CHC Group Ltd.
Form 10-Q
March 14, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended January 31, 2014

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission File Number: 001-36261

CHC Group Ltd.
(Exact name of registrant as specified in its charter)

Luxembourg	98-0587405
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

190 Elgin Avenue
George Town
Grand Cayman, KY1-9005
Cayman Islands
(Address of principal executive offices, zip code)
(604) 276-7500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ¨ No x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of January 31, 2014, there were 77,519,484 ordinary shares outstanding.

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CHC GROUP LTD.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED
January 31, 2014
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PART I—FINANCIAL INFORMATION

TRADEMARKS

CHC Helicopter and the CHC Helicopter logo are trademarks of CHC Capital (Barbados) Ltd, a wholly owned subsidiary of CHC Group Ltd. All other trademarks and service marks appearing in this Quarterly Report on Form 10-Q are the property of their respective holders. The absence of a trademark or service mark or logo from this Quarterly Report on Form 10-Q does not constitute a waiver of trademark or other intellectual property rights of CHC Group Ltd., its subsidiaries, affiliates, licensors or any other persons.

GLOSSARY

Deepwater	Water depths of approximately 4,500 feet to 7,499 feet.
Embedded equity	Embedded equity, an intangible asset, represents the amount by which the estimated market value of a leased helicopter exceeded the leased helicopter purchase option price at September 16, 2008, the acquisition date of the predecessor of our indirect subsidiary by First Reserve Management, L.P. (or First Reserve). Embedded equity is assessed on an ongoing basis for impairment. Impairment, if any, is recognized in the consolidated statements of operations.
EMS	Emergency medical services.
Heavy helicopter	A category of twin-engine helicopters that requires two pilots, can accommodate 16 to 26 passengers and can operate under instrument flight rules, which allow daytime and nighttime flying in a variety of weather conditions. The greater passenger capacity, larger cabin, longer flight range, and ability to operate in adverse weather conditions make heavy helicopters more suitable than single engine helicopters for offshore support. Heavy helicopters are generally utilized to support the oil and gas sector, construction and forestry industries and SAR and EMS customer requirements.
Average HE count	Our heavy and medium helicopters, including owned and leased, are weighted at 100% and 50%, respectively, to arrive at a single HE count, excluding helicopters that are expected to be retired from the fleet. The average HE count for a period is calculated using a weighed average of the HE count for the beginning and end of each quarter included in that period.
HE Rate	The Heavy Equivalent Rate, or the HE Rate, is the third-party operating revenue from the Helicopter Services segment (excluding reimbursable revenue) divided by a weighted average factor corresponding to the number of heavy and medium helicopters in our fleet.
Long-term contracts	Contracts of three years or longer in duration.
Medium helicopter	A category of twin-engine helicopters that generally requires two pilots, can accommodate eight to 15 passengers and can operate under instrument flight rules, which allow daytime and nighttime flying in a variety of weather conditions. The greater passenger capacity, longer flight range, and ability to operate in adverse weather conditions make medium helicopters more suitable than single engine helicopters for offshore support. Medium helicopters are generally utilized to support the oil and gas sector, construction and forestry industries and SAR and EMS customer bases in certain jurisdictions. Medium helicopters can also be used to support the utility and mining sectors, as well as certain parts of the construction and forestry industries, where transporting a smaller number of passengers or carrying light loads over shorter distances is required.
MRO	Maintenance, repair and overhaul.
New technology	When used herein to classify our helicopters, a category of higher-value, recently produced, more sophisticated and more comfortable helicopters, including Airbus Helicopters (formerly Eurocopter) EC225, EC135, EC145 and EC155; Agusta's AW139; and Sikorsky' S76C+, S76C++ and S92A.
OEM	Original equipment manufacturer.
PBH	

	Power-by-the-hour. A program where a helicopter operator pays a fee per flight hour to an MRO provider as compensation for repair and overhaul components required in order for the helicopter to maintain an airworthy condition.
Rotables	Helicopter parts that can be repaired and reused such that they typically have an expected life approximately equal to the helicopters they support.
SAR	Search and rescue.
Ultra-deepwater	Water depths of approximately 7,500 feet or more.

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ITEM 1. FINANCIAL STATEMENTS
CHC Group Ltd.
Consolidated Balance Sheets
(Expressed in thousands of United States dollars except share information)
(Unaudited)

	April 30, 2013	January 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$123,801	$417,145
Receivables, net of allowance for doubtful accounts of $4.3 million and $2.6 million, respectively	317,302	267,461
Income taxes receivable	25,871	25,003
Deferred income tax assets	49	79
Inventories (note 5)	105,794	124,564
Prepaid expenses	22,219	28,502
Other assets (note 6)	56,083	49,571
	651,119	912,325
Property and equipment, net (note 3)	1,075,254	1,039,212
Investments	26,896	30,817
Intangible assets (note 7)	197,810	179,746
Goodwill	430,462	424,502
Restricted cash	29,639	22,689
Other assets (note 6)	439,789	547,150
Deferred income tax assets	10,752	10,782
Assets held for sale (note 4)	32,047	32,637
	$2,893,768	$3,199,860
Liabilities and Shareholders' Equity		
Current liabilities:		
Payables and accruals	$420,406	$375,648
Deferred revenue	27,652	31,855
Income taxes payable	48,073	45,627
Deferred income tax liabilities	618	522
Current facility secured by accounts receivable (note 2)	53,512	46,876
Other liabilities (note 8)	47,791	29,300
Current portion of long-term debt obligations (note 9)	2,138	132,792
	600,190	662,620
Long-term debt obligations (note 9)	1,475,087	1,545,761
Deferred revenue	55,990	79,835
Other liabilities (note 8)	246,455	279,939
Deferred income tax liabilities	10,627	10,168
Total liabilities	2,388,349	2,578,323
Redeemable non-controlling interest (note 2)	(8,262)	(5,612)
Capital stock: Par value $0.0001 (note 11):		
Authorized: 2,000,000,000		
Issued: 46,519,484 and 77,519,484	5	8
Contributed surplus (notes 11 and 21)	1,696,066	2,007,445
Deficit	(1,092,555)	(1,241,879)

Accumulated other comprehensive loss	(89,835)	(138,425)
	513,681	627,149
	$2,893,768	$3,199,860

See accompanying notes to interim consolidated financial statements.
See table in Note 2(a)(i) for certain amounts included in the Consolidated Balance Sheets related to variable interest entities.

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CHC Group Ltd.
Consolidated Statements of Operations
(Expressed in thousands of United States dollars except share information)
(Unaudited)

	Three months ended		Nine months ended	
	January 31, 2013	January 31, 2014	January 31, 2013	January 31, 2014
Revenue	$441,839	$453,894	$1,304,694	$1,312,197
Operating expenses:				
Direct costs	(355,645)	(378,013)	(1,053,129)	(1,092,913)
Earnings from equity accounted investees	850	2,072	2,687	5,990
General and administration costs	(18,729)	(39,182)	(56,299)	(77,839)
Depreciation	(28,701)	(35,407)	(84,646)	(106,158)
Restructuring costs	(4,890)	—	(8,617)	—
Asset impairments (notes 3, 4, 6 and 7)	(7,813)	58	(24,218)	(22,956)
Gain (loss) on disposal of assets	(4,402)	2,478	(9,019)	(1,943)
	(419,330)	(447,994)	(1,233,241)	(1,295,819)
Operating income	22,509	5,900	71,453	16,378
Interest on long-term debt	(33,991)	(39,782)	(93,949)	(117,636)
Foreign exchange gain (loss)	3,731	(11,573)	6,982	(24,476)
Other financing charges (note 10)	(10,852)	(5,730)	(22,435)	(1,615)
Loss from continuing operations before income tax	(18,603)	(51,185)	(37,949)	(127,349)
Income tax expense (note 12)	(44,303)	(6,689)	(50,606)	(17,489)
Loss from continuing operations	(62,906)	(57,874)	(88,555)	(144,838)
Earnings from discontinued operations, net of tax	212	—	1,024	—
Net loss	$(62,694)	$(57,874)	$(87,531)	$(144,838)
Net earnings (loss) attributable to:				
Controlling interest	$(58,421)	$(60,003)	$(84,606)	$(149,324)
Non-controlling interest	(4,273)	2,129	(2,925)	4,486
Net loss	$(62,694)	$(57,874)	$(87,531)	$(144,838)
Net loss per ordinary share attributable to controlling interest - basic and diluted (note 11):				
Continuing operations	$(1.26)	$(1.16)	$(1.84)	$(3.10)
Discontinued operations	$—	$—	$0.02	$—
Net loss per ordinary share	$(1.26)	$(1.16)	$(1.82)	$(3.10)
Weighted average number of shares outstanding - basic and diluted:	46,519,484	51,573,832	46,519,484	48,204,267

See accompanying notes to interim consolidated financial statements.

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CHC Group Ltd.
Consolidated Statements of Comprehensive Loss
(Expressed in thousands of United States dollars)
(Unaudited)

	Three months ended		Nine months ended	
	January 31, 2013	January 31, 2014	January 31, 2013	January 31, 2014
Net loss	$(62,694)	$(57,874)	$(87,531)	$(144,838)
Other comprehensive income (loss):				
Net foreign currency translation adjustments	23,186	(32,628)	19,369	(52,428)
Net change in defined benefit pension plan, net of income tax	(2,169)	348	(6,722)	1,046
Net change in cash flow hedges	—	—	(169)	—
Comprehensive loss	$(41,677)	$(90,154)	$(75,053)	$(196,220)
Comprehensive income (loss) attributable to:				
Controlling interest	$(35,437)	$(91,464)	$(71,627)	$(197,914)
Non-controlling interest	(6,240)	1,310	(3,426)	1,694
Comprehensive loss	$(41,677)	$(90,154)	$(75,053)	$(196,220)

See accompanying notes to interim consolidated financial statements.

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CHC Group Ltd.
Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars)
(Unaudited)

	Nine months ended	
	January 31, 2013	January 31, 2014
Cash provided by (used in):		
Operating activities:		
Net loss	$(87,531)	$(144,838)
Earnings from discontinued operations, net of tax	1,024	—
Loss from continuing operations	(88,555)	(144,838)
Adjustments to reconcile net loss to cash flows provided by (used in) operating activities:		
Depreciation	84,646	106,158
Loss on disposal of assets	9,019	1,943
Asset impairments	24,218	22,956
Earnings from equity accounted investees	(2,687)	(5,990)
Deferred income taxes	22,944	(378)
Non-cash stock-based compensation expense	334	23,148
Amortization of unfavorable contract credits	(2,842)	—
Amortization of lease related fixed interest rate obligations	(2,136)	(1,135)
Amortization of long-term debt and lease deferred financing costs	7,511	10,246
Non-cash accrued interest income on funded residual value guarantees	(5,329)	(4,800)
Mark to market loss (gain) on derivative instruments	6,884	(8,231)
Non-cash defined benefit pension expense (note 13)	5,277	344
Defined benefit contributions and benefits paid	(34,215)	(35,559)
Increase to deferred lease financing costs	(2,751)	(4,228)
Unrealized loss (gain) on foreign currency exchange translation	(8,780)	24,843
Other	6,480	4,029
Increase (decrease) in cash resulting from changes in operating assets and liabilities (note 15)	(46,306)	29,977
Cash provided by (used in) operating activities	(26,288)	18,485
Financing activities:		
Sold interest in accounts receivable, net of collections	(6,021)	(5,173)
Proceeds from issuance of capital stock	—	291,313
Proceeds from issuance of senior secured notes	202,000	—
Proceeds from issuance of senior unsecured notes	—	300,000
Long-term debt proceeds	812,449	760,000
Long-term debt repayments	(817,594)	(888,656)
Increase in deferred financing costs	(3,793)	(14,034)
Related party loans (note 17(c))	—	(25,148)
Cash provided by financing activities	187,041	418,302
Investing activities:		
Property and equipment additions	(318,558)	(474,158)
Proceeds from disposal of property and equipment	207,896	444,570
Aircraft deposits net of lease inception refunds	(49,517)	(102,388)
Restricted cash	2,407	8,184

Distribution from equity investments	745	2,306
Cash used in investing activities	(157,027)	(121,486)
Cash provided by continuing operations	3,726	315,301
Cash flows provided by (used in) discontinued operations:		
Cash flows provided by operating activities	1,024	—
Cash flows used in financing activities	(1,024)	—
Cash provided by (used in) discontinued operations	—	—
Effect of exchange rate changes on cash and cash equivalents	42	(21,957)
Change in cash and cash equivalents during the period	3,768	293,344
Cash and cash equivalents, beginning of period	55,639	123,801
Cash and cash equivalents, end of period	$59,407	$417,145

See accompanying notes to interim consolidated financial statements.

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CHC Group Ltd.
Consolidated Statements of Shareholders' Equity (note 11)
(Expressed in thousands of United States dollars)
(Unaudited)

Nine months ended January 31, 2013	Capital stock	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total shareholders' equity	Redeemable non-controlling interests
April 30, 2012	$5	$1,695,620	$(973,119)	$(61,596)	$660,910	$1,675
Consolidation of a variable interest entity	—	—	—	—	—	105
Net change in cash flow hedges	—	—	—	(169)	(169)	—
Foreign currency translation	—	—	—	19,580	19,580	(211)
Stock-based compensation expense (note 21)	—	334	—	—	334	—
Defined benefit plan, net of income tax	—	—	—	(6,432)	(6,432)	(290)
Net loss	—	—	(84,606)	—	(84,606)	(2,925)
January 31, 2013	$5	$1,695,954	$(1,057,725)	$(48,617)	$589,617	$(1,646)
Nine months ended January 31, 2014	**Capital stock**	**Contributed surplus**	**Deficit**	**Accumulated other comprehensive loss**	**Total shareholders' equity**	**Redeemable non-controlling interests**
April 30, 2013	$5	$1,696,066	$(1,092,555)	$(89,835)	$513,681	$(8,262)
Issuance of capital stock (note 11)	3	289,137	—	—	289,140	—
Capital contribution by shareholder (note 2)	—	—	—	—	—	956
Foreign currency translation	—	—	—	(49,011)	(49,011)	(3,417)
Stock-based compensation expense (note 21)	—	22,242	—	—	22,242	—
Defined benefit plan, net of income tax	—	—	—	421	421	625
Net earnings (loss)	—	—	(149,324)	—	(149,324)	4,486
January 31, 2014	$8	$2,007,445	$(1,241,879)	$(138,425)	$627,149	$(5,612)

See accompanying notes to interim consolidated financial statements.

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CHC Group Ltd.
Notes to Interim Consolidated Financial Statements (Unaudited)
(Tabular amounts expressed in thousands of United States dollars unless otherwise noted)

1. Significant accounting policies:

(a) Basis of presentation:

On January 16, 2014, we completed our initial public offering ("IPO") and on January 17, 2014, we began trading our ordinary shares of capital stock on the New York Stock Exchange under the symbol "HELI" after the issuance and sale of an additional 31,000,000 ordinary shares of our capital stock at a price of $10.00 per share (note 11).

The unaudited interim consolidated financial statements (“interim financial statements”) include the accounts of CHC Group Ltd. (formerly known as FR Horizon Holding (Cayman) Inc.) and its subsidiaries (the “Company”, “we”, “us” or “our”) after elimination of all significant intercompany accounts and transactions. The interim financial statements are presented in United States dollars and have been prepared in accordance with the United States Generally Accepted Accounting Principles (“US GAAP”) for interim financial information. Accordingly, the interim financial statements do not include all of the information and disclosures for complete financial statements.

