CHC Group Ltd.
Form 10-Q
December 10, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 October 31, 2015
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)

Cayman Islands	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, including 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 x No ¨

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	x
Non-accelerated filer	¨ (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 October 31, 2015, there were 81,525,484 ordinary shares issued and outstanding, excluding unvested restricted shares of 40,516.

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QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED
October 31, 2015
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PART I—FINANCIAL INFORMATION

TRADEMARKS

GLOSSARY

Deepwater	Water depths of approximately 4,500 feet to 7,499 feet.
Dry lease	A dry lease is a leasing arrangement whereby an entity provides an aircraft to another operator without insurance, crew, ground staff, supporting equipment or maintenance.
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 our fleet and those helicopters which form part of our restructuring activities. The average HE count for a period is calculated using a weighted 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 H225, H135, H145 and H155; AgustaWestland's AW139; and Sikorsky's S76C++ and S92A.
OEM	Original equipment manufacturer.

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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 of 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 and per share information (see also Note 10))
(Unaudited)

	April 30, 2015	October 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$134,297	$68,392
Receivables, net of allowance for doubtful accounts of $1.7 million and $2.9 million, respectively (note 2(a)(ii))	241,624	211,143
Income taxes receivable	14,191	15,823
Deferred income tax assets	416	48
Inventories (note 4 and 5)	117,748	101,271
Prepaid expenses	28,742	29,470
Other assets (notes 4 and 6)	67,870	65,132
	604,888	491,279
Property and equipment, net (note 4)	951,554	955,758
Investments	33,293	35,407
Intangible assets (note 4)	169,598	163,764
Restricted cash	19,333	24,982
Other assets (notes 4 and 6)	458,156	478,558
Deferred income tax assets	1,333	1,616
Assets held for sale (note 4)	13,424	7,060
	$2,251,579	$2,158,424
Liabilities and Shareholders' Deficit		
Current liabilities:		
Payables and accruals	$275,944	$252,300
Deferred revenue	40,949	39,140
Income taxes payable	42,000	40,037
Deferred income tax liabilities	43	115
Current facility secured by accounts receivable (note 2(a)(ii))	43,379	48,033
Other liabilities (notes 3 and 7)	102,100	89,578
Current portion of long-term debt obligations (note 8)	3,624	19,878
	508,039	489,081
Long-term debt obligations (note 8)	1,215,655	1,284,070
Deferred revenue	64,387	60,028
Other liabilities (notes 3 and 7)	273,274	255,868
Deferred income tax liabilities	8,927	8,951
Total liabilities	2,070,282	2,097,998
Redeemable non-controlling interests (note 2(a)(i))	16,940	17,674
Redeemable convertible preferred shares: Par value $0.0001		
Authorized: 6,000,000; Issued: 617,045 and 643,548; Dividends in arrears: $6.5 million and $6.9 million	589,823	616,326
Capital stock: Par value $0.0001		
Authorized: 1,994,000,000; Issued: 81,249,359 and 81,525,484	8	8
Additional paid-in capital (notes 2(a)(i))	1,961,007	1,954,884

Deficit	(2,070,254)	(2,167,732)
Accumulated other comprehensive loss	(316,227)	(360,734)
	(425,466)	(573,574)
	$2,251,579	$2,158,424

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 and per share information (see also Note 10))
(Unaudited)

	Three months ended		Six months ended	
	October 31, 2014	October 31, 2015	October 31, 2014	October 31, 2015
Revenue	$458,222	$360,753	$918,870	$736,690
Operating expenses:				
Direct costs	(378,718)	(287,380)	(773,265)	(601,550)
Earnings from equity accounted investees	1,379	1,338	4,056	2,771
General and administration costs	(22,689)	(18,097)	(44,351)	(34,453)
Depreciation	(33,153)	(35,537)	(66,878)	(75,818)
Restructuring expense (note 3)	—	(16,211)	—	(35,590)
Asset impairments (note 4)	(146,131)	(10,459)	(146,406)	(10,459)
Loss on disposal of assets	(2,619)	(1,419)	(7,878)	(2,406)
	(581,931)	(367,765)	(1,034,722)	(757,505)
Operating loss	(123,709)	(7,012)	(115,852)	(20,815)
Interest on long-term debt	(34,715)	(27,286)	(69,587)	(54,232)
Foreign exchange loss	(13,279)	(9,551)	(8,371)	(19,630)
Other financing income (charges) (note 9)	2,188	5,827	(2,137)	15,921
Loss before income tax	(169,515)	(38,022)	(195,947)	(78,756)
Income tax expense (note 11)	(7,225)	(3,942)	(15,112)	(9,850)
Net loss	$(176,740)	$(41,964)	$(211,059)	$(88,606)
Net earnings (loss) attributable to:				
Controlling interest	$(183,582)	$(44,116)	$(225,682)	$(97,478)
Non-controlling interests	6,842	2,152	14,623	8,872
Net loss	$(176,740)	$(41,964)	$(211,059)	$(88,606)
Net loss per ordinary share available to common stockholders:				
Net loss attributable to controlling interest	$(183,582)	$(44,116)	$(225,682)	$(97,478)
Redeemable convertible preferred share dividends including cumulative effect of dividends in arrears of nil, $0.2 million, nil and $0.4 million	(27)	(13,608)	(27)	(26,932)
Adjustment of redeemable non-controlling interest to redemption amount (note 2(a)(i))	(31,213)	2,154	(31,213)	18,530
Net loss available to common stockholders	$(214,822)	$(55,570)	$(256,922)	$(105,880)
Net loss per ordinary share available to common stockholders - basic and diluted	$(2.67)	$(0.68)	$(3.19)	$(1.30)
Weighted average number of ordinary shares outstanding - basic and diluted	80,599,164	81,507,978	80,564,925	81,441,891

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		Six months ended	
	October 31, 2014	October 31, 2015	October 31, 2014	October 31, 2015
Net loss	$(176,740)	$(41,964)	$(211,059)	$(88,606)
Other comprehensive income (loss):				
Net foreign currency translation adjustments	(49,802)	(12,151)	(94,004)	(36,810)
Net change in defined benefit pension plan, net of income tax	360	1,091	734	2,695
Comprehensive loss	$(226,182)	$(53,024)	$(304,329)	$(122,721)
Comprehensive income (loss) attributable to:				
Controlling interest	$(234,906)	$(55,546)	$(320,220)	$(141,985)
Non-controlling interests	8,724	2,522	15,891	19,264
Comprehensive loss	$(226,182)	$(53,024)	$(304,329)	$(122,721)

