest shareholding	(44)
	<hr/>
At end of year	78
	<hr/>

Notes (continued)

18 Reconciliation of operating profit to operating cash flows

Group	2004 £000	2003 £000
Group operating profit	9,995	11,396
Depreciation	11,508	15,533
Increase in stocks	(2,897)	(378)
Decrease in debtors	6,229	8,216
Increase/(decrease) in creditors	228	(7,817)
Goodwill amortisation	162	162
Net cash inflow from operating activities	25,225	27,112

19 Reconciliation of net cash flow to movement in net debt

Group	2004 £000	2003 £000
Increase in cash in the year	927	7,120
Cash outflow from financing	8,696	13,104
Changes in net debt resulting from cash flows	9,623	20,224
Interest accrued on loan balances	(28,965)	(25,342)
Exchange losses	(1,990)	(97)
Movement in net debt in the year	(21,332)	(5,215)
Net debt at beginning of year	(241,444)	(236,229)
Net debt at end of year	(262,776)	(241,444)

20 Analysis of net debt

	At beginning of year £000	Cash flow £000	Other non-cash changes £000	At end of Year £000
Cash in hand, at bank	18,294	927	(2,072)	17,149
Debt due within one year	(209,738)	8,696	(28,883)	(229,925)
Debt due after one year	(50,000)	-	-	(50,000)
	(259,738)	8,696	(28,883)	(279,925)
Total	(241,444)	9,623	(30,955)	(262,776)

Notes (continued)

21 Contingent liabilities

The company is party to bank agreements guaranteeing the obligations of the company 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, revolving credit and guarantee facilities, provided to the company and its subsidiary undertakings by its principal bankers.

On 31 March 2004 the potential amount due from Bristow Aviation Holdings Limited and its subsidiary undertakings to National Westminster Bank Plc under revolving credit and guarantee facilities was £1.5m (2003: £3.5m).

22 Pensions

Defined benefit schemes

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.

Up until 1 February 2004 the schemes were funded by both employee contributions and group contributions. The group funding of each scheme was determined by a qualified actuary. Employee members could contribute up to 9.5% of pensionable salary and could pay additional voluntary contributions to provide additional benefits. The benefits were based on the employee's annualised average of the last three years' pensionable salaries. The employer contribution rate for the schemes in 2003 up until 1 February 2004 was 19% of pensionable earnings.

On 13 June 2003 the Staff Scheme actuary issued a Failure Certificate stating that the rates of contributions payable were not adequate to meet the Minimum Funding Requirement (MFR). A review of the MFR funding position as at 1 April 2003 had been undertaken by the Scheme Actuary who concluded that the Scheme was under-funded by 21% on the MFR basis and there was a past service deficit of £31.6m as at 1 April 2003. The Board of Directors of Bristow and the Trustees of the Bristow Staff Pension Scheme, following consultation with active Scheme members, trade unions and participating employees, agreed changes to the Scheme on 22 December 2003 which took effect from 1 February 2004. From this date employees ceased to accrue defined benefit entitlements in respect of future service, and instead became eligible to receive an employer contribution into a defined contribution section within the scheme. Scheme members could remain in the scheme and accrue benefits under this defined contribution section of the Scheme or transfer out of the Scheme. For those members who have stayed in the Scheme group contributions into the defined contribution section of the Scheme were being made at a rate of 5%. On 7 December 2004 it was announced that group contributions into the defined contribution element of the scheme were to be increased to 7%, effective from 1 January 2005, if employees contribute up to the same level themselves.

Similar changes have been made to the Expatriate Scheme.

The latest actuarial valuation of the Staff Scheme was at 31 March 2001, which showed a market value of the scheme's assets of £152.6m. The valuation gave rise to a past service deficit of £12.6m corresponding to a funding ratio of 92%. The next actuarial valuation of the Staff Scheme is for 31 March 2004. The report for this valuation is expected to be published in late January 2005.