In the opinion of management, these financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Results of operations for the periods presented are not necessarily indicative of results of operations for the entire year.

The financial information as of April 30, 2013 is derived from our annual audited consolidated financial statements and notes for the fiscal year ended April 30, 2013. These interim financial statements should be read in conjunction with our consolidated financial statements and related notes for the fiscal year ended April 30, 2013, which are included in Amendment No. 8 to the Form S-1 Registration Statement which was declared effective by the SEC on January 16, 2014 and in our prospectus dated January 16, 2014 filed with the SEC on January 21, 2014 pursuant to Rule 424(b) under the Securities Act.

(b) Foreign currency:

The currencies which most influence our foreign currency translations and the relevant exchange rates were:

	Nine months ended	
	January 31, 2013	January 31, 2014
Average rates:		
£/US $	1.588848	1.582385
CAD/US $	1.001101	0.956297
NOK/US $	0.172290	0.166683
AUD/US $	1.030734	0.927513
€/US $	1.278707	1.337860
Period end rates:		
£/US $	1.585468	1.644932
CAD/US $	1.000801	0.899361
NOK/US $	0.182746	0.159277
AUD/US $	1.042834	0.874179
€/US $	1.358387	1.350031

CHC Group Ltd.
Notes to Interim Consolidated Financial Statements (Unaudited)
(Tabular amounts expressed in thousands of United States dollars unless otherwise noted)

1. Significant accounting policies (continued):

(c) Recent accounting pronouncements adopted in the period:
Reporting of amounts reclassified out of accumulated other comprehensive loss:
On May 1, 2013 we adopted the amendment to the disclosure requirements for amounts reclassified out of accumulated other comprehensive loss. Entities are required to separately provide information about the effects on net earnings (loss) of significant amounts reclassified out of each component of accumulated other comprehensive loss if those amounts all are required under other accounting pronouncements to be reclassified to net earnings (loss) in their entirety in the same reporting period. Entities are required to provide this information together, either on the face of the statement where net earnings (loss) is presented or as a separate disclosure in the notes to the financial statements. The amounts reclassified out of accumulated other comprehensive loss for defined benefit pension plans are included in the computation of net defined benefit pension plan expense (note 13). No other amounts are reclassified out of accumulated other comprehensive loss.
Annual indefinite-life intangible asset impairment testing:
On May 1, 2013 we adopted the amended accounting guidance on the annual indefinite-life intangible asset impairment testing to allow for the assessment of qualitative factors in determining if it is more likely than not that an asset might be impaired and whether it is necessary to perform the intangible asset impairment test required by the current accounting standards. This new guidance did not have a material impact on our consolidated financial statements.
(d) Recent accounting pronouncements not yet adopted:
In July 2013, the FASB issued accounting guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss or tax credit carryforward exists. This guidance is effective for the annual financial statements for the year ending April 30, 2015. We are currently assessing the impact of this guidance on our consolidated financial statements.

2. Variable interest entities:
(a) VIEs of which the Company is the primary beneficiary:
(i) Local ownership VIEs:
Certain areas of operations are subject to local governmental regulations that may limit foreign ownership of aviation companies. Accordingly, operations in certain jurisdictions may require the establishment of local ownership entities that are considered to be VIEs. The nature of our involvement with consolidated local ownership entities is as follows:
EEA Helicopters Operations B.V. (“EHOB”)
EHOB is incorporated in the Netherlands and through its wholly-owned subsidiaries in Norway, Denmark, the Netherlands, the United Kingdom and Ireland provides helicopter flying services to customers in Europe.
We own 49.9% of the common shares (9,896,085 Class B shares) of EHOB, with the remaining 50.1% of the common shares (9,935,750 Class A shares) held by a European investor. The Management Board of EHOB is comprised of one director nominated by the Class B shareholders and three directors nominated by the Class A shareholder.
We also own 7,000,000 par value 1 Euro Profit Certificates in EHOB. Through our ownership of the Profit Certificates, we are entitled to a cumulative annual dividend equal to 30% of the issue price of each Profit Certificate (equivalent to a cumulative annual dividend of €2.1 million) for the first 7 years after issuance and thereafter, a cumulative annual dividend equal to 5% of the issue price of each Profit Certificate (equivalent to a cumulative annual dividend of €0.35 million), subject to Board approval and the availability of cash and further subject to any and all restrictions applicable under Dutch law.

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CHC Group Ltd.
Notes to Interim Consolidated Financial Statements (Unaudited)
(Tabular amounts expressed in thousands of United States dollars unless otherwise noted)

2. Variable interest entities (continued):
(a) VIEs of which the Company is the primary beneficiary (continued):
(i) Local ownership VIEs (continued):
EEA Helicopters Operations B.V. (“EHOB”) (continued)
We also hold a call option over the Class A shareholder’s stock in EHOB and have granted a put option to the Class A shareholder which entitles the Class A shareholder to put its shares back to us. Both the put and call are exercisable in certain circumstances including: liquidation, events of default, and if the Company makes a public offering of its shares resulting in change of control. The Class A shareholder also holds a call option over our Class B shares which is exercisable only in the event of bankruptcy.
We have determined that the activities that most significantly impact the economic performance of EHOB are: servicing existing flying services contracts and entering into new contracts, safety and training, and maintenance of aircraft. Through agreement with EHOB, we have the right to enter directly into new flying services contracts and require that EHOB act as the subcontractor for provision of those services. EHOB’s fleet of aircraft is leased entirely from us and the lease agreements require that all aircraft maintenance be provided by us. The shareholders’ agreement requires EHOB to ensure safety standards meet minimums set by us.
As a result of consolidating EHOB, the Company has recorded a non-controlling interest relating to the 50.1% Class A shareholder’s interest in the net assets of EHOB. As at April 30, 2013, the redeemable non-controlling interest is a loss of $8.3 million and as at January 31, 2014, the redeemable non-controlling interest is a loss of $6.6 million. Because of the terms of the put and call arrangements with the European investor, the non-controlling interest is considered redeemable and is classified outside of equity.

BHH - Brazilian Helicopter Holdings S.A. (“BHH”)
BHH holds an investment in the common shares of its subsidiary, BHS - Brazilian Helicopter Services Taxi Aereo S.A. (“BHS”). BHS provides helicopter flying services to customers in Brazil.
We have a 60% interest in BHH, comprised of 100% of the non-voting preferred shares and 20% of the ordinary voting shares. The remaining equity interest comprised of 80% of the ordinary voting shares is held by a Brazilian investor, whose investment was financed by us and is therefore considered to be a related party.
We have entered into a put/call arrangement which gives us the right to purchase the BHH shares held by the Brazilian investor and the Brazilian investor the right to put its shares to us at any time and for any reason. The put/call price is the greater of the book value of the shares and the original capital contribution plus 2% per annum. The guaranteed return due to the Brazilian investor has been recorded as a redeemable non-controlling interest.
We have entered into a shareholders’ agreement with the Brazilian Investor, which requires unanimous shareholder consent for important business decisions.
CHC Helicopters Canada Inc (“CHC Canada”)
CHC Canada provides helicopter flying services to customers in Canada.
We own 200,000 Class A Common Shares (25)% and 200,000 (100)% Class B Non-voting Preferred Shares of CHC Canada, with the remaining 600,000 (75)% of the Class A Common Shares held by a Canadian Investor. The Board of CHC Canada is comprised of one director nominated by us and two directors nominated by the Canadian Investor.

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CHC Group Ltd.
Notes to Interim Consolidated Financial Statements (Unaudited)
(Tabular amounts expressed in thousands of United States dollars unless otherwise noted)

2. Variable interest entities (continued):
(a) VIEs of which the Company is the primary beneficiary (continued):
(i) Local ownership VIEs (continued):
CHC Helicopters Canada Inc ("CHC Canada") (continued)
We have entered into an arrangement which allows the Canadian Investor to put its shares back to us at any time for any reason. We have also entered into a call arrangement which allows us or the Canadian Investor to elect to purchase the other party's shares. The calls are exercisable in certain circumstances including: liquidation, events of default, and if the Company makes a public offering of its shares resulting in change of control. The price on the put and the call arrangement is the higher of the book value of the shares and the original capital contribution plus 6% per annum. The guaranteed return due to the Canadian investor has been recorded as a redeemable non-controlling interest.
We have entered into a shareholders' agreement with the Canadian Investor, which requires unanimous shareholder consent for CHC Canada to enter into any material contracts.

Atlantic Aviation Limited and Atlantic Aviation FZE (collectively "Atlantic Aviation")
On October 22, 2012, the Company and a Nigerian company ("Nigerian Company") finalized an agreement to provide helicopter flying services to customers in Nigeria through Atlantic Aviation.
We have no equity ownership in Atlantic Aviation as 100% of the share capital of Atlantic Aviation is held by the Nigerian Company.
The Nigerian Company's risks and rewards are not representative of its equity interest as it is only entitled to management fees for the first four years of the agreement. In the fifth year the Nigerian Company can opt to receive 40% of the profits or losses or continue with the existing arrangement. We will bear the risk for substantially all of the losses for the first four years of the arrangement.
Under the terms of the agreement the Nigerian Company will not provide any additional funding to Atlantic Aviation as we are funding all start-up costs.
We have also entered into a put/call arrangement which gives us the right to purchase all of the Atlantic Aviation shares held by the Nigerian Company and the Nigerian Company the right to put its shares to us. The calls are exercisable in certain circumstances including: liquidation, events of default, and change of control of the Company or the Nigerian Company. The put is exercisable in the event the agreement is terminated with cause and the Nigerian Company does not continue the business of Atlantic Aviation. The price on the put/call arrangement is a multiple of the Nigerian Company's share of the preceding 12 months of profits of Atlantic Aviation.
We have determined that the activities that most significantly impact the economic performance of Atlantic Aviation are: entering into flying contracts, safety and training, and maintenance of aircraft. Atlantic Aviation's fleet of aircraft is leased entirely from us and the lease agreements require that all aircraft maintenance be provided by us. We have entered into various contracts with Atlantic Aviation to provide management, employees and technical services. The framework agreement requires Atlantic Aviation to ensure safety standards meet minimums set by us.
As a result of consolidating Atlantic Aviation, the Company has recorded a non-controlling interest relating to the Nigerian Company shareholder's interest in the net assets of Atlantic Aviation. As at January 31, 2014, the redeemable non-controlling interest is $1.0 million. Because of the terms of the put and call arrangements with the Nigerian Company, the non-controlling interest is considered redeemable and is classified outside of equity.
Atlantic Aviation has a contingent credit with a third party bank for up to $10.0 million to be able to issue bonds.

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2. Variable interest entities (continued):
(a) VIEs of which the Company is the primary beneficiary (continued):
(i) Local ownership VIEs (continued):
We also have operations in several other countries that are conducted through entities with local ownership. We have consolidated these entities because the local owners do not have extensive knowledge of the aviation industry and defer to us in the overall management and operation of these entities.
Financial information of local ownership VIEs
All of the local ownership VIEs and their subsidiaries have the same purpose and are exposed to similar operational risks and are monitored on a similar basis by management. As such, the financial information reflected on the consolidated balance sheets and statements of operations for all local ownership VIEs has been presented in the aggregate below, including intercompany amounts with other consolidated entities:

	April 30, 2013	January 31, 2014
Cash and cash equivalents	$46,366	$—
Receivables, net of allowance	102,659	96,327
Other current assets	37,174	49,739
Goodwill	72,042	72,825
Other long-term assets	114,657	150,206
Total assets	$372,898	$369,097
Bank indebtedness	$—	$35,569
Payables and accruals	338,802	286,046
Other current liabilities	37,069	24,060
Accrued pension obligations	74,268	67,853
Other long-term liabilities	54,252	63,431
Total liabilities	$504,391	$476,959

	Three months ended		Nine months ended	
	January 31, 2013	January 31, 2014	January 31, 2013	January 31, 2014
Revenue	$263,602	$278,929	$799,139	$807,199
Net earnings (loss)	(5,323)	1,727	694	(3,251)

(ii) Accounts receivable securitization:
We enter into trade receivables securitization transactions to raise financing, through the sale of pools of receivables, or beneficial interests therein, to a VIE, Finacity Receivables – CHC 2009, LLC (“Finacity”). Finacity only buys receivables, or beneficial interests therein, from us. These transactions with Finacity satisfy the requirements for sales accounting treatment. Finacity is financed directly by a third party entity "cell", Viking Asset Purchaser 14 (“Viking”), which purchases undivided ownership interests in the receivables, or beneficial interests therein, acquired by Finacity from us.

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2. Variable interest entities (continued):

(a) VIEs of which the Company is the primary beneficiary (continued):

(ii) Accounts receivable securitization (continued):

We have determined that servicing decisions most significantly impact the economic performance of Finacity and as we have the power to make these decisions, we are the primary beneficiary of Finacity.

As a result of consolidation, intercompany receivables and payables between the Company and Finacity together with any gain/(loss) arising from the sales treatment of the securitization transactions have been eliminated. The securitized assets and associated liabilities are included in the consolidated financial statements. Cash and cash equivalent balances of Finacity are used only to support the securitizations of the receivables transferred, including the payment of related fees, costs and expenses. The receivables that have been included in securitizations are pledged as security for the benefit of Viking and are only available for payment of the debt or other obligations arising in the securitization transactions until the associated debt or other obligations are satisfied. The asset backed debt has been issued directly by Finacity.

The following table shows the assets and the associated liabilities related to our secured debt arrangements that are included in the consolidated financial statements:

	April 30, 2013	January 31, 2014
Restricted cash	$14,143	$3,717
Transferred receivables	77,473	60,938
Current facility secured by accounts receivable	53,512	46,876

(iii) Trinity Helicopters Limited:

As at January 31, 2014 we leased two aircraft from Trinity Helicopters Limited (“Trinity”), an entity considered to be a VIE. Prior to December 2011, Trinity was funded by an unrelated lender who was considered to be the primary beneficiary. In conjunction with our lease covenant negotiations, we agreed to purchase the aircraft off lease from the lender. Instead of outright purchasing the aircraft we loaned the lease termination sum to Trinity which used these funds to repay the financing from the unrelated lender and continued to lease the aircraft to us. The security interest in the aircraft was assigned to us.

We have been determined to be the primary beneficiary of the VIE and began consolidating this entity upon repayment of the previous lender. Prior to consolidation of this entity, the aircraft leases were recorded as capital leases.

(b) VIEs of which the Company is not the primary beneficiary:

(i) Local ownership VIEs:

Thai Aviation Services (“TAS”)

TAS provides helicopter flying services in Thailand. We have a 29.9% interest in the ordinary shares of TAS, with the remaining 70.1% owned by a group of Thai Investors who are considered to be related to each other. The Thai investors have the ability to call and we have the ability to put all shares owned by us to the Thai investors at fair value in the event of a dispute.

We have determined that the activities that most significantly impact the economic performance of TAS are: servicing existing flying services contracts and entering into new contracts, safety and training, maintenance of aircraft and other investment activities. The Thai investors have the ability to control the majority of these decisions through

Board majority.