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)

	Six months ended October 31, 2014	October 31, 2015
Cash provided by (used in):		
Operating activities:		
Net loss	$(211,059)	$(88,606)
Adjustments to reconcile net loss to cash flows provided by (used in) operating activities:		
Depreciation	66,878	75,818
Loss on disposal of assets	7,878	2,406
Asset impairments (note 4)	146,406	10,459
Earnings from equity accounted investees less dividends received	(1,808)	(2,186)
Deferred income taxes	639	185
Non-cash stock-based compensation expense	5,557	1,850
Net loss (gain) on debt extinguishment (note 9)	7,444	(17,799)
Amortization of long-term debt and lease deferred financing costs	5,108	5,003
Unrealized net gain on derivative financial instruments	(19,734)	(19,925)
Non-cash defined benefit pension income (note 12)	(396)	(343)
Defined benefit contributions and benefits paid	(27,072)	(16,429)
Unrealized loss on foreign currency exchange translation	3,720	18,544
Other	(7,002)	(6,967)
Change in cash resulting from changes in operating assets and liabilities:		
Receivables, net of allowance	8,552	18,555
Income taxes receivable and payable	(1,223)	985
Inventories	(9,633)	(2,088)
Prepaid expenses	(2,899)	(829)
Payables and accruals	(17,306)	(8,325)
Deferred revenue	14,144	3,501
Other assets and liabilities	5,518	(705)
Cash used in operating activities	(26,288)	(26,896)
Financing activities:		
Sold interest in accounts receivable, net of collections	(11,826)	8,305
Net proceeds from issuance of redeemable convertible preferred shares	110,194	—
Long-term debt proceeds	325,000	326,400
Long-term debt repayments	(327,228)	(215,748)
Redemption and repurchases of senior secured notes	(70,620)	—
Redemption and repurchases of senior unsecured notes	—	(22,101)
Increase in deferred financing costs	—	(4,868)
Distribution paid to non-controlling interest (note 2(a)(i))	(8,500)	—
Cash provided by financing activities	17,020	91,988
Investing activities:		
Property and equipment additions	(247,742)	(106,952)
Proceeds from disposal of property and equipment	102,554	28,470
Helicopter deposits net of lease inception refunds	(25,610)	(32,607)
Restricted cash	(11,735)	(8,736)

Cash used in investing activities	(182,533)	(119,825)
Effect of exchange rate changes on cash and cash equivalents	(2,809)	(11,172)
Change in cash and cash equivalents during the period	(194,610)	(65,905)
Cash and cash equivalents, beginning of period	302,522	134,297
Cash and cash equivalents, end of period	$107,912	$68,392
Supplemental cash flow information:		
Assets acquired through non-cash capital leases	$—	$18,055

See accompanying notes to interim consolidated financial statements.

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CHC Group Ltd.
Consolidated Statements of Shareholders' Equity (Deficit)
(Expressed in thousands of United States dollars except share information (see also Note 10))
(Unaudited)

Six months ended October 31, 2014	Capital stock		Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total shareholders' equity	Redeemable non-controlling interests	Redeemable convertible preferred shares	
	Number of shares	Amount						Number of shares	Amount
April 30, 2014	80,519,484	$8	$2,039,371	$(1,265,103)	$(122,784)	$651,492	$(22,578)	—	$—
Issuance of capital stock for stock option and service vesting shares	80,484	—	—	—	—	—	—	—	—
Issuance of redeemable convertible preferred shares	—	—	—	—	—	—	—	116,000	110,194
Capital contribution by shareholder	—	—	—	—	—	—	195	—	—
Foreign currency translation	—	—	—	—	(94,990)	(94,990)	986	—	—
Stock-based compensation expense	—	—	5,557	—	—	5,557	—	—	—
Defined benefit plan, net of income tax	—	—	—	—	452	452	282	—	—
Redeemable convertible preferred share dividends	—	—	(27)	—	—	(27)	—	—	—
Distribution paid to non-controlling interest (note 2(a)(i))	—	—	—	—	—	—	(8,500)	—	—
Adjustment of redeemable non-controlling interest to redemption amount (note	—	—	(31,213)	—	—	(31,213)	31,213	—	—

2(a)(i))									
Net earnings (loss)	—	—	—	(225,682)	—	(225,682)	14,623	—	—
October 31, 2014	80,599,968	$8	$2,013,688	$(1,490,785)	$(217,322)	$305,589	$16,221	116,000	$110,194

Six months ended October 31, 2015	Capital stock		Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total shareholders' deficit	Redeemable non-controlling interests	Redeemable convertible preferred shares	
	Number of shares	Amount						Number of shares	Amount
April 30, 2015	81,249,359	$8	$1,961,007	$(2,070,254)	$(316,227)	$(425,466)	$16,940	617,045	$589,823
Issuance of capital stock for stock option and service vesting shares	276,125	—	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	(46,177)	(46,177)	9,367	—	—
Stock-based compensation expense	—	—	1,850	—	—	1,850	—	—	—
Defined benefit plan, net of income tax	—	—	—	—	1,670	1,670	1,025	—	—
Redeemable convertible preferred share dividends	—	—	(26,503)	—	—	(26,503)	—	26,503	26,503
Adjustment of redeemable non-controlling interest to redemption amount (note 2(a)(i))	—	—	18,530	—	—	18,530	(18,530)	—	—
Net earnings (loss)	—	—	—	(97,478)	—	(97,478)	8,872	—	—
October 31, 2015	81,525,484	$8	$1,954,884	$(2,167,732)	$(360,734)	$(573,574)	$17,674	643,548	$616,326

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, except share and per share information)

1. Significant accounting policies:

(a) Basis of presentation:

The unaudited interim consolidated financial statements ("interim financial statements") include the accounts of CHC Group Ltd. 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 interim 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, 2015 is derived from our annual audited consolidated financial statements and notes for the fiscal year ended April 30, 2015. These interim financial statements should be read in conjunction with our consolidated financial statements and related notes for the fiscal year ended April 30, 2015, which are included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2015 which was filed with the Securities and Exchange Commission ("SEC") on July 1, 2015.