The effect of stock market falls since the last formal actuarial valuation in March 2001 has prompted the company to consider whether the charges under Statement of Standard Accounting Practice 24, based on the March 2001 valuation, were sufficient. On the basis of actuarial advice the company has, pending a more detailed formal review of the Staff Scheme's funding position, made an additional charge of £4,707,778 (2003: £3,300,000) in the financial statements representing the excess of a revised Statement of Standard Accounting Practice 24 charge over contributions paid to the scheme for the year.

The charge for providing pension benefits under the defined benefit pensions for the year to 31 March 2004, based on the 31 March 2001 valuation was £7,884,666 (2003: £7,320,796). The charge for providing pension benefits

Notes (continued)

22 Pensions (continued)

under the defined contribution element for these schemes was £442,520 (2003: £236,292). Group contributions are charged to the profit and loss account so as to spread the cost of employee pensions over their working lives with the company.

There was a provision of £3,941,000 (2003: £4,686,000) in the balance sheet representing the difference between the amount charged in the profit and loss account and the amount paid into the pension schemes.

Financial Reporting Standard 17 'Retirement benefits'

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', under Financial Reporting Standard 17 'Retirement benefits' the following transitional disclosures are required:

The valuations were updated by the actuary on an Financial Reporting Standard 17 basis as at 31 March 2004, 31 March 2003 and 31 March 2002.

The major assumptions used in the valuations were:

	2004	2003	2002
Inflation rate	2.60%	2.25%	2.50%
Rate of increase in pensionable salary *	2.60%	2.25%	2.50%
Rate of increase of pensions in payment**	2.60%	2.25%	2.50%
Rate of increase for deferred pensioners**	2.60%	2.25%	2.50%
Discount rate	5.50%	5.50%	6.00%

Note

* reflecting the Scheme amendments with effect from 31 March 2003

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

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.

Scheme assets

The market value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

Market value of schemes' assets and expected rate of return on assets:

At 31 March 2004	Expected rate of return 2004	Staff value at 2004 £000	Expatriate value at 2004 £000	Total 2004 £000
Equities	8.2%	92,999	2,320	95,319
Bonds	5.0%	54,482	580	55,062
Other – Property	4.0%	1,930	-	1,930
Total value of assets		149,411	2,900	152,311

Notes (continued)

22 Pensions (continued)

At 31 March 2003	Expected rate of return 2003	Staff value at 2003 £000	Expatriate value at 2003 £000	Total 2003 £000
Equities	8.5%	77,216	1,718	78,934
Bonds	5.0%	41,990	457	42,447
Other – Property	4.25%	2,719	-	2,719
Total value of assets		121,925	2,175	124,100

At 31 March 2002	Expected rate of return 2002	Staff value at 2002 £000	Expatriate value at 2002 £000	Total 2002 £000
Equities	8.0%	104,931	2,372	107,303
Bonds	5.5%	43,109	533	43,642
Other – Property	4.5%	2,389	-	2,389
Total value of assets		150,429	2,905	153,334

If Financial Reporting Standard 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of amounts charged to operating profit:

		Staff 2004 £000	Expatriate 2004 £000	Total 2004 £000
Current service cost	a.	3,105	244	3,349
Past service cost	b.	-	-	-
Previously unrecognised surplus deducted from past service cost	c.	-	-	-
Total charged to operating profit	d.	3,105	244	3,349

Analysis of other amounts charged to the profit and loss account:

		Staff 2004 £000	Expatriate 2004 £000	Total 2004 £000
(Gain)/loss on settlements	e.	-	-	-
Previously unrecognised surplus deducted from the settlement loss	f.	-	-	-
Loss on curtailments	g.	450	-	450
Previously unrecognised surplus deducted from curtailment loss	h.	-	-	-
Net loss charged to profit and loss account	i.	450	-	450

Notes (continued)

22 Pensions (continued)

Analysis of amount included in other finance income:

		Staff 2004 £000	Expatriate 2004 £000	Total 2004 £000
Interest on pension scheme liabilities	j.	10,098	153	10,251
Expected return on assets in the pension scheme	k.	(8,753)	(178)	(8,931)
		<hr/>	<hr/>	<hr/>
Net charge/(credit) to other finance income	l.	1,345	(25)	1,320
		<hr/>	<hr/>	<hr/>