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2. Variable interest entities (continued):
(b) VIEs of which the Company is not the primary beneficiary (continued):
(i) Local ownership VIEs (continued):
Thai Aviation Services ("TAS") (continued)
The following table summarizes the amounts recorded for TAS in the consolidated balance sheet:

	April 30, 2013		January 31, 2014	
	Carrying amounts	Maximum exposure to loss	Carrying amounts	Maximum exposure to loss
Receivables, net of allowances	$2,662	$2,662	$2,666	$2,666
Equity method investment	18,119	18,119	20,857	20,857

(ii) Leasing entities:
Related party lessors
As at January 31, 2013 and 2014 we had operating lease agreements for the lease of 31 aircraft and 31 aircraft, respectively, from individual related party entities considered to be VIEs. These transactions are carried out on an arm's-length basis and are recorded at the exchange amounts. The total operating lease expense for these leases was $12.5 million and $12.6 million for the three months ended January 31, 2013 and 2014, respectively, and $35.3 million and $37.8 million for the nine months ended January 31, 2013 and 2014, respectively, with $4.5 million and $4.0 million outstanding in payables and accruals at April 30, 2013 and January 31, 2014, respectively. Accounts receivable of $5.1 million and $8.1 million are due from related party lessors as at April 30, 2013 and January 31, 2014, respectively.
The lessor VIEs are considered related parties because they are partially financed through equity contributions from entities that have also invested in the Company. We have determined that the activity that most significantly impacts the economic performance of the related party lessor VIEs is the remarketing of the aircraft at the end of the lease term. As we do not have the power to make remarketing decisions, we have determined that we are not the primary beneficiary of the lessor VIEs.
Other VIE lessors
As at January 31, 2013 we leased 17 aircraft from two different entities considered to be VIEs. As at January 31, 2014 we leased 47 aircraft from four different entities considered to be VIEs. All 17 and 47 leases were considered to be operating leases as at January 31, 2013 and 2014, respectively.
We have determined that the activity that most significantly impacts the economic performance of the lessor VIEs is the remarketing of the aircraft at the end of the lease term. As we do not have the power to make remarketing decisions, we have determined that we are not the primary beneficiary of the lessor VIEs.

3. Property and equipment, net:
Due to aircraft coming off contract, and with no plan to redeploy them within the business, we recorded impairment charges of $4.0 million, $4.7 million and $2.5 million of impairment charges to write down the carrying value of five aircraft, six aircraft and three aircraft held for use to their fair values for the three months ended January 31, 2013 and for the nine months ended January 31, 2013 and 2014, respectively. These amounts are included in asset impairments on the consolidated statements of operations. This measurement is considered a level 2 measurement in the fair value hierarchy as the measurement of the fair value of the flying assets is based on aircraft values from third party

appraisals using market data.

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4. Assets held for sale:

We have classified certain assets such as aircraft and buildings as held for sale as these assets are ready for immediate sale and management expects these assets to be sold within one year.

	April 30, 2013		January 31, 2014	
	# Aircraft		# Aircraft	
Aircraft held for sale:				
Book value, beginning of period	18	$79,293	14	$30,206
Classified as held for sale, net of impairment	11	7,454	15	28,491
Sales	(10)	(35,303)	(8)	(19,185)
Reclassified as held for use	(5)	(21,049)	(7)	(8,014)
Foreign exchange	—	(189)	—	(810)
Aircraft held for sale	14	30,206	14	30,688
Buildings held for sale	—	1,841	—	1,949
Total assets held for sale		$32,047		$32,637

The aircraft classified as held for sale are older technology aircraft that are being divested by us. The buildings classified as held for sale are the result of relocation of certain of our base operations. During the nine months ended January 31, 2014, there were six aircraft that were reclassified to assets held for use as management determined that we would obtain a higher value from using these aircraft as parts within the business than selling them in the external market and one aircraft that was reclassified to held for use as management reviewed its fleet strategy and decided to redeploy this aircraft to the flying operations.

During the three months ended January 31, 2013, we recorded impairment charges of $2.2 million to write down the carrying value of three aircraft held for sale to their fair value less costs to sell. During the nine months ended January 31, 2013 and 2014, we recorded impairment charges of $11.5 million and $18.5 million to write down the carrying value of 17 aircraft and 19 aircraft held for sale to their fair value less costs to sell, respectively. These amounts are included in asset impairments on the consolidated statements of operations. The fair value of assets held for sale is considered a level 2 measurement in the fair value hierarchy as the measurement is based on third party appraisals using market data.

5.Inventories:

	April 30, 2013	January 31, 2014
Work-in-progress for maintenance contracts under completed contract accounting	$3,661	$6,539
Consumables	111,862	125,715
Provision for obsolescence	(9,729)	(7,690)
	$105,794	$124,564

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6. Other assets:

	April 30, 2013	January 31, 2014
Current:		
Aircraft operating lease funded residual value guarantees (a)	$20,184	$9,183
Deferred financing costs	8,771	11,421
Mobilization costs	6,474	8,103
Residual value guarantee	6,278	3,819
Foreign currency embedded derivatives and forward contracts (note 14)	5,764	5,069
Prepaid aircraft rentals	3,465	3,831
Related party receivable (note 2 (b) (ii))	5,147	8,145
	$56,083	$49,571
Non-current:		
Aircraft operating lease funded residual value guarantees (a)	$196,497	$196,979
Aircraft deposits	67,347	117,923
Accrued pension asset	49,562	69,373
Deferred financing costs	48,971	55,638
Mobilization costs	22,645	25,825
Residual value guarantee	15,047	15,445
Security deposits	10,903	32,254
Pension guarantee assets	10,141	9,318
Prepaid aircraft rentals	9,940	10,778
Foreign currency embedded derivatives and forward contracts (note 14)	2,223	11,358
Other	6,513	2,259
	$439,789	$547,150

(a) Aircraft operating lease funded residual value guarantees:
We believe that the aircraft will realize a value upon sale at the end of the lease terms sufficient to recover the carrying value of these guarantees, including accrued interest. In the event that aircraft values decline such that we do not believe funded residual value guarantees are recoverable, an impairment is recorded. During the three and nine months ended January 31, 2013 we recognized impairment losses of $0.5 million and $1.0 million, respectively. The impairment losses are included in asset impairments on the consolidated statements of operations.

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7.Intangible assets:
Due to a decline in aircraft values, we recorded impairment charges of $1.1 million in the three months ended January 31, 2013, and $6.9 million and $0.9 million in the nine months ended January 31, 2013 and 2014, respectively, to write down a portion of our embedded equity to fair value. These amounts are included in asset impairments on the consolidated statements of operations. This measurement is considered a level 2 measurement in the fair value hierarchy as the measurement of embedded equity is based on aircraft values from third party appraisals using market data.

8. Other liabilities:

	April 30, 2013	January 31, 2014
Current:		
Foreign currency embedded derivatives and forward contracts (note 14)	$12,732	$14,423
Deferred gains on sale-leasebacks of aircraft	4,632	11,836
Fixed interest rate obligations	1,783	363
Aircraft modifications	1,629	901
Residual value guarantees	944	990
Contract inducement	792	787
Lease aircraft return costs	279	—
Related party loans (note 17(c))	25,000	—
	$47,791	$29,300
Non-current:		
Accrued pension obligations	$137,259	$125,345
Deferred gains on sale-leasebacks of aircraft	34,616	86,657
Residual value guarantees	27,401	27,058
Foreign currency embedded derivatives and forward contracts (note 14)	15,771	12,963
Insurance claims accrual	11,192	12,111
Contract inducement	9,247	8,622
Fixed interest rate obligations	1,155	242
Deferred rent liabilities	1,045	776
Other	8,769	6,165
	$246,455	$279,939

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9. Long-term debt obligations:

	Principal Repayment terms	Facility maturity dates	April 30, 2013	January 31, 2014
Senior secured notes	At maturity	October 2020	$1,287,303	$1,288,214
Senior unsecured notes (a)	At maturity	June 2021	—	300,000
Revolving credit facility (b):				
US LIBOR plus a 4.5% margin	At maturity	January 2019	125,000	—
Other term loans:				
Airbus Helicopters Loan - 2.50%	At maturity	December 2015	2,238	2,339
EDC-B.A. CDOR rate (6 month) plus a 0.8% margin	Semi-annually	June 2014	1,616	488
Capital lease obligations	Quarterly	May 2014 - September 2025	25,663	55,917
Boundary Bay financing – 6.93%	Monthly	April 2035	35,405	31,595
Total long-term debt obligations			1,477,225	1,678,553
Less: current portion (note 22)			(2,138)	(132,792)
Long-term debt obligations			$1,475,087	$1,545,761

(a) Senior unsecured notes:

On May 13, 2013, one of our subsidiaries issued $300.0 million of unsecured senior notes (the "unsecured notes"). The unsecured notes are issued under an indenture. The unsecured notes have an aggregate principal value of $300.0 million, were issued at par value, bear interest at a rate of 9.375% with semi-annual interest payments on June 1 and December 1 and mature on June 1, 2021.

The unsecured notes are guaranteed by us and most of our subsidiaries on a senior unsecured basis. The unsecured notes are effectively subordinated to the secured indebtedness including the revolving credit facility and the senior secured notes to the extent of the value of the collateral securing such secured indebtedness and are senior to all unsecured subordinated indebtedness of each guarantor.

The unsecured notes have the following optional redemption features:

- Any time prior to June 1, 2016, the issuer can redeem 35% of the aggregate principal amount of the unsecured notes at a redemption price of 109.375% of the principal plus accrued and unpaid interest with the net proceeds of one or more equity offerings provided that at least 50% of the aggregate principal of the unsecured notes remains outstanding and the redemption occurs within 180 days of the closing date of the equity offering.
- The issuer can redeem the unsecured notes in whole or part, on or after June 1, 2016, at redemption prices that range from 100% to 107.031% of the principal, plus accrued and unpaid interest.
- The issuer can redeem the unsecured notes in whole or in part at a price of 100% of the aggregate principal amount plus a premium equal to the greater of 1% of the principal amount or the excess of the present value at the redemption date over the principal amount of the unsecured notes. Under this option, the present value at the redemption is to be computed based on a redemption price of 107.031% on June 1, 2016 plus all required interest payments due on the unsecured notes through June 1, 2016 (excluding accrued but unpaid interest to the applicable redemption date). The applicable discount rate is equal to the treasury rate as of the redemption date plus 50 basis points.

Each holder of the unsecured notes has the right to require us to repurchase the unsecured notes at a purchase price of 101% of the principal amount plus accrued and unpaid interest upon the occurrence of certain events constituting a change of control of the Company.

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9.Long-term debt obligations (continued):
(a) Senior unsecured notes (continued):
The unsecured notes contain certain covenants limiting the incurrence of additional indebtedness and liens based on the ratio of consolidated adjusted earnings before interest, taxes, depreciation and amortization to fixed charges and total indebtedness as defined in the indenture and other restrictions including limitations on disposition of assets, the payment of dividends or redemption of equity interests and transactions with affiliates.
(b) Revolving credit facility:
On January 23, 2014, we terminated our revolving credit facility of $375.0 million with a syndicate of financial institutions and entered into a new revolving credit facility of $375.0 million with a syndicate of financial institutions. It bears interest at the Alternate Base Rate, LIBOR, CDOR, Canadian Prime Rate or EURIBOR plus an applicable margin that ranges from 2.75% to 4.50% based on the total leverage ratio calculated as of the most recent quarter. The revolving credit facility has a five year term.
The revolving credit facility is secured on a priority basis and ranks equally with the senior secured notes except for payments upon enforcement and insolvency, where the revolving credit facility will rank before the note holders. The revolving credit facility is guaranteed by most of our subsidiaries through a general secured obligation. The revolving credit facility covenants include a requirement for us to maintain a first priority debt leverage ratio of 2.5:1, which is tested at the end of each financial quarter.
At January 31, 2014, we were in compliance with all long-term debt obligations covenants.

10. Other financing charges:

	Three months ended		Nine months ended	
	January 31, 2013	January 31, 2014	January 31, 2013	January 31, 2014
Amortization of deferred financing costs	$(1,782)	$(4,306)	$(5,268)	$(10,155)
Net gain (loss) on fair value of derivative financial instruments	(2,980)	410	(6,683)	9,203
Amortization of guaranteed residual values	(801)	(930)	(1,868)	(2,024)
Interest expense	(5,237)	(3,288)	(11,600)	(15,481)
Interest income	3,903	4,233	10,249	13,394
Fee settlement	—	—	—	10,000
Other	(3,955)	(1,849)	(7,265)	(6,552)
	$(10,852)	$(5,730)	$(22,435)	$(1,615)

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11.Capital stock and net loss per ordinary share:

Capital Stock:

On January 3, 2014, the majority shareholder of the Company approved the following capital stock restructuring transactions which were effective immediately:

- a subdivision of the authorized and issued ordinary shares of capital stock by a factor of 10,000 increasing the authorized and issued ordinary shares of capital stock to 20,000,000,000,000 and 18,607,793,610,000, respectively, while reducing the par value per share from $1 to $0.0001;
- the surrender of 18,607,747,090,516 of the issued ordinary shares of capital stock resulting in the issued ordinary shares of capital stock being reduced to 46,519,484, each with a par value of $0.0001;
- the cancellation of 19,998,500,000,000 of the unissued authorized ordinary shares of capital stock, reducing the authorized capital stock to 1,500,000,000, each with a par value of $0.0001; and
- the increase of the authorized capital stock by $50,000 (such increase being in the form of 500,000,000 preferred shares of capital stock, each with a par value of $0.0001) resulting in an aggregate authorized capital stock of $200,000 divided into 1,500,000,000 ordinary shares of capital stock, each with a par value of $0.0001 and 500,000,000 preferred shares of capital stock with a par value of $0.0001.

All capital stock and contributed surplus amounts and per share information have been retroactively adjusted for all prior periods presented for the consummation of the above capital stock restructuring transactions. Such adjustments include calculations of our weighted average number of ordinary stock and net loss per ordinary share.

On January 16, 2014, we completed the IPO of 31,000,000 shares of capital stock at a price of $10.00 per share, raising approximately $289.1 million, net of underwriting costs of $16.3 million and other costs directly related to the IPO of $4.6 million. The net proceeds were allocated $3.1 thousand to the Capital Stock of the Company and $289.1 million to contributed surplus.

Net loss per ordinary share:

The following table sets forth the computation of basic and diluted net loss per ordinary share:

	Three months ended		Nine months ended	
	January 31, 2013	January 31, 2014	January 31, 2013	January 31, 2014
Net earnings (loss) attributable to controlling interest:				
Continuing operations	$(58,633)	$(60,003)	$(85,630)	$(149,324)
Discontinued operations	212	—	1,024	—
Weighted average number of ordinary stock outstanding – basic and diluted	46,519,484	51,573,832	46,519,484	48,204,267

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12. Income taxes:

As we operate in several tax jurisdictions, our income is subject to various rates of taxation. The income tax expense differs from the amount that would have resulted from applying the Cayman Islands statutory income tax rates to loss from continuing operations before income taxes as follows:

	Three months ended		Nine months ended	
	January 31, 2013	January 31, 2014	January 31, 2013	January 31, 2014
Loss from continuing operations before income tax	$(18,603)	$(51,185)	$(37,949)	$(127,349)
Combined Cayman Islands statutory income tax rate	— %	— %	— %	— %
Income tax recovery calculated at statutory rate	—	—	—	—
(Increase) decrease in income tax recovery (expense) resulting from:				
Rate differences in various jurisdictions	11,789	20,408	28,745	52,997
Change in tax law	(401)	(99)	(1,158)	(704)
Non-deductible items	(10,607)	(30,287)	(26,815)	(61,254)
Other foreign taxes	(9,434)	(3,378)	(15,229)	(10,668)
Non-deductible portion of capital losses	101	(3,365)	166	(2,775)
Non-taxable income	7,099	12,620	22,154	32,019
Adjustments to prior years	(1,324)	(133)	(2,030)	510
Functional currency adjustments	(2,741)	4,345	1,457	7,657
Valuation allowance	(38,524)	(6,783)	(57,338)	(35,281)
Other	(261)	(17)	(558)	10
Income tax expense	$(44,303)	$(6,689)	$(50,606)	$(17,489)

As at January 31, 2014, there was $25.9 million in unrecognized tax benefits, of which $18.5 million would have an impact on the effective tax rate, if recognized.