(b) Foreign currency:

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

	Six months ended	
	October 31, 2014	October 31, 2015
Average rates:		
£/US $	1.663855	1.547129
CAD/US $	0.914364	0.780275
NOK/US $	0.160934	0.124142
AUD/US $	0.918967	0.741495
€/US $	1.328119	1.116105
Period end rates:		
£/US $	1.599823	1.544218
CAD/US $	0.886918	0.764351
NOK/US $	0.148115	0.118092
AUD/US $	0.878936	0.713292
€/US $	1.252949	1.104181

(c) Comparative figures:

Certain comparative figures have been reclassified to conform to the financial presentation adopted for the current period.

(d) Recent accounting pronouncements not yet adopted:

Inventories:

In June 2015, the FASB issued an amendment that requires management to reduce inventory to the lower of cost and net realizable value rather than the lower of cost or market value. The standard is effective for fiscal periods beginning after December 15, 2016 and interim periods within fiscal periods beginning after December 15, 2017. Early application is permitted. We will adopt the standard on May 1, 2017. We are currently evaluating the impact of the adoption of this standard on our 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, except share and per share information)

1. Significant accounting policies (continued):

Revenue recognition:

In May 2014, the FASB issued a comprehensive new revenue recognition standard which will supersede previous existing revenue recognition guidance. The standard creates a five-step model for revenue recognition to achieve the objective of recognizing revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The five-step model includes (1) identifying the contract, (2) identifying the separate performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations and (5) recognizing revenue when each performance obligation has been satisfied. The standard also requires expanded disclosures surrounding revenue recognition. The standard is effective for fiscal periods beginning after December 15, 2017. Companies are permitted to early adopt the standard for fiscal periods beginning after December 15, 2016. We will adopt the standard on May 1, 2018. Companies are allowed to use either full retrospective or modified retrospective adoption. We are currently evaluating which transition approach to use and the impact of the adoption of this standard on our consolidated financial statements.

Share-based compensation:

In June 2014, the FASB issued guidance for accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The amendment requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that such performance condition would be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The standard is effective for fiscal periods beginning after December 15, 2015, and interim periods therein and early application is permitted. We will adopt the standard on May 1, 2016. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

Going concern:

In August 2014, the FASB issued a new standard that requires management to evaluate whether there are conditions or events that raise substantial doubt about an entity's ability to continue as a going concern and to provide disclosures when certain criteria are met. The standard is effective for fiscal periods beginning after December 15, 2016, and interim periods therein and early application is permitted. We will adopt the standard on May 1, 2017. We do not expect the standard to have a material impact on our consolidated financial statements.

Consolidation:

In February 2015, the FASB issued amendments to the consolidation standard. The standard is effective for fiscal periods beginning after December 15, 2015, and interim periods therein and early application is permitted. We will adopt the standard on May 1, 2016. Companies can either apply the standard retrospectively or using a modified retrospective approach. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

Debt issuance costs:

In April 2015, the FASB issued new guidance requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability rather than as an asset. The standard is effective for fiscal periods beginning after December 15, 2015, and interim periods therein and early application is permitted. We will adopt the standard on May 1, 2016. Companies are required to adopt the standard retrospectively. The standard will result in all deferred financing costs, excluding transaction costs incurred in connection with securing revolving credit facilities, currently recorded in other assets, being deducted from long-term debt obligations in our 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, except share and per share information)

2. Variable interest entities:
(a) VIEs of which we are 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 variable interest entities ("VIEs"). The nature of our involvement with consolidated local ownership entities is as follows:
Note 3 to the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2015 contains a description of our principal involvement with VIEs and the accounting policies regarding determination of whether we are deemed to be the primary beneficiary. As of October 31, 2015, there have been no significant changes in either the nature of our involvement with, or the accounting policies associated with the analysis of VIEs as described in our Annual Report on Form 10-K for the fiscal year ended April 30, 2015.
The following table shows the redeemable non-controlling interests relating to the local ownership VIEs that are included in the interim financial statements.

	April 30, 2015	October 31, 2015
EEA Helicopters Operations B.V.	$15,223	$15,957
Atlantic Aviation Limited and Atlantic Aviation FZE	1,717	1,717
	$16,940	$17,674

Because of the terms of the put and call arrangements with the holder of the non-controlling interest, it is probable that the EEA Helicopter Operations B.V.'s ("EHOB") non-controlling interest will become redeemable and accordingly it is recorded at its redemption amount. We have elected to recognize any changes in the redemption value immediately as they occur and adjust the carrying amount of the redeemable non-controlling interest to equal the redemption value at the end of the reporting period. Reductions in the carrying amount of the redeemable non-controlling interest are only recorded if we have previously recorded increases in the carrying amount of the redeemable non-controlling interest. The change in redemption value is recognized in additional paid-in capital and as a deduction or addition to the numerator of the net loss per ordinary share calculation.
The redemption amount is based on a formula of $14.5 million plus an amount representing compounded interest, commencing October 31, 2014, which increases from 10% for the first year to 20% for the fifth year and thereafter. On the signing of the amendment to the Shareholders' Agreement of EHOB on October 30, 2014, we made a distribution of $8.5 million to the holder of the non-controlling interest which was recognized as a reduction in the redeemable non-controlling interest balance.
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:

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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, except share and per share information)

2. Variable interest entities (continued):

	April 30, 2015	October 31, 2015
Cash and cash equivalents	$128,744	$139,460
Receivables, net of allowance	82,286	70,216
Other current assets	44,262	46,451
Other long-term assets	118,025	129,629
Total assets	$373,317	$385,756
Payables and accruals	$79,382	$68,824
Intercompany payables	135,285	159,438
Other current liabilities	21,280	28,824
Accrued pension obligations	73,102	66,615
Long-term intercompany payables	134,687	108,968
Other long-term liabilities	33,315	31,095
Total liabilities	$477,051	$463,764

	Three months ended		Six months ended	
	October 31, 2014	October 31, 2015	October 31, 2014	October 31, 2015
Revenue	$284,734	$229,245	$585,240	$466,849
Net earnings	12,994	10,211	26,695	24,342

(ii) Accounts receivable securitization:

As described in Note 3(a)(ii) of the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2015, 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”), which we have determined we are required to consolidate as we are the primary beneficiary.