Total profit and loss charge:

		Staff 2004 £000	Expatriate 2004 £000	Total 2004 £000
Total profit and loss charge before deduction for tax	(d+i+l)	4,900	219	5,119
		<hr/>	<hr/>	<hr/>

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

		Staff 2004 £000	Expatriate 2004 £000	Total 2004 £000
Gain on assets	m.	(15,850)	(227)	(16,077)
Experience gain on liabilities	n.	(1,278)	(170)	(1,448)
Loss on change of assumptions (financial and demographic)	o.	11,000	33	11,033
Currency (gain)/loss	p.	-	-	-
		<hr/>	<hr/>	<hr/>
Total gain recognised in statement of total recognised gains and losses before adjustment for taxes	q.	(6,128)	(364)	(6,492)
		<hr/>	<hr/>	<hr/>

Analysis of amounts charged to operating profit:

		Staff 2003 £000	Expatriate 2003 £000	Total 2003 £000
Current service cost	a.	3,540	163	3,703
Past service cost	b.	-	-	-
Previously unrecognised surplus deducted from past service cost	c.	-	-	-
		<hr/>	<hr/>	<hr/>
Total charged to operating profit	d.	3,540	163	3,703
		<hr/>	<hr/>	<hr/>

Notes (continued)

22 Pensions (continued)

Analysis of other amounts charged to the profit and loss account:

		Staff 2003 £000	Expatriate 2003 £000	Total 2003 £000
(Gain)/loss on settlements	e.	-	-	-
Previously unrecognised surplus deducted from the settlement loss	f.	-	-	-
(Gain)/loss on curtailment	g.	-	-	-
Previously unrecognised surplus deducted from curtailment loss	h.	-	-	-
		<hr/>	<hr/>	<hr/>
Net (gain)/loss charged to profit and loss account	i.	-	-	-
		<hr/>	<hr/>	<hr/>

Analysis of amounts included in other finance income:

		Staff 2003 £000	Expatriate 2003 £000	Total 2003 £000
Interest on pension scheme liabilities	j.	10,179	264	10,443
Expected return on assets in the pension scheme	k.	(10,862)	(225)	(11,087)
		<hr/>	<hr/>	<hr/>
Net (charge)/credit to other finance income	l.	(683)	39	(644)
		<hr/>	<hr/>	<hr/>

Total profit and loss charge:

		Staff 2003 £000	Expatriate 2003 £000	Total 2003 £000
Total profit and loss charge before deduction for tax	(d+i+l)	2,857	202	3,059
		<hr/>	<hr/>	<hr/>

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

		Staff 2003 £000	Expatriate 2003 £000	Total 2003 £000
Loss on assets	m.	37,803	963	38,766
Experience gain on liabilities	n.	(981)	(771)	(1,752)
Loss/(gain) on change of assumptions (financial and demographic)	o.	9,100	(800)	8,300
Currency (gain)/loss	p.	-	-	-
		<hr/>	<hr/>	<hr/>
Total loss/(gain) recognised in statement of total recognised gains and losses before adjustment for taxes	q.	45,922	(608)	45,314
		<hr/>	<hr/>	<hr/>

Notes (continued)

22 Pensions (continued)

History of experience gains and losses:

	Staff 2004 £000	Expatriate 2004 £000	Total 2004 £000
Gain on assets	(15,850)	(227)	(16,077)
% of scheme assets at end of year	10.6%	7.8%	10.6%
Experience gain on liabilities	(1,278)	(170)	(1,448)
% of scheme liabilities at end of year	0.6%	5.3%	0.7%
Total actuarial gain recognised in statement of total recognised gains and losses	(6,128)	(364)	(6,492)
% of scheme liabilities at end of year	3.0%	11.4%	3.1%

History of experience gains and losses:

	Staff 2003 £000	Expatriate 2003 £000	Total 2003 £000
Loss on assets	37,803	963	38,766
% of scheme assets at end of year	31.0%	44.2%	31.2%
Experience gain on liabilities	(981)	(771)	(1,752)
% of scheme liabilities at end of year	0.5%	26.6%	0.9%
Total actuarial loss/(gain) recognised in statement of total recognised gains and losses	45,922	(608)	45,314
% of scheme liabilities at end of year	24.6%	21.0%	23.9%

Reconciliation to the year-end balance sheet:

		Staff 2004 £000	Expatriate 2004 £000	Total 2004 £000
Market value of scheme assets	a.	149,411	2,900	152,311
Actuarial value of scheme liabilities	b.	(204,200)	(3,200)	(207,400)
Deficit in the plan	c.	(54,789)	(300)	(55,089)
		Staff 2003 £000	Expatriate 2003 £000	Total 2003 £000
Market value of scheme assets	a.	121,925	2,175	124,100
Actuarial value of scheme liabilities	b.	(186,600)	(2,900)	(189,500)
Deficit in the plan	c.	(64,675)	(725)	(65,400)

Notes (continued)

22 Pensions (continued)

Reconciliation to the year-end balance sheet (continued):

	Staff 2002 £000	Expatriate 2002 £000	Total 2002 £000
Market value of scheme assets	a. 150,429	2,905	153,334
Actuarial value of scheme liabilities	b. (170,142)	(4,325)	(174,467)
Deficit in the plan	c. (19,713)	(1,420)	(21,133)

Analysis of the movement in the deficit in the Schemes during the year:

	Staff 2004 £000	Expatriate 2004 £000	Total 2004 £000
Deficit in the scheme at the beginning of the year	(64,675)	(725)	(65,400)
Contributions paid	8,658	280	8,938
Current service cost	(3,105)	(244)	(3,349)
Past service cost	-	-	-
Settlement cost	-	-	-
Curtailment cost	(450)	-	(450)
Other finance (charge)/income	(1,345)	25	(1,320)
Actuarial gain	6,128	364	6,492
Deficit in scheme at the end of the year	(54,789)	(300)	(55,089)

	Staff 2003 £000	Expatriate 2003 £000	Total 2003 £000
Deficit in the plan at the beginning of the year	(19,713)	(1,420)	(21,133)
Contributions paid	3,817	289	4,106
Current service cost	(3,540)	(163)	(3,703)
Past service cost	-	-	-
Settlement cost	-	-	-
Curtailment cost	-	-	-
Other finance income/(charge)	683	(39)	644
Actuarial (loss)/gain	(45,922)	608	(45,314)
Deficit in plan at the end of the year	(64,675)	(725)	(65,400)

The Staff Scheme and Expatriate Scheme are both closed to new entrants and the age distribution of both schemes can therefore be expected to increase. It therefore follows that, all other things being equal, the cost of benefit accrual measured under Financial Reporting Standard 17 will be expected to increase as the members of the schemes approach retirement.

Notes (continued)

22 Pensions (continued)

Defined contribution scheme

For UK staff who commenced employment after 31 December 1997, the Group contributed 4% (5% for pilots) of the employee base salary into a defined contribution pension scheme operated by a private insurance company. The Group also provides a stakeholder pension plan for its members. The charge for providing pension benefits for the Group Personal Pension Plan was £178,985 (2003: £160,553).

On 7 December 2004 it was announced that group contributions into the defined contribution element of the scheme are to be increased to 7%, with effect from 1 January 2005, if employees contribute up to the same level themselves.

Other overseas employees pension contributions, under defined contribution schemes amounted to £642,051 (2003 £540,250).

23 Commitments

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

Group	2004 £000	2003 £000
Contracted	21,195	485

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

	2004 Land and buildings £000	Plant & machinery £000	2003 Land and buildings £000	Plant & machinery £000
Operating leases which expire:				
Within one year	-	-	129	-
In the second to fifth years inclusive	-	6,024	50	6,041
Over five years	724	-	753	399
	<u>724</u>	<u>6,024</u>	<u>932</u>	<u>6,440</u>

24 Post balance sheet events

In May 2004 the authorised share capital of the company was increased from £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 used to initiate a buy back of ordinary shares, at par. The buy back comprised 3,680,000 'A' shares, 3,920,000 'B' shares and 400,000 'C' shares, totalling £8m.