During the nine months ended January 31, 2014, no new uncertain tax positions were identified. As of April 30, 2013 and January 31, 2014, interest and penalties totaling $4.5 million and $7.0 million respectively, were accrued.

13. Employee pension plans:

The net defined benefit pension plan expense is as follows:

	Three months ended		Nine months ended	
	January 31, 2013	January 31, 2014	January 31, 2013	January 31, 2014
Current service cost	$4,975	$4,917	$14,433	$14,929
Interest cost	8,059	8,004	23,636	23,938
Expected return on plan assets	(10,598)	(12,426)	(31,083)	(37,381)
Amortization of net actuarial and experience losses out of other comprehensive income (loss)	255	453	766	1,329

Amortization of past service credits out of other comprehensive income (loss)	(93)	(95)	(279)	(275)
Employee contributions	(752)	(725)	(2,196)	(2,196)
	$1,846	$128	$5,277	$344

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14. Derivative financial instruments and fair value measurements:
We are exposed to foreign exchange risk primarily from our subsidiaries which incur revenue and operating expenses in currencies other than US dollars with the most significant being Pound Sterling, Norwegian Kroner, Canadian dollars, Australian dollars and Euros. We monitor these exposures through our cash forecasting process and regularly enter into foreign exchange forward contracts to manage our exposure to fluctuations in expected future cash flows related to transactions in currencies other than the functional currency.
The outstanding foreign exchange forward contracts are as follows:

	Notional		Fair value asset (liability)		Maturity dates
April 30, 2013:					
Purchase contracts to sell US dollars and buy Canadian dollars	CAD	231,922	$383		May 2013 to November 2015
Purchase contracts to sell US dollars and buy Euros	€	69,268	5,451		December 2013 to July 2014
Purchase contracts to sell Pounds Sterling and buy Euros	€	61,000	(1,270	)	May 2013 to December 2015
	Notional		Fair value asset (liability)		Maturity dates
January 31, 2014:					
Purchase contracts to sell US dollars and buy Canadian dollars	CAD	235,500	$(16,319	)	February 2014 to August 2016
Purchase contracts to sell US dollars and buy Euros	€	69,268	3,785		February 2014 to July 2014
Purchase contracts to sell Pounds Sterling and buy Euros	€	48,000	(2,406	)	May 2014 to June 2016

We enter into long-term revenue agreements, which provide for pricing denominated in currencies other than the functional currency of the parties to the contract. This pricing feature was determined to be an embedded derivative which has been bifurcated for valuation and accounting purposes. The embedded derivative contracts are measured at fair value and included in other assets or other liabilities.
A net loss of $3.0 million, a net gain of $0.4 million, a net loss of $6.7 million and a net gain of $9.2 million due to the derivative forward exchange contracts and the change in the fair value of embedded derivatives was recognized in the statement of operations as part of other financing charges for the three and nine months ended January 31, 2013 and 2014, respectively.

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14. Derivative financial instruments and fair value measurements (continued):
The following tables summarize the financial instruments measured at fair value on a recurring basis excluding cash and cash equivalents and restricted cash:

	April 30, 2013 Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value
Financial assets:				
Other assets, current:				
Foreign currency forward contracts	$—	$5,636	$—	$5,636
Foreign currency embedded derivatives	—	128	—	128
Other assets, non-current:				—
Foreign currency forward contracts	—	1,949	—	1,949
Foreign currency embedded derivatives	—	274	—	274
	$—	$7,987	$—	$7,987

	April 30, 2013 Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value
Financial liabilities:				
Other liabilities, current:				
Foreign currency forward contracts	$—	$(1,960)	$—	$(1,960)
Foreign currency embedded derivatives	—	(10,772)	—	(10,772)
Other liabilities, non-current:				—
Foreign currency forward contracts	—	(1,061)	—	(1,061)
Foreign currency embedded derivatives	—	(14,710)	—	(14,710)
	$—	$(28,503)	$—	$(28,503)

	January 31, 2014 Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value
Financial assets:				
Other assets, current:				
Foreign currency forward contracts	$—	$3,785	$—	$3,785
Foreign currency embedded derivatives	—	1,284	—	1,284
Other assets, non-current:				—

Foreign currency forward contracts	—	—	—	—
Foreign currency embedded derivatives	—	11,358	—	11,358
	$—	$16,427	$—	$16,427

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14. Derivative financial instruments and fair value measurements (continued):

	January 31, 2014			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value
Financial liabilities:				
Other liabilities, current:				
Foreign currency forward contracts	$—	$(10,530)	$—	$(10,530)
Foreign currency embedded derivatives	—	(3,893)	—	(3,893)
Other liabilities, non-current:				—
Foreign currency forward contracts	—	(8,195)	—	(8,195)
Foreign currency embedded derivatives	—	(4,768)	—	(4,768)
	$—	$(27,386)	$—	$(27,386)

Inputs to the valuation methodology for Level 2 measurements include publicly available forward notes, credit spreads and US$ or Euro interest rates, and inputs are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. There were no transfers between categories in the fair value hierarchy.

The carrying values of the other financial instruments, which are measured at other than fair value, approximate fair value due to the short terms to maturity, except for non-revolving debt obligations, the fair values of which are as follows:

	April 30, 2013		January 31, 2014	
	Fair value	Carrying value	Fair value	Carrying value
Senior secured notes	$1,391,000	$ 1,287,303	$1,384,500	$ 1,288,214
Senior unsecured notes	—	—	313,500	300,000

The fair value of the senior secured and unsecured notes are determined based on market information provided by third parties which is considered to be a level 2 measurement in the fair value hierarchy.

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15. Supplemental cash flow information:

	Nine months ended January 31, 2013	Nine months ended January 31, 2014
Cash interest paid	$60,924	$82,135
Cash taxes paid	24,137	22,458
Assets acquired through capital leases	27,613	56,963

Change in cash resulting from changes in operating assets and liabilities:

	Nine months ended January 31, 2013	Nine months ended January 31, 2014
Receivables, net of allowance	$(15,581)	$41,060
Income taxes	(3,147)	(1,839)
Inventories	(9,226)	(14,654)
Prepaid expenses	(2,813)	(6,540)
Payables and accruals	(10,905)	(11,980)
Deferred revenue	(4,852)	24,778
Other assets and liabilities	218	(848)
	$(46,306)	$29,977

16. Guarantees:

We have provided limited guarantees to third parties under some of our operating leases relating to a portion of the residual aircraft values at the termination of the leases, which have terms expiring between fiscal 2014 and 2024. Our exposure under the asset value guarantees including guarantees in the form of funded and unfunded residual value guarantees, rebateable advance rentals and deferred payments is approximately $232.3 million and $237.4 million as at April 30, 2013 and January 31, 2014, respectively.

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17. Related party transactions:

(a) Related party leasing transactions and balances:
During the nine months ended January 31, 2014 we engaged in leasing transactions with VIEs related to our majority shareholder (note 2).

(b) Balances with our majority shareholder:
At April 30, 2013, $2.0 million in payables and accruals is due to and $0.1 million in receivables is due from our majority shareholder. At January 31, 2014, $2.0 million in payables and accruals is due to our majority shareholder.

(c) Repayment of related party loans:

On June 24, 2013, the Company repaid $25.1 million of related party loans to companies under common control with our majority shareholder.

On July 16, 2013, we borrowed $25.0 million from companies under common control with our majority shareholder. On July 19, 2013, the loan was repaid. The loan bore interest at 4.5% per annum.

18. Commitments:
We have aircraft operating leases with 18 lessors for 166 aircraft and 19 lessors for 165 aircraft included in our fleet at April 30, 2013 and January 31, 2014, respectively. As at January 31, 2014, these leases had expiry dates ranging from fiscal 2014 to 2026. We have the option to purchase the majority of the aircraft for agreed amounts that do not constitute bargain purchase options, but have no commitment to do so. With respect to such leased aircraft, substantially all of the costs of major inspections of airframes and the costs to perform inspections, major repairs and overhauls of major components are at our expense. We either perform this work internally through our own repair and overhaul facilities or have the work performed by an external repair and overhaul service provider.
At January 31, 2014, we have commitments with respect to operating leases for aircraft, buildings, land and equipment. The minimum lease rentals required under operating leases are payable in the following amounts over the following years ended January 31:

	Aircraft operating leases	Building, land and equipment operating leases	Total operating leases
2014	$256,461	$13,543	$270,004
2015	250,488	10,620	261,108
2016	226,336	9,156	235,492
2017	211,293	6,749	218,042
2018	197,625	5,471	203,096
and thereafter	383,881	54,351	438,232
	$1,526,084	$99,890	$1,625,974

As at January 31, 2014, we have committed to purchase 33 new aircraft and the total required additional expenditure for these aircraft is approximately $878.1 million. These aircraft are expected to be delivered in fiscal 2014 to 2017 and will be deployed in our Helicopter Services segment. We intend to enter into leases for these aircraft or purchase them outright upon delivery from the manufacturer. Additionally, we have committed to purchase $66.5 million of helicopter parts by October 31, 2015 and $100.0 million of heavy helicopters from Airbus Helicopters prior to December 31, 2016.

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18. Commitments (continued):

The terms of certain of the helicopter lease agreements impose operating and financial limitations on us. Such agreements limit the extent to which we may, among other things, incur indebtedness and fixed charges relative to our level of consolidated adjusted earnings before interest, taxes, depreciation and amortization.

Generally, in the event of a covenant breach, a lessor has the option to terminate the lease and require the return of the aircraft, with the repayment of any arrears of lease payments plus the present value of all future lease payments and certain other amounts which could be material to our financial position. The aircraft would then be sold and the surplus, if any, returned to us. Alternatively we could exercise our option to purchase the aircraft. As at January 31, 2014 we were in compliance with all financial covenants.

19. Contingencies:

One or more of our subsidiaries are, from time to time, named as defendants in lawsuits arising in the ordinary course of our business. Such disputes may involve, for example, breach of contract, employment, wrongful termination and tort claims. We maintain adequate insurance coverage to respond to most claims. We cannot predict the outcome of any such lawsuits with certainty, but our management team does not expect the outcome of pending or threatened legal matters to have a material adverse impact on our financial condition.

In addition, from time to time, the Company or its subsidiaries are involved in tax and other disputes with various government agencies. The following summarizes certain of these pending disputes:

In 2006, we voluntarily disclosed to OFAC that several of our subsidiaries formerly operating as Schreiner Airways may have violated applicable US laws and regulations by re-exporting to Iran, Sudan, and Libya certain helicopters, related parts, map data, operation and maintenance manuals, and aircraft parts for third-party customers. OFAC's investigation is ongoing and we continue to fully cooperate. Should the US government determine that these activities violated applicable laws and regulations, we or our subsidiaries may be subject to civil or criminal penalties, including fines and/or suspension of the privilege to engage in trading activities involving goods, software and technology subject to the US jurisdiction. At January 31, 2014, it is not possible to determine the outcome of this matter, or the significance, if any, to our business, financial condition and results of operations.

Brazilian customs authorities seized one of our helicopters (customs value of $10.0 million) as a result of allegations that we violated Brazilian customs law by failing to ensure our customs agent and the customs agent's third party shipping company followed approved routing of the helicopter during transport. We secured release of the helicopter and are disputing through court action any claim for penalties associated with the seizure and the alleged violation. We have preserved our rights by filing a civil action against our customs agent for any losses that may result. At January 31, 2014, it is not possible to determine the outcome of this matter, or the significance, if any, to our business, financial condition and results of operations.

In the United Kingdom, the Ministry for Transport is investigating potential wrongdoing involving two ex-employees in conjunction with the SAR-H bid award processes. This arose from our self-reporting potential improprieties by these individuals upon their discovery in 2010. The SAR-H bid process was subsequently canceled. We will continue to cooperate in all aspects of the investigation. At January 31, 2014, it is not possible to determine the outcome of this matter, or the significance, if any, to our business, financial condition and results of operations.

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20. Segment information:

We operate under the following segments:

- Helicopter Services;
- Heli-One;
- Corporate and other.

We have provided information on segment revenues and Adjusted EBITDAR because these are the financial measures used by the Company's chief operating decision maker ("CODM") in making operating decisions and assessing performance. Transactions between operating segments are at standard industry rates.

The Helicopter Services segment includes flying operations around the world serving offshore oil and gas, EMS/SAR and other industries and the management of the fleet.

Heli-One, the maintenance, repair and overhaul segment, includes facilities in Norway, Canada, Australia, Poland, and the US that provide helicopter repair and overhaul services for our fleet and for an external customer base in Europe, Asia and North America.

Corporate and other includes corporate office costs in various jurisdictions and is not considered a reportable segment.

The accounting policies of the segments and the basis of accounting for transactions between segments are the same as those described in the summary of significant accounting policies.

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20. Segment information (continued):

Three months ended January 31, 2013

	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	$412,370	$29,469	$—	$—	$441,839
Add: Inter-segment revenues	1,540	70,438	—	(71,978)	—
Total revenue	413,910	99,907	—	(71,978)	441,839
Direct costs (i)	(293,346)	(81,510)	—	71,374	(303,482)
Earnings from equity accounted investees	850	—	—	—	850
General and administration costs	—	—	(18,729)	—	(18,729)
Adjusted EBITDAR (ii)	121,414	18,397	(18,729)	(604)	120,478
Aircraft lease and associated costs	(52,163)	—	—	—	(52,163)
Depreciation					(28,701)
Restructuring costs					(4,890)
Asset impairments (iii)					(7,813)
Loss on disposal of assets					(4,402)
Operating income					22,509
Interest on long-term debt					(33,991)
Foreign exchange gain					3,731
Other financing charges					(10,852)
Income tax expense					(44,303)
Loss from continuing operations					(62,906)
Earnings from discontinued operations, net of tax					212
Net loss					$(62,694)

(i) Direct costs in the segment information presented excludes aircraft lease and associated costs. In the consolidated statement of operations these costs are combined.

(ii) Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization and aircraft lease and associated costs or total revenue plus earnings from equity accounted investees less direct costs excluding aircraft lease and associated costs and general and administration expenses.

(iii) Asset impairments relate to the Helicopter Services segment.

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20. Segment information (continued):

Nine months ended January 31, 2013

	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	$1,208,191	$96,503	$—	$—	$1,304,694
Add: Inter-segment revenues	3,677	217,421	—	(221,098)	—
Total revenue	1,211,868	313,924	—	(221,098)	1,304,694
Direct costs (i)	(870,452)	(252,613)	—	219,326	(903,739)
Earnings from equity accounted investees	2,687	—	—	—	2,687
General and administration costs	—	—	(56,299)	—	(56,299)
Adjusted EBITDAR (ii)	344,103	61,311	(56,299)	(1,772)	347,343
Aircraft lease and associated costs	(149,390)	—	—	—	(149,390)
Depreciation					(84,646)
Restructuring costs					(8,617)
Asset impairments (iii)					(24,218)
Loss on disposal of assets					(9,019)
Operating income					71,453
Interest on long-term debt					(93,949)
Foreign exchange gain					6,982
Other financing charges					(22,435)
Income tax expense					(50,606)
Loss from continuing operations					(88,555)
Earnings from discontinued operations, net of tax					1,024
Net loss					$(87,531)

(i) Direct costs in the segment information presented excludes aircraft lease and associated costs. In the consolidated statement of operations these costs are combined.