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

	April 30, 2015	October 31, 2015
Restricted cash	$2,634	$11,740
Transferred receivables	62,488	58,497
Current facility secured by accounts receivable	43,379	48,033

(iii) Trinity Helicopters Limited:

As at October 31, 2015, we leased two helicopters from Trinity Helicopters Limited (“Trinity”), an entity considered to be a VIE, which we have determined we are required to consolidate as we are the primary beneficiary.

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2. Variable interest entities (continued):
(b) VIEs of which we are not the primary beneficiary:
(i) Local ownership VIEs:
Thai Aviation Services ("TAS")
As described in Note 3(b)(i) of the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2015, we have a 29.9% interest in the ordinary shares of TAS, which we have determined to be a VIE that we are not required to consolidate as we are not the primary beneficiary.
The following table summarizes the amounts recorded for TAS in the consolidated balance sheets:

	April 30, 2015		October 31, 2015	
	Carrying amounts	Maximum exposure to loss	Carrying amounts	Maximum exposure to loss
Receivables, net of allowance	$4,398	$4,398	$4,062	$4,062
Equity method investment	25,022	25,022	27,494	27,494

As of October 31, 2014 and 2015, we leased eight helicopters to TAS and provided crew, insurance, maintenance and base services. The total revenue earned from providing these services was $12.0 million and $11.9 million for the three months ended October 31, 2014 and 2015 and $24.4 million and $23.5 million for the six months ended October 31, 2014 and 2015, respectively.
We received dividends of $1.7 million for the six months ended October 31, 2014.
(ii) Leasing entities:
Related party lessors
We have operating lease agreements for the lease of 31 helicopters from individual entities determined to be VIEs and which were previously considered to be related parties because they were partially financed through equity contributions from entities that have also invested in us. On December 18, 2014, the controlling interests in the lessor VIEs disposed of their interest in the lessor VIEs to an unrelated third party, which did not have any substantive impact on our existing lease terms. Subsequent to the closing of this transaction, the lessor VIEs are no longer related parties and are considered to be other VIE lessors. We have determined that we are not the primary beneficiary of the lessor VIEs.
The following table summarizes the amounts recorded in the consolidated statements of operations prior to December 18, 2014:

	Three months ended		Six months ended	
	October 31, 2014	October 31, 2015	October 31, 2014	October 31, 2015
Operating lease expense	$12,623	$—	$25,207	$—

Other VIE lessors
We have determined that the activity that most significantly impacts the economic performance of the lessor VIEs is the remarketing of the helicopters 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.
As at October 31, 2014 and 2015, we leased from various entities considered to be VIEs 66 helicopters and 103 helicopters, respectively. All 66 and 103 leases were considered to be operating leases as at October 31, 2014 and 2015, respectively.

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3. Restructuring:

We are undergoing a comprehensive review of our operations, organizational structure and fleet with the view to reducing operating costs. In connection with the ongoing review, we have incurred restructuring expenses consisting of employee related severance costs and other associated costs and the majority of these payments will be made in fiscal 2016. We have also incurred restructuring expenses related to contractual lease payments, maintenance and other costs on specific leased helicopters we have permanently ceased use of in our operations and which do not form part of our prospective fleet strategy. The majority of the lease obligations will expire by fiscal 2018. On an ongoing basis we are monitoring our market environment and where necessary, may incur additional restructuring expenses.

The following table summarizes the activity of the restructuring liability for the six months ended October 31, 2015:

	Employee related severance and other costs	Lease associated costs	Total
Balance at April 30, 2015	$23,829	$48,583	$72,412
Restructuring expense	10,335	25,255	35,590
Non-cash charges and foreign exchange (i)	491	(3,186)	(2,695)
Cash payments	(22,131)	(14,924)	(37,055)
Balance at October 31, 2015	$12,524	$55,728	$68,252

(i) The related asset and liability balances for the leased helicopters we have ceased to use were written off to the lease restructuring expenses.

As of October 31, 2015, we have expensed $46.3 million of employee related severance and other costs and $69.7 million of lease associated costs cumulatively to date under this restructuring review.

4. Asset impairments:

	Three months ended		Six months ended	
	October 31, 2014	October 31, 2015	October 31, 2014	October 31, 2015
Impairment of property and equipment	$(128,043)	$—	$(128,043)	$—
Impairment of assets held for sale	(5,040)	—	(5,256)	—
Impairment of receivables and funded residual value guarantees	(10,386)	—	(10,421)	—
Impairment of intangible assets	(2,662)	—	(2,686)	—
Impairment of inventories	—	(10,459)	—	(10,459)
	$(146,131)	$(10,459)	$(146,406)	$(10,459)

During the three months ended October 31, 2014, we decided to accelerate our exit from certain older technology helicopter types as we continue with our fleet replacement strategy to better meet our customer demands for newer technology helicopters and reduce the number of different helicopter types in our fleet. During the three and six months ended October 31, 2014 impairment charges were recorded to write down the carrying value of 40 helicopters held for use, the major airframe inspections of five leased helicopters, related rotable parts and embedded equity to their fair values and the carrying value of held for sale helicopters to their fair value less costs to sell. The carrying values of funded residual value guarantees were written down where we believe that as a result of the decline in helicopter values the guarantees will not be recoverable.

As at April 30, 2015, we have classified five helicopters and two buildings and as at October 31, 2015, four helicopters and one building as held for sale as these assets are ready for immediate sale and we expect these assets to be sold within one year. The held for sale assets totaled $13.4 million and $7.1 million as at April 30, 2015 and October 31, 2015, respectively.

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4. Asset impairments (continued):

During the three months ended October 31, 2015, one helicopter was reclassified to assets held for use from held for sale as we determined that we would obtain a higher value from using this helicopter as parts within the business than selling it in the external market. Impairment charges were recorded during the three months ended October 31, 2014 for four helicopters and one building held for sale. Impairment charges were recorded during the six months ended October 31, 2014 for six helicopters and one building held for sale.