New Articles of Association were issued, and the rights of each class of share varied, as follows. The 'A', 'B' and 'C' shares carry equal dividend rights, whilst the deferred shares carry no dividend rights. The 'A' and 'B' shares carry equal voting rights at 0.7894 votes per £1 share, the 'C' shares carry voting rights at 5 votes per £1 share, and the deferred shares carry no voting rights. All shares rank pari-passu in the event of the winding up of the company. The put and call option rights and restriction on transfer of shares, outlined in note 15, remain unchanged.

Notes (continued)

25 Principal subsidiary, joint venture and associated undertakings

	Class	% held
Subsidiary undertakings		
Bristow Helicopter Group Limited	Ordinary	100
	Deferred	100
Bristow Helicopters Limited*	Ordinary	100
	5% non-cumulative preference	100
Bristow Technical Services Limited*	Ordinary	100
Bristow Helicopters (International) Limited*	Ordinary	100
	Preference	100
Bristow Helicopters Australia Pty Ltd*	Ordinary	49
British Executive Air Services Limited*	Ordinary	100
British Island Airways (Guernsey) Limited	Ordinary	-
Caledonian Helicopters Limited*	Ordinary	100
United Helicopters Limited	Ordinary	100
Bristow Caribbean Limited*	Ordinary	40
Associated undertakings		
Norsk Helikopter A.S.*	Ordinary	49
Joint venture undertakings		
FBS Limited*	Ordinary	50
FBH Limited*	Ordinary	50
FB Leasing Limited*	Ordinary	50

* Indicates entities held indirectly.

All companies in the Group provide services connected with air transport or associated activities. Bristow Helicopters Australia Pty Limited, British Island Airways (Guernsey) Limited and Bristow Caribbean Limited have been treated as subsidiary undertakings due to the dominant influence of the Group over the operating and financial policies of those companies. All of the 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)

26 Related party transactions

a) Transactions with joint venture and associated undertakings

	2004 £000	2003 £000
Sales to joint ventures in respect of aircraft rental and related services	2,553	3,017
Sales to associated undertakings in respect of aircraft rental and related services	8,180	9,354
Purchases from associated undertakings in respect of aircraft rental and related services	49	-
Interest payable by group to joint venture on loan charged at commercial rates	-	82
Loans to associated undertakings	2,007	1,324
Interest receivable from associated undertakings on loans charged at commercial rates	79	48
Other amounts receivable from joint ventures	2,761	363
Other amounts receivable from associated undertakings	1,588	1,322

b) Transactions with other related parties

	2004 £000	2003 £000
Purchases from Offshore Logistics, Inc. in respect of aircraft rental and related services	10,729	12,139
- unsecured loan 8.335%	4,093	4,464
- unsecured subordinated loan stock 13.5%	28,966	25,343
Management fees payable to Offshore Logistics, Inc.	358	500
Management fees payable to Caledonia Industrial and Services Limited	360	500
Sales to Offshore Logistics, Inc. in respect of aircraft rental and related services	3,084	3,244
Interest receivable from Offshore Logistics, Inc. on:		
- debtors	126	162
Amounts due to Offshore Logistics, Inc.		
- management fees	4,885	4,527
- unsecured loan 8.335%	50,000	50,000
- unsecured subordinated loan stock 13.5% including interest	235,902	206,937
- trade creditors	2,761	1,469
- interest on unsecured loan 8.335%	780	897
Amounts due from Offshore Logistics, Inc.		
- debtors	2,677	3,270
Loan to Offshore logistics, Inc.	13,259	6,348
Interest receivable from Offshore logistics, Inc on loans charged at commercial rates	502	132

Offshore Logistics, Inc. owns 49% of the share capital of Bristow Aviation Holdings Limited.
Caledonia Investments Plc owns 49% of the share capital of Bristow Aviation Holdings Limited.