(ii) Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization and aircraft lease and associated costs or total revenue plus earnings from equity accounted investees less direct costs excluding aircraft lease and associated costs and general and administration expenses.

(iii) Asset impairments totaling $24.1 million relate to the Helicopter Services segment and $0.1 million relates to the Corporate and other segment.

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20. Segment information (continued):

Three months ended January 31, 2014

	Helicopter services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	$417,196	$36,698	$—	$—	$453,894
Add: Inter-segment revenues	2,118	69,258	—	(71,376)	—
Total revenue	419,314	105,956	—	(71,376)	453,894
Direct costs (i)	(303,677)	(89,497)	—	71,377	(321,797)
Earnings from equity accounted investees	2,072	—	—	—	2,072
General and administration costs	—	—	(39,182)	—	(39,182)
Adjusted EBITDAR (ii)	117,709	16,459	(39,182)	1	94,987
Aircraft lease and associated costs	(56,216)	—	—	—	(56,216)
Depreciation					(35,407)
Asset impairments					58
Gain on disposal of assets					2,478
Operating income					5,900
Interest on long-term debt					(39,782)
Foreign exchange loss					(11,573)
Other financing charges					(5,730)
Income tax expense					(6,689)
Net loss					$(57,874)
Segment assets	$1,906,172	$428,551	$832,500	$—	$3,167,223
Segment assets - held for sale	32,637	—	—	—	32,637
Total assets	$1,938,809	$428,551	$832,500	$—	$3,199,860

(i) Direct costs in the segment information presented excludes aircraft lease and associated costs. In the consolidated statement of operations these costs are combined.

(ii) Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization and aircraft lease and associated costs or total revenue plus earnings from equity accounted investees less direct costs excluding aircraft lease and associated costs and general and administration expenses.

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20. Segment information (continued):

Nine months ended January 31, 2014

	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	$1,212,561	$99,636	$—	$—	$1,312,197
Add: Inter-segment revenues	3,896	207,725	—	(211,621)	—
Total revenue	1,216,457	307,361	—	(211,621)	1,312,197
Direct costs (i)	(863,171)	(273,315)	—	210,234	(926,252)
Earnings from equity accounted investees	5,990	—	—	—	5,990
General and administration costs	—	—	(77,839)	—	(77,839)
Adjusted EBITDAR (ii)	359,276	34,046	(77,839)	(1,387)	314,096
Aircraft lease and associated costs	(166,661)	—	—	—	(166,661)
Depreciation					(106,158)
Asset impairments (iii)					(22,956)
Loss on disposal of assets					(1,943)
Operating income					16,378
Interest on long-term debt					(117,636)
Foreign exchange loss					(24,476)
Other financing charges					(1,615)
Income tax expense					(17,489)
Net loss					$(144,838)

(i) Direct costs in the segment information presented excludes aircraft lease and associated costs. In the consolidated statement of operations these costs are combined.

(ii) Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization and aircraft lease and associated costs or total revenue plus earnings from equity accounted investees less direct costs excluding aircraft lease and associated costs and general and administration expenses.

(iii) Asset impairments totaling $21.9 million relate to the Helicopter Services segment and $1.1 million relates to the Corporate and other segment.

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21. Stock-based Compensation:
(a) 2013 Omnibus Incentive Plan (“2013 Incentive Plan”):
On December 16, 2013, our Board of Directors adopted the CHC Group Ltd. 2013 Omnibus Incentive Plan, an equity compensation plan that permits us to grant non-qualified stock options, incentive stock options, share appreciation rights, restricted shares, restricted share units, other share based awards and performance compensation awards to certain eligible directors, officers, employees, consultants or advisors of the Company and its affiliates. A maximum of 7.5 million of the outstanding ordinary shares of the Company may be granted under the 2013 Incentive Plan.
New awards
On January 16, 2014, certain members of the executive team, eligible vice presidents, senior officers and director level employees were granted stock options, time-based restricted stock units ("RSUs") and performance based restricted stock units ("PB RSUs").
The stock options vest and are exercisable in three equal annual installments of 33.3% beginning one year from the date of grant. All of the stock options will vest immediately on a change of control and are then cancelled, in exchange for an amount equal to the excess of the value of the consideration to be paid to ordinary shareholders over the option exercise price if the stock options are not assumed, continued or substituted by the new entity.
The RSUs vest in three equal annual installments of 33.3% beginning one year from the date of grant. The eligible employee receives ordinary shares of the Company equal to the number of RSUs vested. All of the RSUs will vest immediately on a change of control and are then cancelled, in exchange for an amount equal to the value of the consideration to be paid to ordinary shareholders if the RSUs are not assumed, continued or substituted by the new entity. The holders of RSUs are entitled to receive cash dividend equivalents, which would be reinvested in restricted share units, based on the cash dividends paid on the ordinary shares during the period the RSUs are outstanding.
The PB RSUs cliff vest on the third anniversary of the date of grant. The number of shares which will be received is based on the change in the Company’s stock price relative to the change in the stock prices of the companies in the S&P Energy Index over the three year period from the date of grant. The number of shares to be received will range from 0% to 200% of the PB RSUs granted. All of the PB RSUs will convert into RSUs on a change of control if the PB RSUs are not assumed, continued or substituted by the new entity. If the change of control occurs within 18 months of January 16, 2014 the number of RSUs that will vest on the third anniversary of grant will be equal to the number of PB RSUs granted. If the change of control occurs after 18 months from January 16, 2014 the number of shares received on the third anniversary of grant will be equal to the number of PB RSUs that would otherwise have been received based on the actual performance between the date of grant and the date of the change of control. The holders of PB RSUs are entitled to receive cash dividend equivalents, which would be reinvested in RSUs, based on the cash dividends paid on the ordinary shares during the period the PB RSUs are outstanding.
The following table summarizes the stock options, RSUs and PB RSUs granted under the 2013 Incentive Plan. There were no forfeitures or exercises for the nine months ended January 31, 2014.

	January 31, 2014			
	Outstanding number of instruments	Weighted average exercise price	Weighted remaining contractual life	Weighted average grant date fair value
Stock options	2,733,450	$10.00	10 years	$4.13
RSUs	1,076,847	—	3 years	10.00
PB RSUs	436,617	—	3 years	12.60

Exercisable, end of period	—

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21. Stock-based Compensation:
(a) 2013 Omnibus Incentive Plan ("2013 Incentive Plan") (continued):
Exchanged awards
In connection with the IPO, members of the 2011 Management Equity Plan ("2011 Plan") (see (b) below) exchanged their performance options under the 2011 Plan for either share price performance options or share price performance shares under the 2013 Incentive Plan and their time and performance options under the 2011 plan for either service vesting stock options or service vesting shares under the 2013 Incentive Plan.
The share price performance options and share price performance shares vest and are exercisable in up to four tranches based on the satisfaction of specified market conditions. The first third of the options and/or shares will vest on the achievement of a price of our ordinary shares at least $40.00, based on a 20 day trading average. The second third of the options and/or shares will vest on the achievement of a price of our ordinary shares of at least $53.60, based on a 20 day trading average. One sixth of the options and/or shares will vest on the achievement of a price of our ordinary shares of at least $60.00, based on a 20 day trading average. The remaining one sixth of the options and/or shares will vest on the achievement of a price of our ordinary shares of at least $67.20, based on a 20 day trading average. Once vested the ordinary shares will be subject to transfer restrictions and can only be sold on a pro-rata basis when the parent company sells ordinary shares of the Company.
The service vesting stock options and service vesting shares vest and are exercisable in three equal annual installments of 33.3% beginning six months after the date of grant. The service vesting stock options are granted at an exercise price that is not to be less than 100% of the fair value of an ordinary share on the date of grant.
The following table summarizes the 2013 Incentive Plan service vesting stock options, share price performance options, service vesting shares and share price performance shares received in exchange for performance options and time and performance options under the 2011 Plan. There were no additional grants, forfeitures or exercises for the nine months ended January 31, 2014.

	January 31, 2014			
	Outstanding number of instruments	Weighted average exercise price	Weighted remaining contractual life	Weighted average grant date fair value
Service vesting stock options	46,403	$0.0001	10 years	$10.00
Share price performance options	193,891	10.00	10 years	3.86
Service vesting shares	252,976	—	2.5 years	10.00
Share price performance shares	669,228	—	10 years	4.53
Exercisable, end of period	—			

The fair value of the stock options, service vesting stock options, the share price performance options and the share price performance shares were estimated using a Binomial model. The options and/or shares will vest on the achievement of specified share prices of our ordinary shares. For accounting purposes this is considered to be a market condition and this was reflected in the grant date fair value of the award.
The key factors that will create value in these awards include the expected term, risk-free interest rate and volatility, which has been estimated using historical volatility of the peer companies' in the S&P 500 Energy Index and two additional peer companies' stock prices.

Expected term	5.75 years - 10 years
Risk-free interest rate	1.90% - 2.85%

Expected dividends	nil	
Volatility	40	%

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21. Stock-based Compensation (continued):

(a) 2013 Omnibus Incentive Plan ("2013 Incentive Plan") (continued):

The fair value of the PB RSUs was estimated using a Monte-Carlo simulation model. The number of shares to be received will range from 0% to 200% of the PB RSUs granted based on the change in the Company's stock price relative to the change in the stock prices of the companies in the S&P Energy Index over the three year period from the date of grant. For accounting purposes this is considered to be a market condition and this was reflected in the grant date fair value of the award.

The key factors that will create value in these awards include the correlations between the price of our ordinary shares and the three year daily historical stock prices of the respective companies in the S&P 500 Energy Index, the risk-free interest rate and the expected volatility.

Correlation co-efficient	0.61	
Risk-free interest rate	0.80	%
Expected dividends	nil	
Expected life	3 years	
Volatility	40	%

(b) 2011 Management Equity Plan ("2011 Plan"):

On December 30, 2011, 6922767 Holding (Cayman) Inc., our parent ("the Parent"), adopted an equity compensation plan that permitted it to grant time and performance options, performance options and/or restricted share units to certain eligible employees, directors or consultants of the Parent and its affiliates.

The time and performance options vest in four equal annual installments of 25% beginning one year from the date of grant. All of the unvested time and performance options will vest immediately in the event the Ordinary A shareholders receive distributions equal to their initial investment or on a change of control. The time and performance options cannot be exercised until the occurrence of either, (1) an initial public offering or subsequent public offering of our equity or (2) the merger, consolidation, sale of interests or sale of assets of us (collectively an "Exit Event") which results in an exit value being equal to or in excess of the initial investment by the Ordinary A shareholders in the Parent.

The term of stock options issued under the 2011 Plan may not exceed the earlier of an Exit Event or ten years from the date of grant. Under the 2011 Plan, the time and performance options and the performance options are granted at an exercise price that is not to be less than 100% of the fair value of an Ordinary B share of 6922767 Holding (Cayman) Inc. on the date of grant.

The performance options vest and are exercisable in up to three equal tranches based on the satisfaction of specified performance conditions. The first third of the options will vest on the occurrence of an Exit Event which results in an exit value being equal to or in excess of the initial investment by the Ordinary A shareholders. The second third of the options will vest on the occurrence of an Exit Event which results in an exit value being equal to or in excess of two times the initial investment by the Ordinary A shareholders. The remaining options will vest on the occurrence of an Exit Event which results in an exit value being equal to or in excess of two and a half times the initial investment by the Ordinary A shareholders.

For accounting purposes, time and performance options and performance options are considered to have a market condition (based on the exit value) and a performance condition (based on an Exit Event). The effect of the market condition was reflected in the grant date fair value of the award.

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21. Stock-based Compensation (continued):
(b) 2011 Management Equity Plan ("2011 Plan"):
Restricted Share Units ("RSUs") vest on the date of grant as they are fully paid up on the grant date. The eligible employee receives Ordinary B shares of the Parent equal to the number of RSUs in exchange for the RSUs on the earlier to occur of (1) the fifth anniversary of the date of grant and (2) the date of a change of control. The holders of RSUs are entitled to receive cash dividend equivalents based on the cash dividends paid on the Ordinary B shares during the period the RSUs are outstanding.
On January 16, 2014, certain employees exchanged 183,219 time and performance options and 390,473 performance options under the 2011 Plan for 46,403 service vesting options and 193,891 share price performance options under the 2013 Incentive Plan. On January 16, 2014, certain employees exchanged 725,905 time and performance options and 1,325,757 performance options under the 2011 Plan for 252,976 service vesting shares and 669,228 share price performance shares under the 2013 Incentive Plan.
The exchange of the time and performance options changed the exercise price from $26.06 to $0.0001 for service vesting stock options and to $nil for the shares which resulted in an incremental compensation cost of $2.0 million. The unrecognized compensation expense of $2.0 million will be recognized over 2 and a half years. The exchange of the performance options changed the exercise price from $26.06 to $10.00 for share price performance stock options and to $nil for the shares which resulted in an incremental cost of $0.5 million. The unrecognized compensation expense of $0.5 million will be recognized over ten years.

The following table summarizes the time and performance stock option activity under the 2011 Plan:

	April 30, 2013			January 31, 2014		
	Number of options (1)	Weighted average exercise price (1)	Weighted remaining contractual life	Number of options (1)	Weighted average exercise price (1)	Weighted remaining contractual life
Outstanding, beginning of year	1,045,524	$26.06		1,029,863	$26.06	
Granted	102,600	26.06		—	—	
Forfeited	(118,261)	26.06		(93,982)	26.06	
Exchanged options	—	—		(909,124)	26.06	
Outstanding, end of period	1,029,863	$26.06	8.7 years	26,757	$26.06	7.9 years
Exercisable, end of period	—			—		

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21. Stock-based Compensation (continued):
(b) 2011 Management Equity Plan ("2011 Plan") (continued):
The following table summarizes the performance stock option activity under the 2011 Plan:

	April 30, 2013			January 31, 2014		
	Number of options (1)	Weighted average exercise price (1)	Weighted remaining contractual life	Number of options (1)	Weighted average exercise price (1)	Weighted remaining contractual life
Outstanding, beginning of year	1,860,943	$26.06		1,911,605	$26.06	
Granted	225,472	26.06		—	—	
Forfeited	(174,810)	26.06		(195,375)	26.06	
Exchanged options	—	—		(1,716,230)	26.06	
Outstanding, end of period	1,911,605	$26.06	8.7 years	—	$—	—
Exercisable, end of period	—			—		

(1) Adjusted retrospectively for the capital stock restructuring (note 11)

The fair value of the time and performance options and performance options on the date of exchange was estimated using a Monte-Carlo simulation model. The key factors that created value in these awards at the exchange date include the year of an Exit Event, the probability that an Exit Event will occur in a particular year, the risk-free interest rate and the ultimate exit value of the Company, which was estimated using historical volatility of the peer companies' in the S&P 500 Energy Index and two additional peer companies' stock price.