During the three months ended October 31, 2015, we recorded an impairment charge of $10.5 million to increase our provision for obsolete and excess inventories on certain consumable inventories. This impairment charge resulted from the identification of consumable inventories that were in excess of our requirements. This was driven primarily by the significant and longer than initially expected decline in the price of oil and gas, which impacts our view of future utilization of these parts and resulting changes to our fleet and inventory management strategies. Excess consumable inventories have been measured at estimated market value, based on our experience with sales of surplus consumable inventories and our assessment of resale market conditions.

The fair value of the helicopters, related rotable parts and buildings was determined using a market approach. Inputs were estimated based on correspondence with helicopter brokers, historical experience with sales, recent transactions involving similar assets, and internal expertise related to the current marketplace conditions. Unobservable inputs obtained from third parties are adjusted as necessary for the condition and attributes of the specific helicopter type. As the fair value assessment reflects both observable and unobservable inputs, it was determined to be a non-recurring Level 3 fair value measurement.

5. Inventories:

	April 30, 2015	October 31, 2015
Work-in-progress for long-term maintenance contracts under completed contract accounting	$7,551	$8,025
Consumables	118,339	108,550
Provision for obsolete and excess inventories (note 4)	(8,142)	(15,304)
	$117,748	$101,271

During the three months ended October 31, 2015, we recorded an impairment charge of $10.5 million to increase our provision on certain consumable inventories (note 4). Consumable inventories identified as excess have been measured at estimated market value, based on our experience with past sales of surplus consumable inventories and our assessment of resale market conditions.

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6. Other assets:

	April 30, 2015	October 31, 2015
Current:		
Helicopter operating lease funded residual value guarantees	$24,349	$18,478
Foreign currency embedded derivatives (a) (note 13)	11,754	17,937
Mobilization costs	8,179	7,033
Deferred financing costs	8,126	9,052
Prepaid helicopter rentals	4,166	3,832
Residual value guarantees	2,861	2,422
Foreign currency forward contracts (a) (note 13)	492	—
Other receivables	7,943	6,378
	$67,870	$65,132
Non-current:		
Helicopter operating lease funded residual value guarantees	$202,209	$215,853
Helicopter deposits	70,123	73,196
Security deposits	38,695	39,452
Deferred financing costs	38,459	37,700
Foreign currency embedded derivatives (a) (note 13)	22,243	29,643
Long-term income tax receivable	19,490	13,309
Prepaid helicopter rentals	15,941	14,737
Accrued pension asset	15,091	24,472
Mobilization costs	14,760	11,731
Pension guarantee assets	8,521	7,617
Residual value guarantees	8,441	7,981
Foreign currency forward contracts (a) (note 13)	775	—
Other	3,408	2,867
	$458,156	$478,558

(a) The fair value of the foreign currency embedded derivatives and forward contracts is determined to be a recurring Level 2 fair value measurement. Level 2 measurements are determined using a present value model. Inputs to the present value model include publicly available forward rates, credit spreads and interest rates applicable to the contracts, 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.

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7. Other liabilities:

	April 30, 2015	October 31, 2015
Current:		
Restructuring (note 3)	$57,310	$49,828
Foreign currency forward contracts (a) (note 13)	22,562	18,914
Deferred gains on sale-leasebacks of helicopters	13,927	14,987
Residual value guarantees	3,505	2,917
Foreign currency embedded derivatives (a) (note 13)	2,173	2,021
Contract inducement	742	728
Other	1,881	183
	$102,100	$89,578
Non-current:		
Accrued pension obligations	$120,879	$110,056
Deferred gains on sale-leasebacks of helicopters	85,250	76,094
Residual value guarantees	19,245	19,583
Restructuring (note 3)	15,102	18,424
Insurance claims accrual	8,888	8,706
Contract inducement	7,203	6,699
Foreign currency forward contracts (a) (note 13)	6,894	7,601
Foreign currency embedded derivatives (a) (note 13)	2,526	1,721
Other	7,287	6,984
	$273,274	$255,868

(a) The fair value of the foreign currency embedded derivatives and forward contracts is determined to be a recurring Level 2 fair value measurement. Level 2 measurements are determined using a present value model. Inputs to the present value model include publicly available forward rates, credit spreads and interest rates applicable to the contracts, 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.

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8. Long-term debt obligations:

	Principal Repayment terms	Facility maturity dates	April 30, 2015	October 31, 2015
Senior secured notes	At maturity	October 2020	$1,006,387	$1,006,950
Senior unsecured notes (a)	At maturity	June 2021	135,292	94,732
Senior secured revolving credit facility:				
US LIBOR plus a 4.5% margin	At maturity	January 2019	—	70,000
Alternate Base Rate plus a 3.5% margin	At maturity	January 2019	—	28,000
Asset-based revolving credit facility (b)	At maturity	June 2020	—	14,400
Capital lease obligations (USD)	Quarterly	November 2015 - September 2025	34,370	49,481
Capital lease obligations (Euro)	Quarterly	September 2025	15,024	14,565
Boundary Bay financing – 6.93% (CAD)	Monthly	April 2035	28,206	25,820
Total long-term debt obligations			1,219,279	1,303,948
Less: current portion			(3,624)	(19,878)
Long-term debt obligations			$1,215,655	$1,284,070

(a) Senior unsecured notes:

During July and August 2015, one of our subsidiaries repurchased $40.6 million of the senior unsecured notes on the open market at prices ranging from 50.50% to 55.25% of the principal plus accrued and unpaid interest of $0.5 million. A gain on extinguishment of $3.1 million and $17.8 million related to the discount on repurchase, net of the unamortized deferred financing costs, was recognized during the three and six months ended October 31, 2015, respectively.

(b) Asset-based revolving credit facility:

On June 12, 2015, one of our subsidiaries entered into an asset-based revolving credit facility (the "ABL Facility") with a syndicate of financial institutions of up to $145.0 million, subject to borrowing base availability. The ABL Facility can be used to finance the acquisition of helicopters of up to a certain percentage of the aggregate eligible helicopter value included within the arrangement and can be drawn in U.S. dollars, Euros or other currencies. It bears interest at an adjusted LIBOR rate plus an applicable margin that ranges from 2.00% to 3.25%, based on the percentage of excess availability in the ABL Facility calculated as of the most recent quarter. The ABL Facility has a five year term and is subject to acceleration of maturity under certain circumstances. The ABL Facility contains mandatory prepayment terms in the event outstanding borrowings exceed the lesser of the borrowing base or the effective commitments under the facility.

The ABL Facility is secured on a first priority perfected security interest in the capital stock of the borrower and in the helicopter equipment it acquires. The ABL Facility covenants include a requirement for us to maintain a fixed charge coverage ratio, as defined, of 1.35:1, and contains other affirmative and negative covenants.

(c) Covenant compliance:

At October 31, 2015, we were in compliance with all long-term debt obligations covenants.

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9. Other financing income (charges):

	Three months ended		Six months ended	
	October 31, 2014	October 31, 2015	October 31, 2014	October 31, 2015
Amortization of deferred financing costs	$(1,952)	$(1,866)	$(3,839)	$(3,727)
Net gain (loss) on debt extinguishment (note 8)	—	3,112	(7,444)	17,799
Net gain (loss) on fair value of foreign currency forward contracts	(10,488)	447	(12,996)	(15,079)
Net gain on fair value of foreign currency embedded derivatives	17,401	4,543	27,412	18,252
Amortization of guaranteed residual values	(868)	(815)	(1,909)	(963)
Interest expense	(5,559)	(4,008)	(10,722)	(8,390)
Interest income	5,992	5,929	12,082	11,719
Other	(2,338)	(1,515)	(4,721)	(3,690)
	$2,188	$5,827	$(2,137)	$15,921

10. Capital stock:

On December 1, 2015, we announced that our Routine Transactions Committee, pursuant to the authority granted to it by our Board of Directors ("Board"), approved a reverse share split, by way of consolidation, whereby all of the Company's ordinary shares of capital stock (issued and unissued), of a nominal or par value of $0.0001, will be proportionally adjusted to reflect the reverse share split ratio of 30:1.

On December 7, 2015, at an extraordinary general meeting of our shareholders, our shareholders approved the proposal to authorize our Board to effect the reverse share split, at a ratio of 30:1, as further described in our definitive proxy statement filed with the SEC on October 26, 2015 (the "Proxy Statement").

The reverse share split is scheduled to be effective as of the open of trading on the New York Stock Exchange on December 11, 2015 (the "Effective Date"), subject to final approval by our Board on December 10, 2015. The primary purpose of the reverse share split is to increase the trading price of the Company's ordinary shares to meet the $1.00 minimum trading price requirement for continued listing on the New York Stock Exchange.

If the Board provides final approval on the implementation of the reverse share split, the principal effects of the reverse share split will be that:

- proportional adjustments will be made to the number of ordinary shares available for issuance under the CHC Group Ltd. 2013 Omnibus Incentive Plan (the "2013 Incentive Plan") and those subject to outstanding equity awards (including stock options, time-based restricted stock units, performance based restricted stock units, service vesting stock options and shares and share price performance options and shares). Additionally, the exercise price of any stock options outstanding under the 2013 Incentive Plan will be proportionally adjusted to reflect the reverse share split ratio;
- proportional adjustments will be made to the per-share conversion price of the Company's redeemable convertible preferred shares in accordance with the Rights and Restrictions of the Redeemable Convertible Preferred Shares. The reverse share split will have no impact on the total number of authorized preferred shares or redeemable convertible preferred shares nor impact the number of redeemable convertible preferred shares issued and outstanding or its par value;
- in subsequent reporting periods, all capital stock and additional paid-in capital amounts and per share information will be adjusted retroactively for all prior periods presented to reflect the reverse share split. Such adjustments include the

calculations of our weighted average number of ordinary shares outstanding and net loss per ordinary share available to common stockholders. The foregoing retroactive adjustment has not been made in the interim financial statements.

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10. Capital stock (continued):

For additional information regarding the reverse share split, please refer to the Proxy Statement filed with the SEC on October 26, 2015 or our Current Reports on Form 8-K filed with the SEC on December 1, 2015 and December 8, 2015.

11. Income taxes:

During the three months ended October 31, 2014 and 2015, we recorded income tax expense of $7.2 million and $3.9 million resulting in effective tax rates of (4.3)% and (10.4)%, respectively. During the six months ended October 31, 2014 and 2015, we recorded income tax expense of $15.1 million and $9.9 million, respectively, resulting in effective tax rates of (7.7)% and (12.5)%, respectively.

During the three and six months ended October 31, 2015, there were no new uncertain tax positions identified. The income tax expense reflects primarily the current corporate income taxes in taxable jurisdictions and withholding taxes. For most jurisdictions we determined that the deferred tax assets are not more likely than not to be realized and therefore we continue to recognize a valuation allowance in respect of these deferred tax assets.

As of October 31, 2015, there was $28.3 million in unrecognized tax benefits, of which $22.7 million would have an impact on the effective tax rate, if recognized.

The total amount of interest and penalties accrued on the consolidated balance sheets at April 30, 2015 and October 31, 2015 was $9.3 million and $10.4 million, respectively.

12. Employee pension plans:

The net defined benefit pension plan income is as follows:

	Three months ended		Six months ended	
	October 31, 2014	October 31, 2015	October 31, 2014	October 31, 2015
Current service cost	$5,136	$3,831	$10,536	$7,874
Interest cost	8,335	5,654	17,040	11,492
Expected return on plan assets	(13,201)	(10,346)	(27,024)	(21,102)
Amortization of net actuarial and experience losses	500	1,214	1,020	2,461
Amortization of past service credits	(140)	(124)	(286)	(248)
Employee contributions	(819)	(399)	(1,682)	(820)
	$(189)	$(170)	$(396)	$(343)

13. 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 U.S. dollars with the most significant being Pounds 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.

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

The outstanding foreign exchange forward contracts are as follows:

	Notional	Fair value liability	Maturity
April 30, 2015			
Purchase contracts to sell U.S. dollars and buy Canadian dollars	CAD 228,000	$(15,220)	May 2015 to Nov 2017
Purchase contracts to sell U.S. dollars and buy Euros	€ 42,051	(7,405)	Sept 2015 to Nov 2015
Purchase contracts to sell Pounds Sterling and buy Euros	€ 31,000	(5,564)	May 2015 to Dec 2016
October 31, 2015			
Purchase contracts to sell U.S. dollars and buy Canadian dollars	CAD 187,000	$(19,505)	Nov 2015 to Nov 2017
Purchase contracts to sell U.S. dollars and buy Euros	€ 14,017	(2,847)	November 2015
Purchase contracts to sell Pounds Sterling and buy Euros	€ 20,000	(4,163)	Nov 2015 to Dec 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 and forward contracts are measured at fair value and included in other assets and/or other liabilities (notes 6 and 7). The gains and losses due to the change in fair value are recognized in the statement of operations as part of other financing income (charges) (note 9).