Year of Exit Event	2014 - 2018
Probability of Exit Event	0% to 30%
Risk-free interest rate	1.23%
Expected dividends	nil
Volatility	40%

The weighted average fair value of the time and performance stock options on the date of the exchange is $0.26 per share. No compensation expense was recognized in relation to the time and performance options during the nine months ended January 31, 2013 as the performance criteria was not met and it was not probable that the criteria would be met in the future. $5.3 million of compensation expense has been recognized in relation to the time and performance options during the nine months ended January 31, 2014 as on the completion of the IPO the performance criteria related to the Exit Event was achieved. As of January 31, 2014, $2.1 million remains to be recognized for the unvested options over the remaining two of the four-year vesting period as the options would have vested under the terms of the original options.

The weighted average fair value of the performance options on the date of the exchange is $0.13 per share. No compensation expense was recognized in relation to the performance options during the nine months ended January 31, 2013 as the performance criteria was not met and it was not probable that the criteria would be met in the future. $13.9 million of compensation expense has been recognized in relation to the performance options during the nine months ended January 31, 2014 as on the completion of the IPO the performance criteria related to the Exit Event was achieved.

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21. Stock-based Compensation (continued):
(c) Share Incentive Plan ("2008 Plan"):
On September 16, 2008 we introduced a Share Incentive Plan ("the 2008 Plan") under which options and Special Share Awards can be granted to our eligible employees.
Under the 2008 Plan, options may be granted to employees to purchase Ordinary B shares of the Parent. Each option provides the right to purchase one Ordinary B share. Each option expires at the earlier of the tenth anniversary of the effective date of such options or the occurrence of a Exit Event as defined in the Plan.
On December 30, 2011, certain employees exchanged 94,609 unvested options and 47,304 of the options that vested on September 16, 2011 under the 2008 Plan for the same number of time and performance options under the 2011 Plan. The same employees exchanged 170,000 Special A shares for the same number of performance options under the 2011 Plan.
The exchange of the options changed the exercise price from $40.00 to $26.06, which resulted in an incremental cost of $0.4 million. $0.3 million of compensation expense has been recognized in relation to the incremental cost during the quarter ended January 31, 2014 as the performance criteria related to Exit Event was met. As of January 31, 2014, $0.4 million remained to be recognized for the unvested 2008 options. The unrecognized compensation expense of $0.4 million will be recognized over the remaining two of the four-year vesting period as the options would have vested under the terms of the original options.
The following table summarizes the stock option activity under the 2008 Plan:

	April 30, 2013			January 31, 2014		
	Number of options (1)	Weighted average exercise price (1)	Weighted remaining contractual life	Number of options (1)	Weighted average exercise price (1)	Weighted remaining contractual life
Outstanding, beginning of year	559,305	$40.00		531,479	$40.00	
Granted	—	—		—	—	
Forfeited	(27,826)	40.00		—	—	
Exchanged options	—	—		—	—	
Outstanding, end of period	531,479	$40.00	5.4 years	531,479	$40.00	4.6 years
Exercisable, end of period	502,261			531,479		

(1) Adjusted retrospectively for the capital stock restructuring (note 11)
There were no Special A shares granted during each of the nine months ended January 31, 2013 and 2014. There were 1,000 Special A shares and 70,000 Special A shares forfeited during the nine months ended January 31, 2013 and 2014. There were no Special A shares exchanged during the nine months ended January 31, 2013 and 2014. At January 31, 2013 and 2014, there were 393,000 and 323,000 Special A shares outstanding, respectively.
No compensation expense was recognized in relation to the Special A shares during the nine months ended January 31, 2013 as the two performance criteria were not met and it was not probable that the performance criteria would be met. $2.5 million of compensation expense has been recognized in relation to the Special A shares during the nine

months ended January 31, 2014 as the performance criteria related to the Exit Event was met.

During the nine months ended January 31, 2013 and 2014, we recorded stock compensation expense of $0.3 million, and $23.1 million, respectively, in the statement of operations.

As at January 31, 2014, $27.1 million remains to be recognized for the stock options, RSUs and PB RSUs.

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22. Subsequent events

On February 7, 2014, one of our subsidiaries redeemed $130.0 million of the senior secured notes at a redemption price of 103% of the principal plus paid accrued and unpaid interest of $3.7 million. A loss on extinguishment of $7.7 million was incurred.

On February 20, 2014, the underwriters in our recent IPO exercised an option to purchase 3,000,000 ordinary shares at $10.00 per share. An underwriting discount of $1.6 million was paid.

23. Supplemental condensed consolidated financial information:

The Company and certain of its direct and indirect wholly-owned subsidiaries (the “Guarantor Subsidiaries”) fully and unconditionally guaranteed on a joint and several basis certain outstanding indebtedness of CHC Helicopter S.A., one of our subsidiaries. The following consolidating schedules present financial information as of January 31, 2014 and for the three and nine months ended January 31, 2013 and 2014, based on the guarantor structure that was in place at January 31, 2014.

The Sub-Parent column includes the financial position, results of operations and cash flows of several indirect parent entities of CHC Helicopter S.A. who have not provided guarantees of its debt. The investment in subsidiaries held by these entities is accounted for using the equity method.

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Balance Sheets as at April 30, 2013

(Expressed in thousands of United States dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Assets							
Current Assets							
Cash and cash equivalents	$—	$87	$3,478	$136,835	$(13,121)	$(3,478)	$123,801
Receivables, net of allowance for doubtful accounts	—	61	113	147,138	170,744	(754)	317,302
Current intercompany receivables	—	—	439,585	505,725	241,723	(1,187,033)	—
Income taxes receivable	—	—	—	362	25,509	—	25,871
Deferred income tax assets	—	—	—	(8)	57	—	49
Inventories	—	—	—	100,263	5,531	—	105,794
Prepaid expenses	—	—	49	10,313	11,906	(49)	22,219
Other assets	—	—	5,593	46,715	93,038	(89,263)	56,083
	—	148	448,818	947,343	535,387	(1,280,577)	651,119
Property and equipment, net	—	—	—	993,911	81,724	(381)	1,075,254
Investments	543,511	538,704	393,062	411,624	18,116	(1,878,121)	26,896
Intangible assets	—	—	—	194,360	3,450	—	197,810
Goodwill	—	—	—	334,129	96,333	—	430,462
Restricted cash	—	—	—	8,172	21,467	—	29,639
Other assets	—	977	29,449	377,211	61,596	(29,444)	439,789
Long-term intercompany receivables	—	29,854	859,564	43,324	449,718	(1,382,460)	—
Deferred income tax assets	—	—	—	10,104	648	—	10,752
Assets held for sale	—	—	—	32,047	—	—	32,047
	$543,511	$569,683	$1,730,893	$3,352,225	$1,268,439	$(4,570,983)	$2,893,768
Liabilities and Shareholders' Equity							
Current Liabilities							
Payables and accruals	$13	$1,085	$6,516	$280,998	$138,188	$(6,394)	$420,406
Deferred revenue	—	—	—	18,901	8,751	—	27,652
Income taxes payable	—	87	457	37,416	10,571	(458)	48,073
Current intercompany payables	—	—	35,729	281,132	466,300	(783,161)	—
Deferred income tax liabilities	—	—	—	537	81	—	618
Current facility secured by accounts receivable	—	—	—	—	53,512	—	53,512
Other liabilities	—	25,000	83,596	100,129	6,332	(167,266)	47,791
Current portion of long-term debt obligations	—	—	—	2,138	—	—	2,138
	13	26,172	126,298	721,251	683,735	(957,279)	600,190
Long-term debt obligations	—	—	1,337,303	1,475,087	—	(1,337,303)	1,475,087
Long-term intercompany payables	29,817	—	—	436,282	56,789	(522,888)	—
Deferred revenue	—	—	—	25,910	30,080	—	55,990
Other liabilities	—	—	—	145,566	100,889	—	246,455

Deferred income tax liabilities	—	—	—	9,287	1,340	—	10,627
Total liabilities	29,830	26,172	1,463,601	2,813,383	872,833	(2,817,470)	2,388,349
Redeemable non-controlling interests	—	—	—	—	(8,262)	—	(8,262)
Shareholders' equity	513,681	543,511	267,292	538,842	403,868	(1,753,513)	513,681
	$543,511	$569,683	$1,730,893	$3,352,225	$1,268,439	$(4,570,983)	$2,893,768

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Balance Sheets as at January 31, 2014 (Expressed in thousands of United States dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Assets							
Current Assets							
Cash and cash equivalents	$10	$92	$211,275	$530,593	$(113,550)	$(211,275)	$417,145
Receivables, net of allowance for doubtful accounts	—	244	113	117,733	151,794	(2,423)	267,461
Current intercompany receivables	—	—	548,136	482,609	341,350	(1,372,095)	—
Income taxes receivable	—	—	—	158	24,845	—	25,003
Deferred income tax assets	—	—	—	20	59	—	79
Inventories	—	—	—	116,137	8,427	—	124,564
Prepaid expenses	—	—	65	12,451	16,051	(65)	28,502
Other assets	—	—	8,039	36,087	196,554	(191,109)	49,571
	10	336	767,628	1,295,788	625,530	(1,776,967)	912,325
Property and equipment, net	—	—	—	941,135	98,458	(381)	1,039,212
Investments	628,176	599,310	388,335	571,319	20,855	(2,177,178)	30,817
Intangible assets	—	—	—	176,354	3,392	—	179,746
Goodwill	—	—	—	327,930	96,572	—	424,502
Restricted cash	—	—	—	8,016	14,673	—	22,689
Other assets	—	—	34,228	465,240	81,910	(34,228)	547,150
Long-term intercompany receivables	35,000	29,817	1,026,909	71,020	453,927	(1,616,673)	—
Deferred income tax assets	—	—	—	635	10,147	—	10,782
Assets held for sale	—	—	—	32,637	—	—	32,637
	$663,186	$629,463	$2,217,100	$3,890,074	$1,405,464	$(5,605,427)	$3,199,860
Liabilities and Shareholders' Equity							
Current Liabilities							
Payables and accruals	$2,924	$90	$42,113	$256,525	$116,102	$(42,106)	$375,648
Deferred revenue	—	—	—	21,547	10,308	—	31,855
Income taxes payable	—	64	410	40,564	4,999	(410)	45,627
Current intercompany payables	3,296	1,133	45,042	357,347	463,716	(870,534)	—
Deferred income tax liabilities	—	—	—	441	81	—	522
Current facility secured by accounts receivable	—	—	—	—	46,876	—	46,876
Other liabilities	—	—	218,070	245,155	2,215	(436,140)	29,300
Current portion of long-term debt obligations	—	—	128,821	132,792	—	(128,821)	132,792
	6,220	1,287	434,456	1,054,371	644,297	(1,478,011)	662,620
Long-term debt obligations	—	—	1,459,393	1,545,761	—	(1,459,393)	1,545,761
Long-term intercompany payables	29,817	—	—	453,923	71,026	(554,766)	—
Deferred revenue	—	—	—	35,563	44,272	—	79,835

Other liabilities	—	—	—	193,943	85,996	—	279,939
Deferred income tax liabilities	—	—	—	7,070	3,098	—	10,168
Total liabilities	36,037	1,287	1,893,849	3,290,631	848,689	(3,492,170)	2,578,323
Redeemable non-controlling interests	—	—	—	—	(5,612)	—	(5,612)
Shareholders' equity	627,149	628,176	323,251	599,443	562,387	(2,113,257)	627,149
	$663,186	$629,463	$2,217,100	$3,890,074	$1,405,464	$(5,605,427)	$3,199,860

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Statements of Operations for the three months ended January 31, 2013 (Expressed in thousands of United States dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	$—	$—	$—	$289,951	$ 278,974	$(127,086)	$ 441,839
Operating expenses:							
Direct costs	—	—	(19)	(214,539)	(268,197)	127,110	(355,645)
Earnings from equity accounted investees	(58,421)	(58,250)	10,285	68,852	415	37,969	850
General and administration costs	—	(59)	(1,452)	(13,420)	(5,282)	1,484	(18,729)
Depreciation	—	—	—	(26,001)	(2,700)	—	(28,701)
Restructuring costs	—	—	(16)	(1,153)	(3,737)	16	(4,890)
Asset impairments	—	—	—	(7,813)	—	—	(7,813)
Gain (loss) on disposal of assets	—	—	—	(4,462)	60	—	(4,402)
	(58,421)	(58,309)	8,798	(198,536)	(279,441)	166,579	(419,330)
Operating income (loss)	(58,421)	(58,309)	8,798	91,415	(467)	39,493	22,509
Financing income (charges)	—	(112)	(66,641)	(125,934)	85,137	66,438	(41,112)
Income (loss) from continuing operations before income tax	(58,421)	(58,421)	(57,843)	(34,519)	84,670	105,931	(18,603)
Income tax expense	—	—	(864)	(23,943)	(20,360)	864	(44,303)
Income (loss) from continuing operations	(58,421)	(58,421)	(58,707)	(58,462)	64,310	106,795	(62,906)
Earnings from discontinued operations, net of tax	—	—	—	212	—	—	212
Net earnings (loss)	(58,421)	(58,421)	(58,707)	(58,250)	64,310	106,795	(62,694)
Net earnings (loss) attributable to:							
Controlling interest	(58,421)	(58,421)	(58,707)	(58,250)	68,583	106,795	(58,421)
Non-controlling interests	—	—	—	—	(4,273)	—	(4,273)
Net earnings (loss)	$(58,421)	$(58,421)	$(58,707)	$(58,250)	$ 64,310	$106,795	$ (62,694)
Comprehensive income (loss)	$(35,437)	$(35,437)	$(34,840)	$(35,266)	$ 56,667	$42,636	$ (41,677)

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Revenue	$—	$—	$—	$839,587	$ 847,267	$(382,160)	$ 1,304,694
Operating expenses:							
Direct costs	—	—	(62)	(619,746)	(815,543)	382,222	(1,053,129)
Earnings from equity accounted investees	(84,606)	(84,356)	7,433	91,112	1,586	71,518	2,687
General and administration costs	—	(190)	(4,268)	(43,891)	(12,268)	4,318	(56,299)
Depreciation	—	—	—	(76,552)	(8,094)	—	(84,646)
Restructuring costs	—	—	(16)	(2,783)	(5,834)	16	(8,617)
Asset impairments	—	(58)	—	(24,160)	—	—	(24,218)
Gain (loss) on disposal of assets	—	—	—	(9,107)	88	—	(9,019)
	(84,606)	(84,604)	3,087	(685,127)	(840,065)	458,074	(1,233,241)
Operating income (loss)	(84,606)	(84,604)	3,087	154,460	7,202	75,914	71,453
Financing income (charges)	—	(2)	(84,307)	(204,334)	95,137	84,104	(109,402)
Income (loss) from continuing operations before income tax	(84,606)	(84,606)	(81,220)	(49,874)	102,339	160,018	(37,949)
Income tax expense	—	—	(2,848)	(35,506)	(15,100)	2,848	(50,606)
Income (loss) from continuing operations	(84,606)	(84,606)	(84,068)	(85,380)	87,239	162,866	(88,555)
Earnings from discontinued operations, net of tax	—	—	—	1,024	—	—	1,024
Net earnings (loss)	(84,606)	(84,606)	(84,068)	(84,356)	87,239	162,866	(87,531)
Net earnings (loss) attributable to:							—
Controlling interest	(84,606)	(84,606)	(84,068)	(84,356)	90,164	162,866	(84,606)
Non-controlling interests	—	—	—	—	(2,925)	—	(2,925)
Net earnings (loss)	$(84,606)	$(84,606)	$(84,068)	$(84,356)	$ 87,239	$162,866	$(87,531)
Comprehensive income (loss)	$(71,627)	$(71,627)	$(69,689)	$(71,377)	$ 75,057	$134,210	$(75,053)