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, 2015		October 31, 2015	
	Fair value	Carrying value	Fair value	Carrying value
Senior secured notes	$893,467	$ 1,006,387	$579,413	$ 1,006,950
Senior unsecured notes	89,800	135,292	37,893	94,732

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

14. Guarantees:

We have provided limited guarantees to third parties under some of our operating leases relating to a portion of the residual helicopter values at the termination of the leases, which have terms expiring between fiscal 2016 and 2024. Our exposure under the asset value guarantees including guarantees in the form of funded and unfunded residual value guarantees is approximately $251.0 million and $256.9 million as at April 30, 2015 and October 31, 2015, respectively.

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15. Commitments:

We have helicopter operating leases for 169 helicopters and 161 helicopters at April 30, 2015 and October 31, 2015, respectively. As at October 31, 2015, these leases had expiry dates ranging from fiscal 2016 to 2025. For those helicopters where we have an unexercised option to purchase them for agreed amounts, the purchase options do not constitute bargain purchase options and we do not have a commitment to exercise the options. With respect to such leased helicopters, 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.

As at October 31, 2015, we have commitments with respect to operating leases for helicopters, buildings, land and equipment. The minimum lease rentals required under operating leases are payable in the following amounts over the following years ended October 31:

	Helicopter operating leases (i)	Building, land and equipment operating leases	Total operating leases
2016	$ 277,464	$ 13,159	$ 290,623
2017	263,398	10,040	273,438
2018	253,381	7,315	260,696
2019	232,233	5,504	237,737
2020	172,571	3,659	176,230
Thereafter	216,195	35,356	251,551
	$ 1,415,242	$ 75,033	$ 1,490,275

(i) The helicopter operating leases exclude the remaining contractual lease commitments for 16 helicopters that we have permanently ceased use of in our operations and which do not form part of our prospective fleet strategy, which have been provided for as part of restructuring expense (note 3).

As at October 31, 2015, we have a total commitment of $257.9 million for the purchase of new helicopters. These helicopters are expected to be delivered in fiscal 2016 ($30.0 million), 2017 ($161.6 million) and 2018 ($66.3 million) and will be deployed in our Helicopter Services segment. We intend to enter into leases or other financings for these helicopters or purchase them outright upon delivery from the manufacturer. We also have additional flexible orders of $249.3 million which allow us to monitor the market recovery before confirming dates and the type of aircraft for deliveries. Our additional flexible orders can also be cancelled with no further payment, subject to periodic forfeitures of deposits paid to date, up to a maximum of $29.1 million in forfeitures.

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 helicopter, with the repayment of any arrears of lease payments plus additional damages which may include the present value of all future lease payments and certain other amounts which could be material to our financial position. The helicopter would then be sold and a percentage of the surplus, if any, returned to us, or leased with future lease payments reducing the aforesaid damages. Alternatively, in many of our leases we have the right to purchase the helicopter and could exercise such right to cure a covenant breach. As at October 31, 2015, we were in compliance with all helicopter lease covenants.

16. 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 we do not expect the outcome of pending or threatened legal matters to have a material adverse impact on our financial condition.

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16. Contingencies (continued):

The two securities class action lawsuits that were previously filed against the Company were consolidated into a single action, Rudman et al. v. CHC Group et al., which is pending in federal district court for the Southern District of New York. A consolidated amended complaint was filed on November 6, 2015, and the Company has until December 18, 2015 to respond to the amended complaint. The amended complaint alleges that the Company and others failed to disclose in our IPO materials that one of our major customers, Petrobras, had suspended payments on certain contracts due to the global stand-down of Airbus H225 aircraft. The amended complaint seeks class treatment and unspecified damages. The Company maintains adequate insurance to respond to the lawsuit. Moreover, the Company disputes the allegations in the complaints and will vigorously defend against them.

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

On May 2, 2008, 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 preserved our rights by filing a civil action against our customs agent for any losses that may result. The State Court of São Paulo has ruled that our agent will be responsible for the value of the helicopter if the government's seizure is upheld. At October 31, 2015, it is not possible to determine the ultimate outcome of this matter, or the significance, if any, to our business, financial condition and results of operations.

Our Brazilian subsidiary is disputing claims from the Brazilian tax authorities that it was not entitled to certain credits in 2004 and 2007. The tax authorities are seeking up to $1.8 million in additional taxes plus interest and penalties. We believe that based on our interpretation of tax legislation and well established aviation industry practice we are in compliance with all applicable tax legislation and plan to defend this claim vigorously. At October 31, 2015, 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.

Our Brazilian subsidiary is also disputing assessments from the municipal governments in Macae and Cabo Frio related to cross-border flights and invoicing. The municipalities are seeking up to $3.4 million in taxes and penalties. We do not believe the Company is liable for these amounts and will continue to dispute these assessments at the administrative level before the Municipal Tax Secretary in each jurisdiction. At October 31, 2015, 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 cancelled. We will continue to cooperate in all aspects of the investigation. On July 30, 2014, the UK Treasury Solicitors filed a claim for bid recovery costs of £17.8 million ($27.5 million) against us and other parties involved in our cancelled bid. We dispute the bases for the claim and intend to vigorously defend against it. At October 31, 2015, 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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CHC Group Ltd.
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17. 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.

Information on segment assets has not been disclosed as this information is not reviewed by the CODM.

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, Poland, and the United States that provide helicopter maintenance, repair and overhaul services for our fleet and for an external customer base primarily in Europe, Asia and North America.