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Cash Flows for the nine months ended January 31, 2013 (Expressed in thousands of United States dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Cash provided by (used in) operating activities	$—	$(5)	$(128,195)	$25,640	$ (51,923)	$ 128,195	$(26,288)
Financing activities:							
Increase in deferred financing costs	—	—	(3,793)	(3,793)	—	3,793	(3,793)
Sold interest in accounts receivable, net of collections	—	—	—	—	(6,021)	—	(6,021)
Proceeds from senior secured notes	—	—	202,000	202,000	—	(202,000)	202,000
Long term debt proceeds	—	—	752,144	812,449	—	(752,144)	812,449
Long term debt repayments	—	—	(805,000)	(817,594)	—	805,000	(817,594)
Long-term intercompany flow-issuance of debt	—	—	—	(1,821)	1,821	—	—
Cash provided by (used in) financing activities	—	—	145,351	191,241	(4,200)	(145,351)	187,041
Investing activities:							
Property and equipment additions	—	—	—	(298,556)	(20,002)	—	(318,558)
Proceeds from disposal of property and equipment	—	—	—	207,863	33	—	207,896
Aircraft deposits net of lease inception refunds	—	—	—	(49,517)	—	—	(49,517)
Restricted cash	—	—	—	(1,364)	3,771	—	2,407
Distributions from equity investments	—	—	—	745	—	—	745
Cash used in investing activities	—	—	—	(140,829)	(16,198)	—	(157,027)
Cash provided by (used in) continuing operations	—	(5)	17,156	76,052	(72,321)	(17,156)	3,726
Cash provided by (used in) discontinued operations:							
Cash provided by operating activities	—	—	—	1,024	—	—	1,024
Cash used in financing activities	—	—	—	(1,024)	—	—	(1,024)
Cash provided by (used in) discontinued operations	—	—	—	—	—	—	—
	—	—	—	(715)	757	—	42

Effect of exchange rate changes on cash and cash equivalents							
Change in cash and cash equivalents during the period	—	(5)	17,156	75,337	(71,564)	(17,156)	3,768
Cash and cash equivalents, beginning of the period	—	92	(6,771)	41,228	14,319	6,771	55,639
Cash and cash equivalents, end of the period	$—	$87	$10,385	$116,565	$ (57,245)	$(10,385)	$59,407

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Statements of Operations for the three months ended January 31, 2014 (Expressed in thousands of United States dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	$—	$—	$—	$296,154	$ 298,990	$ (141,250)	$453,894
Operating expenses:							
Direct costs	—	—	(17)	(219,116)	(300,141)	141,261	(378,013)
Earnings from equity accounted investees	(55,856)	(55,801)	11,686	(3,203)	1,510	103,736	2,072
General and administration costs	(4,169)	(59)	(239)	(18,538)	(15,737)	(440)	(39,182)
Depreciation	—	—	—	(30,239)	(5,168)	—	(35,407)
Asset impairments	—	—	—	58	—	—	58
Gain (loss) on disposal of assets	—	—	—	2,654	(176)	—	2,478
	(60,025)	(55,860)	11,430	(268,384)	(319,712)	244,557	(447,994)
Operating income (loss)	(60,025)	(55,860)	11,430	27,770	(20,722)	103,307	5,900
Financing income (charges)	22	4	(63,773)	(75,144)	18,032	63,774	(57,085)
Loss from continuing operations before income tax	(60,003)	(55,856)	(52,343)	(47,374)	(2,690)	167,081	(51,185)
Income tax recovery (expense)	—	—	(701)	(8,427)	1,738	701	(6,689)
Net loss	(60,003)	(55,856)	(53,044)	(55,801)	(952)	167,782	(57,874)
Net earnings (loss) attributable to:							
Controlling interest	(60,003)	(55,856)	(53,044)	(55,801)	(3,081)	167,782	(60,003)
Non-controlling interests	—	—	—	—	2,129	—	2,129
Net loss	$(60,003)	$(55,856)	$(53,044)	$(55,801)	$ (952)	$ 167,782	$(57,874)
Comprehensive income (loss)	$(91,464)	$(87,319)	$(85,133)	$(87,264)	$ 12,455	$ 248,571	$(90,154)

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CHC Group Ltd.
Notes to Interim Consolidated Financial Statements (Unaudited)
(Tabular amounts expressed in thousands of United States dollars unless otherwise noted)

Statements of Operations for the nine months ended January 31, 2014 (Expressed in thousands of United States dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	$—	$—	$—	$859,876	$ 863,027	$(410,706)	$1,312,197
Operating expenses:							
Direct costs	—	—	(17)	(649,852)	(853,767)	410,723	(1,092,913)
Earnings from equity accounted investees	(142,775)	(142,421)	53,512	96,947	4,416	136,311	5,990
General and administration costs	(5,456)	(276)	(3,479)	(51,404)	(20,238)	3,014	(77,839)
Depreciation	—	—	—	(91,034)	(15,124)	—	(106,158)
Asset impairments	(1,115)	—	—	(21,841)	—	—	(22,956)
Loss on disposal of assets	—	—	—	(1,410)	(533)	—	(1,943)
	(149,346)	(142,697)	50,016	(718,594)	(885,246)	550,048	(1,295,819)
Operating income (loss)	(149,346)	(142,697)	50,016	141,282	(22,219)	139,342	16,378
Financing income (charges)	22	(77)	(184,590)	(255,547)	111,875	184,590	(143,727)
Income (loss) from continuing operations before income tax	(149,324)	(142,774)	(134,574)	(114,265)	89,656	323,932	(127,349)
Income tax recovery (expense)	—	(1)	(2,125)	(28,156)	10,668	2,125	(17,489)
Net earnings (loss)	(149,324)	(142,775)	(136,699)	(142,421)	100,324	326,057	(144,838)
Net earnings (loss) attributable to:							
Controlling interest	(149,324)	(142,775)	(136,699)	(142,421)	95,838	326,057	(149,324)
Non-controlling interests	—	—	—	—	4,486	—	4,486
Net earnings (loss)	$(149,324)	$(142,775)	$(136,699)	$(142,421)	$ 100,324	$326,057	$(144,838)
Comprehensive income (loss)	$(197,914)	$(191,367)	$(187,339)	$(191,013)	$ 132,799	$438,614	$(196,220)

CHC Group Ltd.
Notes to Interim Consolidated Financial Statements (Unaudited)
(Tabular amounts expressed in thousands of United States dollars unless otherwise noted)

Cash Flows for the nine months ended January 31, 2014 (Expressed in thousands of United States dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Cash provided by (used in) operating activities	$(1,783)	$5	$(137,987)	$111,271	$ (89,702)	$ 136,681	$18,485
Financing activities:							
Sold interest in accounts receivable, net of collections	—	—	—	—	(5,173)	—	(5,173)
Proceeds from issuance of capital stock	291,313	254,520	254,520	314,520	—	(823,560)	291,313
Proceeds from issuance of senior unsecured notes	—	—	300,000	300,000	—	(300,000)	300,000
Long-term debt proceeds	—	—	710,000	760,000	—	(710,000)	760,000
Long-term debt repayments	—	—	(760,000)	(888,656)	—	760,000	(888,656)
Increase in deferred financing costs	—	—	(14,034)	(14,034)	—	14,034	(14,034)
Long term intercompany flow – issuance of debt	(35,000)	—	(144,897)	12,969	22,031	144,897	—
Dividend distribution to parent	—	—	—	(85,148)	—	85,148	—
Related party loans	—	(25,148)	—	—	—	—	(25,148)
Cash provided by financing activities	256,313	229,372	345,589	399,651	16,858	(829,481)	418,302
Investing activities:							
Property and equipment additions	—	—	—	(439,898)	(35,566)	1,306	(474,158)
Proceeds from disposal of property and equipment	—	—	—	444,398	172	—	444,570
Aircraft deposits net of lease inception refunds	—	—	—	(102,388)	—	—	(102,388)
Investment in subsidiaries	(254,520)	(314,520)	—	—	—	569,040	—
Restricted cash	—	—	—	1,223	6,961	—	8,184
Distributions from equity investments	—	—	—	629	1,677	—	2,306
Dividends received	—	85,148	195	—	—	(85,343)	—
Cash provided by (used in) investing activities	(254,520)	(229,372)	195	(96,036)	(26,756)	485,003	(121,486)
Cash provided by (used in) operations	10	5	207,797	414,886	(99,600)	(207,797)	315,301
Effect of exchange rate changes on cash and cash	—	—	—	(21,128)	(829)	—	(21,957)

equivalents							
Change in cash and cash equivalents during the period	10	5	207,797	393,758	(100,429)	(207,797)	293,344
Cash and cash equivalents, beginning of the period	—	87	3,478	136,835	(13,121)	(3,478)	123,801
Cash and cash equivalents, end of the period	$10	$92	$211,275	$530,593	$ (113,550)	$(211,275)	$417,145

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis of our financial condition and results of operations ("MD&A") is intended to provide an understanding of our results of operations, financial condition and where appropriate, factors that may affect future performance. You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and notes thereto included elsewhere in this report and in our prospectus filed with the Securities and Exchange Commission, or SEC, pursuant to Rule 424(b) under the Securities Act of 1933, as amended, or the Securities Act, on January 21, 2014, and the MD&A contained therein. In the discussion that follows, the term "prior year quarter and current year quarter" and "prior year period and current year period" refers to the three and nine months ended January 31, 2013 and 2014, respectively. The following discussions include forward-looking statements that involve certain risks and uncertainties, including those identified under Part II, Item 1A "Risk Factors" elsewhere in this Quarterly Report on Form 10-Q and those identified in the "Risk Factors" section of our prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act, on January 21, 2014. Our actual results could differ materially from those discussed in these forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements and Other Industry and Market Data" below.

Cautionary Note Regarding Forward-Looking Statements and Other Industry and Market Data

This Quarterly Report on Form 10-Q contains forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, about our future expectations, plans or prospects and our business. All statements contained in this Quarterly Report on Form 10-Q, other than statements of historical fact, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management, are forward-looking statements. In some cases you can identify these statements by forward-looking words such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "could," "would," "project," "plan," "expect" or the negative or plural of these words or sim expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our level of indebtedness and obligations under our operating leases;
- competition in the markets we serve;
- loss of any of our large, long-term support contracts;
- inherent risks in operating helicopters;
- failure to mitigate losses through a robust safety management and insurance coverage program or to maintain standards of acceptable safety performance;
- risks associated with our fixed operating expenses and long-term contracts;
- our reliance on a small number of helicopter manufacturers;
- limited number of suppliers and availability of replacement helicopter parts and subcontracted services;
- inability to fund our working capital requirements;
- reliance on the secondary used helicopter market to dispose of older helicopters;
- extensive regulation;
- potential for conflict with the other owners of non-wholly owned variable interest entities;
- political and economic uncertainty;
- compliance risks associated with international activities;
- application of tax laws in various jurisdictions;
- foreign currency exposure and related hedging activities;
- exposure to credit risks;
- allocation of risk between our customers and us;
- dependence on the oil and gas industry, and particular markets within that industry;

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- reduction or cancellation of services for government agencies;
- inability to upgrade our technology;
- reliance on information technology;
- assimilation of acquisitions and the impact of any future material acquisitions;
- loss of key personnel;
- labor problems;
- insufficient assets in our defined benefit pension plan;
- adverse results of legal proceedings;
- potential adverse U.S. federal income tax consequences;
- our financial sponsor's control over us, and its interests that may conflict with ours and may differ from those of our public shareholders;
- future sales of our ordinary shares by current shareholders;
- lack of a prior trading market for our ordinary shares;
- our holding company structure; and
- the costs of being a public company, including Sarbanes-Oxley Act compliance.

We caution you that the above list of cautionary statements is not exhaustive and should be considered with the risks described under "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. We disclaim any intentions or obligations to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

Overview of Business

We are the world's largest commercial operator of helicopters based on revenue of $1.7 billion in fiscal 2013. We are also the world's largest commercial operator of heavy and medium helicopters based on our fleet of 236 heavy and medium helicopters as of January 31, 2014. With bases on six continents, we are one of only two global commercial helicopter service providers to the offshore oil and gas industry. Our mission is to provide the highest level of service in the industry, which we believe will enable our customers to go further, do more and come home safely. Through our 60 years of experience providing helicopter services, we believe our brand and reputation have become associated with safe and reliable transportation and mission-critical logistics solutions. Our fleet of heavy and medium helicopters, global capabilities and reputation for safety position us to capitalize on anticipated increases in ultra-deepwater and deepwater drilling and production spending by our major, national and independent oil and gas company customers.

Our helicopters are primarily used to facilitate large, long-distance crew changes on offshore production facilities and drilling rigs. We also provide search and rescue services, or SAR, and emergency medical services, or EMS, to government agencies. We maintain a presence in most major offshore oil and gas markets through a network of approximately 70 bases with operations in approximately 30 countries, more than any other commercial helicopter service provider in the world. We cover this expansive and diverse geography with a technologically advanced fleet of 236 helicopters and the expertise to serve customers in ultra-deepwater and deepwater locations. To secure and maintain operating certificates in the many jurisdictions in which we provide helicopter services, we must meet stringent and diverse regulatory standards across multiple jurisdictions, and have an established track record in obtaining and maintaining certificates as well as working with regulators and local partners.

We generate the majority of our oil and gas customer Helicopter Services revenue from contracts tied to our customers' offshore production operations, which have long-term transportation requirements. A substantial portion of our remaining oil and gas customer Helicopter Services revenue comes from transporting personnel to and from offshore drilling rigs, and we believe this capability allows us to take advantage of expansion in the global ultra-deepwater rig fleet. Approximately 71% to 75% of the flying revenue in our Helicopter Services segment was attributable to fixed monthly charges for the fiscal years ended April 30, 2011, 2012 and 2013.

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We also provide maintenance, repair and overhaul, or MRO, services through our Heli-One business to both our own Helicopter Services segment and to third-party customers. Our MRO capabilities enable us to perform heavy structural repairs, and maintain, overhaul and test helicopters and helicopter components globally across various helicopter types. We believe our in-house MRO operations through our Heli-One business enable us to manage our supply chain and maintain our fleet more efficiently, thereby increasing the availability of our helicopters and reducing our overall cost of maintenance. In addition, we are the largest provider of these services (excluding original equipment manufacturers, or OEMs), which allows us to provide our Heli-One customers with comprehensive MRO services across multiple helicopter types and families. Our MRO services include complete maintenance outsourcing solutions, parts sales and distribution, engineering services, design services and logistics support.

Segments

We report under two operating segments and have a Corporate segment comprised primarily of general and administration costs. Our two operating segments are as follows:

Helicopter Services:

- Our Helicopter Services segment consists of flying operations in the Eastern North Sea, the Western North Sea, the Americas, the Asia Pacific region and the Africa-Euro Asia region, primarily serving our offshore oil and gas customers and providing SAR and EMS to government agencies. The Eastern North Sea is comprised mainly of Norway while the Western North Sea includes the United Kingdom, Ireland and the Netherlands. The Americas is comprised of Brazil, North American countries and other South American countries. The Asia Pacific region includes Australia and Southeast Asian countries and the Africa-Euro Asia region includes Nigeria, Equatorial Guinea, Kazakhstan, Mozambique and other African and European countries.
- Helicopter Services generated approximately 86% to 89% of its revenue for the three years ended April 30, 2013 from oil and gas customers, and of this amount, the majority is tied to our customers' offshore production operations, which have long-term transportation requirements.
- Helicopter Services also provides SAR and EMS to government agencies and to our oil and gas customers. SAR and EMS revenue to non-oil and gas customers has historically contributed approximately 10% of Helicopter Services revenue.

Heli-One:

- Our Heli-One segment includes helicopter maintenance, repair and overhaul facilities in Norway, Poland, Canada and the United States, providing helicopter maintenance, repair and overhaul services for our fleet and for a growing external customer base in Europe, Asia and North America. Although intersegment revenues are eliminated from the presentation of our consolidated financial information, operationally, Heli-One's largest customer is our Helicopter Services segment.
- We have historically generated the majority of our third-party Heli-One revenue by providing maintenance, repair and overhaul services to other helicopter operators. Approximately 28% and 34% of our third-party Heli-One revenue in the 2012 and 2013 fiscal years, respectively, was derived from "power by the hour" contracts, where the customer pays a ratable monthly charge, typically based on the number of hours flown, for all scheduled and un-scheduled maintenance.

Key Financial and Operating Metrics

We use a number of key financial and operating metrics to measure the performance of our business, including Adjusted EBITDAR, Adjusted EBITDAR excluding special items, Adjusted EBITDAR margin, Adjusted EBITDAR margin excluding special items, Adjusted net loss, and our Heavy Equivalent Rate (HE Rate). None of Adjusted EBITDAR, Adjusted EBITDAR excluding special items, Adjusted EBITDAR margin, Adjusted EBITDAR margin excluding special items, Adjusted net loss or HE Rate is required by, or presented in accordance with United States Generally Accepted Accounting Principles ("GAAP"). These non-GAAP measures are not performance measures under GAAP and should not be considered as alternatives to net earnings (loss) or any other performance or liquidity measures derived in accordance with GAAP. In addition, these measures may not be comparable to similarly titled measures of other companies.

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The following charts show our revenue generated by segment, our HE Rate, our Adjusted EBITDAR excluding special items, our Adjusted EBITDAR margin excluding special items, operating income and operating margin for the nine-month periods ended January 31, 2013 and January 31, 2014:

(1) HE Rate is the third-party operating revenue from our Helicopter Services segment excluding reimbursable revenue divided by a weighted average factor corresponding to the number of heavy and medium helicopters in our fleet. Our heavy and medium helicopters, including owned and leased, are weighted at 100% and 50%, respectively, to arrive at a single HE count, excluding helicopters expected to be retired from our fleet.

(2) Adjusted EBITDAR margin excluding special items is calculated as Adjusted EBITDAR excluding special items divided by total revenue less reimbursable revenue. Cost reimbursements from customers are recorded as reimbursable revenue with the related reimbursement expense in direct costs.

(3) Operating margin is calculated as operating income divided by total revenue.

Adjusted EBITDAR, Adjusted EBITDAR excluding special items, Adjusted EBITDAR margin, Adjusted EBITDAR margin excluding special items, Adjusted net loss and HE Rate are non-GAAP financial measures. We have chosen to include Adjusted EBITDAR, and Adjusted EBITDAR excluding special items, as we consider these measures to be significant indicators of our financial performance and we use these measures to assist us in allocating available capital resources. Adjusted EBITDAR is defined as net earnings (loss) before interest, taxes, depreciation, amortization and helicopter lease and associated costs or total revenue plus earnings from equity accounted investees, less direct costs excluding helicopter lease and associated costs less general and administration costs. Adjusted EBITDAR also excludes restructuring costs, asset impairments, gain (loss) on disposal of assets and goodwill impairment, if any. Adjusted EBITDAR excluding special items excludes stock-based compensation triggered by the initial public offering and expenses related to the initial public offering, including costs related to restructuring our compensation plan. For additional information about our segment revenue and Adjusted EBITDAR, including a reconciliation of these measures to our consolidated financial statements, see Note 20 of our unaudited interim consolidated financial statements for the three and nine months ended January 31, 2013 and 2014 included elsewhere in this Quarterly Report on Form 10-Q.

We have chosen to include Adjusted net loss as it provides us with an understanding of the results from the primary activities of our business by excluding items such as stock-based compensation triggered by the initial public offering and expenses related to the initial public offering, including costs related to restructuring our compensation plans, asset dispositions, asset impairments, the revaluation of our derivatives and foreign exchange gain (loss), which is primarily driven by the translation of U.S. dollar balances in entities with a non-U.S. dollar functional currency. This measure excludes the net income

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or loss attributable to non-controlling interests. We believe that this measure is a useful supplemental measure as net loss includes these items, and the inclusion of these items are not meaningful indicators of our ongoing performance. For additional information about our Adjusted net loss, including a reconciliation to our consolidated financial statements, see the "Consolidated Results of Operations."

We have chosen to include the HE Rate, which is the third-party operating revenue from the Helicopter Services segment excluding reimbursable revenue divided by a weighted average factor corresponding to the number of heavy and medium helicopters in our fleet. Our heavy and medium helicopters, including owned and leased, are weighted at 100% and 50%, respectively, to arrive at a single HE count, excluding helicopters expected to be retired from the fleet. We believe this measure is useful as it provides a standardized measure of our operating revenue per helicopter taking into account the different revenue productivity and related costs of operating our fleet mix of heavy and medium helicopters.

Key Drivers Affecting our Results of Operations

Our results of operations and financial condition are affected by numerous factors, including those described under Part II, Item 1A "Risk Factors," elsewhere in this Quarterly Report on Form 10-Q and those described below:

- General level of offshore production and drilling activity. Demand for our services depends primarily upon ongoing offshore hydrocarbon production and the capital spending of oil and gas companies and the level of offshore drilling activity. Higher activity levels can lead to greater utilization of our helicopters by our customers. Because a large portion of our costs are fixed, our Adjusted EBITDAR margins typically improve when more of our helicopters are deployed.
- Impact of fleet mix. Generally, contracts for our helicopter services requiring heavier and newer helicopters provide an opportunity to generate greater profit than lighter and older helicopters. Consequently, our revenue and profit opportunity improves as we upgrade our fleet and enter into new contracts.
- Timing of new contracts and our commencement of service under new contracts. Our results of operations in a particular period can be impacted by the timing of the execution of new contracts and our ability to provide under new contracts.

Market Outlook

We generate the majority of our Helicopter Services revenue from contracts tied to our oil and gas customers' offshore production operations, which have long-term transportation requirements. A substantial portion of our remaining oil and gas customer Helicopter Services revenue comes from transporting personnel to and from offshore drilling rigs, and we believe this capability allows us to take advantage of expansion in the global ultra-deepwater rig fleet. Approximately 71% to 75% of the flying revenue in our Helicopter Services segment was attributable to fixed monthly charges for the fiscal years ended April 30, 2011, 2012 and 2013. The production business is typically less cyclical than the exploration and development business because production platforms remain in place over the long-term and are relatively unaffected by economic cycles, as the marginal cost of lifting a barrel of oil once a platform is in position is low. Our customers typically base their capital expenditure budgets on their long-term commodity price expectations.

Our MRO services, operated through our Heli-One business, are dependent on helicopter maintenance demand. This is generally highest during periods of high helicopter service demand where high flying hours result in more frequent maintenance, most of which is required by regulation.

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We have seen an increase in ultra-deepwater and deepwater spending by our customers, which has led to improvement in many metrics reflected in our fiscal 2012 and fiscal 2013 financial performance. We are optimistic that growth will continue for fiscal 2014. We are continuing to see growth in offshore production as the industry moves offshore to find hydrocarbons. New technology has allowed oil and gas companies to continue exploration and drilling farther offshore. To remain competitive and to service existing and new contracts in this industry, we are augmenting our fleet by adding technologically advanced helicopters to meet customers' changing demands. The industry is constrained by the pace at which it renews its fleet due to the limited supply of new technology helicopters produced annually by the OEMs. To address this constraint, we have leveraged our relationship with the OEMs to secure commitments to obtain new technology helicopters to support our future growth.

During the three months ended January 31, 2014, we took delivery of five helicopters. At January 31, 2014, we have commitments to purchase 33 helicopters, with the delivery of these helicopters beginning in fiscal 2014 and continuing through to fiscal 2017. These helicopters will be purchased outright or financed through leases. We also have the option to purchase 25 helicopters which, if exercised, would bring our total purchase commitments to 58 aircraft. In addition to this, we have committed to $100.0 million of additional helicopter purchases with Airbus Helicopters (formerly Eurocopter).

Norway and the United Kingdom continue to be our core operating areas, while Brazil, Australia and certain countries in the Africa-Euro Asia region, including Nigeria, are expected to contribute increasingly to our revenue in future periods due to an increase in ultra-deepwater and deepwater oil and gas activity. In December 2013, we obtained our own helicopter operating license in Tanzania. In Nigeria, our joint venture partner, Atlantic Aviation, has now commenced commercial operations with AW139 helicopters, a longer range medium helicopter. Also in December, 2013 we completed a two-year extension, through fiscal 2017, of an agreement with Statoil to provide services from bases in Bergen and Florø in Norway. The contract requires a dedicated fleet of 10 heavy aircraft. We have made continued wins for the year to date with new contracts in the U.K., Norway, Kenya, Malaysia, Ireland, Brazil, Australia, East Timor and Equatorial Guinea.

Heli-One continues to develop its third-party business, with recent contract wins in the United Kingdom, where we have gained engine-specific certification from the Ministry of Defence's Military Aviation Authority, and also in Europe, Brazil and the U.S. To further support the growth of our Heli-One business and expand our global footprint, we opened an additional facility in Poland in fiscal 2013. We continue to review and improve our global inventory management processes through a number of lean process techniques to support efficiencies in our workshops and our supply chain for our business operations. In January 2014, we opened our new Global Distribution Center in Amsterdam as part of our continued enhancement of our global supply chain. We are expanding our on-line capabilities to provide customers with portal access to our available parts and exchanges through our portal known as EPIC (Exchange Parts Inventory Channel). We have also been working to improve and expand our global agent and channel partner network where we have signed new agents and channel partners in numerous key regions.

Our broad transformation program continues to provide significant value to our operations. We are approximately half-way through our transformation program. This program looks at all major aspects of our operations and includes a number of work streams, each including many initiatives. The program includes transformative thinking and technology to achieve cost efficiencies through global standardization and organizational efficiency to allow us to continue to enhance our earnings and cash flows. We previously announced the opening of the centralized Integrated Operations Center in Irving, Texas. The centralization process has been expanded in the current period to additional regional areas. We are continuing to implement our long-term crew planning and scheduling program to further improve customer service levels. We believe these transformative actions will allow us to maximize our value proposition to our customers.

We conduct our business in various foreign jurisdictions, and as such, our cash flows and earnings are subject to fluctuations and related risks from changes in foreign currency exchange rates. Throughout the nine months ended January 31, 2014, our primary foreign currency exposures were related to the Norwegian Kroner, the Euro, the British pound sterling, the Canadian dollar and the Australian dollar. For details on this exposure and the related impact on our results of operations, see Part I, Item 3 "Quantitative and Qualitative Disclosures About Market Risk" included elsewhere in this Quarterly Report on Form 10-Q.

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Recent Developments

Following an incident in October 2012 that led to the temporary industry-wide suspension of all over-water Airbus Helicopters EC225 helicopters, we commenced in July 2013 the phased re-introduction of our EC225 fleet to full service. Full regular service on the Airbus Helicopters EC225 fleet was completed during the fourth-quarter of the 2013 calendar year.

On August 23, 2013, one of our Airbus Helicopters AS332L2 heavy helicopters was involved in an accident near Sumburgh in the Shetland Isles, United Kingdom. Authorities subsequently confirmed four fatalities and multiple injuries among the 16 passengers and two crew members on board. The cause of the accident is not yet known and full investigations are being carried out in conjunction with the U.K. Air Accident Investigation Branch, or UK AAIB, and Police Scotland.

Despite engineering and operating differences between the AS332L2, AS332L, AS332L1 and EC225 helicopters, for a limited period, we voluntarily canceled all our flights worldwide on those helicopter types (except for those involved in life-saving missions), out of respect for our work force and those of our customers, and to evaluate any implications associated with the accident.

Within a week of the incident, after consultation with our principal regulators, customers, union representatives and industry groups, and based on findings that there was no evidence to support a continuation of our temporary voluntary suspension and, on recommendations to return to active service all variants of these helicopter types, we resumed commercial passenger flights with all of these helicopter types to and from offshore oil and gas installations worldwide, excluding those in the UK with AS332L2 helicopters. We resumed AS332L2 commercial flights in the UK in mid-September. All of these helicopter types have now been returned to commercial operations worldwide.

On October 18, 2013, the UK AAIB issued a special bulletin about its investigation on the causes of the AS332L2 accident. A full copy of the special bulletin is available at http://www.aaib.gov.uk/publications/special_bulletins/s7_2013___as332_12_super_puma__g_wnsb.cfm. Neither the foregoing website nor the information contained on the website nor the report accessible through such website shall be deemed incorporated into, and neither shall be a part of, this Quarterly Report on Form 10-Q. In the special bulletin, the UK AAIB confirmed that, to date, the wreckage examination and analysis of recorded data as well as information from interviews of people involved in the accident have not found any evidence of a technical fault that could have been causal to the accident. The investigations by the UK AAIB and Police Scotland are not complete and are ongoing. On January 23, 2014, the UK AAIB issued a further special bulletin (S1/2014) on the accident which contained pre-flight safety briefing recommendations relating to the use of the passenger re-breather; these recommendations were implemented in all regions where this equipment was in use. It is too early to determine the extent of the impact of the accident on our results of operations or financial condition based on information currently available.

On February 20, 2014, the UK Civil Aviation Authority (CAA) published its safety review of offshore oil and gas public transport helicopter operations. A full copy of the review is available at http://www.caa.co.uk/application.aspx?catid=33&pagetype=65&appid=11&mode=detail&id=6088. Neither the foregoing website nor the information contained on the website nor the report accessible through such website shall be deemed incorporated into, and neither shall be a part of, this Quarterly Report on Form 10-Q. The report's prescribed actions and recommendations were the result of a comprehensive review of offshore helicopter operations, undertaken in conjunction with the Norwegian CAA and the European Aviation Safety Agency (EASA). The UK CAA identified several actions intended to minimize the risk of further accidents and to improve the survivability in the event of an accident; those actions/recommendations included prohibiting helicopter flights in certain sea conditions, except in response to an emergency, relative to the sea conditions for which the helicopter has been certificated, and only allowing passengers to be seated next to push-out window exits unless all passengers have enhanced emergency breathing equipment or the helicopter is fitted with side floats. The review also identified several other areas of activity to further enhance the levels of safety in the offshore helicopter industry.

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Fleet

As of January 31, 2014, our fleet was comprised of the following helicopters:

Helicopter Type	Total	Cruise Speed (kts)	Approximate Range (nmi)	Passenger Capacity	Maximum Weight (lbs)
Heavy:					
Sikorsky S92A	38	145	400	19	26,500
Airbus Helicopters EC225	34	145	400	19	24,250
Airbus Helicopters (AS332 L, L1, and L2)	39	130-140	250-350	17-19	18,000-20,500
Sikorsky S61N	1	N/A (1)	N/A (1)		