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

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17. Segment information (continued):

Three months ended October 31, 2014

	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	$417,191	$41,031	$—	$—	$458,222
Add: Inter-segment revenues	—	36,056	—	(36,056)	—
Total revenue	417,191	77,087	—	(36,056)	458,222
Direct costs (i)	(280,544)	(69,052)	—	35,416	(314,180)
Earnings from equity accounted investees	1,379	—	—	—	1,379
General and administration costs	—	—	(22,689)	—	(22,689)
Adjusted EBITDAR (ii)	138,026	8,035	(22,689)	(640)	122,732
Helicopter lease and associated costs	(64,538)	—	—	—	(64,538)
Depreciation					(33,153)
Asset impairments (note 4)					(146,131)
Loss on disposal of assets					(2,619)
Operating loss					(123,709)
Interest on long-term debt					(34,715)
Foreign exchange loss					(13,279)
Other financing income					2,188
Income tax expense					(7,225)
Net loss					$(176,740)

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

(ii) Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, helicopter lease and associated costs, restructuring expense, asset impairments, gain (loss) on disposal of assets, foreign exchange gain (loss) and other financing income (charges) or total revenue plus earnings from equity accounted investees less direct costs, excluding helicopter lease and associated costs, and general and administration costs.

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17. Segment information (continued):

Three months ended October 31, 2015

	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	$324,879	$35,874	$—	$—	$360,753
Add: Inter-segment revenues	—	16,903	—	(16,903)	—
Total revenue	324,879	52,777	—	(16,903)	360,753
Direct costs (i)	(192,394)	(46,534)	—	14,829	(224,099)
Earnings from equity accounted investees	1,338	—	—	—	1,338
General and administration costs	—	—	(18,097)	—	(18,097)
Adjusted EBITDAR (ii)	133,823	6,243	(18,097)	(2,074)	119,895
Helicopter lease and associated costs	(63,281)	—	—	—	(63,281)
Depreciation					(35,537)
Restructuring expense (note 3)					(16,211)
Asset impairments (note 4)					(10,459)
Loss on disposal of assets					(1,419)
Operating loss					(7,012)
Interest on long-term debt					(27,286)
Foreign exchange loss					(9,551)
Other financing income					5,827
Income tax expense					(3,942)
Net loss					$(41,964)

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

(ii) Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, helicopter lease and associated costs, restructuring expense, asset impairments, gain (loss) on disposal of assets, foreign exchange gain (loss) and other financing income (charges) or total revenue plus earnings from equity accounted investees less direct costs, excluding helicopter lease and associated costs, and general and administration costs.

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17. Segment information (continued):
Six months ended October 31, 2014

	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	$840,902	$77,968	$—	$—	$918,870
Add: Inter-segment revenues	—	60,037	—	(60,037)	—
Total revenue	840,902	138,005	—	(60,037)	918,870
Direct costs (i)	(580,131)	(124,694)	—	59,378	(645,447)
Earnings from equity accounted investees	4,056	—	—	—	4,056
General and administration costs	—	—	(44,351)	—	(44,351)
Adjusted EBITDAR (ii)	264,827	13,311	(44,351)	(659)	233,128
Helicopter lease and associated costs	(127,818)	—	—	—	(127,818)
Depreciation					(66,878)
Asset impairments (note 4)					(146,406)
Loss on disposal of assets					(7,878)
Operating loss					(115,852)
Interest on long-term debt					(69,587)
Foreign exchange loss					(8,371)
Other financing charges					(2,137)
Income tax expense					(15,112)
Net loss					$(211,059)

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

(ii) Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, helicopter lease and associated costs, restructuring expense, asset impairments, gain (loss) on disposal of assets, foreign exchange gain (loss) and other financing income (charges) or total revenue plus earnings from equity accounted investees less direct costs, excluding helicopter lease and associated costs, and general and administration costs.

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17. Segment information (continued):
Six months ended October 31, 2015

	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	$665,379	$71,311	$—	$—	$736,690
Add: Inter-segment revenues	—	44,269	—	(44,269)	—
Total revenue	665,379	115,580	—	(44,269)	736,690
Direct costs (i)	(413,084)	(101,973)	—	41,462	(473,595)
Earnings from equity accounted investees	2,771	—	—	—	2,771
General and administration costs	—	—	(34,453)	—	(34,453)
Adjusted EBITDAR (ii)	255,066	13,607	(34,453)	(2,807)	231,413
Helicopter lease and associated costs	(127,955)	—	—	—	(127,955)
Depreciation					(75,818)
Restructuring expense (note 3)					(35,590)
Asset impairments (note 4)					(10,459)
Loss on disposal of assets					(2,406)
Operating loss					(20,815)
Interest on long-term debt					(54,232)
Foreign exchange loss					(19,630)
Other financing income					15,921
Income tax expense					(9,850)
Net loss					$(88,606)

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

(ii) Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, helicopter lease and associated costs, restructuring expense, asset impairments, gain (loss) on disposal of assets, foreign exchange gain (loss) and other financing income (charges) or total revenue plus earnings from equity accounted investees less direct costs, excluding helicopter lease and associated costs, and general and administration costs.

18. 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. (the "Issuer"), one of our subsidiaries. The following consolidating schedules present financial information as of October 31, 2015 and for the six months ended October 31, 2014 and 2015, based on the guarantor structure that was in place at October 31, 2015.

The Sub-Parent column includes the financial position, results of operations and cash flows of several indirect parent entities of CHC Helicopter S.A. which have not provided guarantees of its debt. The investment in subsidiaries held by these entities is accounted for using the equity method. On October 15, 2014, two of the indirect parent entities were liquidated and on October 20, 2014, the remaining indirect parent entity was liquidated.

The Parent columns in the condensed consolidated financial information are for CHC Group Ltd. on a standalone basis (the “Parent”) and the equity method of accounting is used to reflect ownership interest in its subsidiary.

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Balance Sheets as at April 30, 2015 (Expressed in thousands of United States dollars)	Parent	Sub-Parent (1)	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Assets							
Current Assets							
Cash and cash equivalents	$112	$—	$82,458	$96,428	$37,757	$(82,458)	$134,297
Receivables, net of allowance for doubtful accounts	49	—	113	105,795	136,348	(681)	241,624
Current intercompany receivables	13,216	—	435,518	525,199	374,924	(1,348,857)	—
Income taxes receivable	—	—	—	1,717	12,474	—	14,191
Deferred income tax assets	—	—	—	368	48	—	416
Inventories	—	—	—	111,936	5,812	—	117,748
Prepaid expenses	911	—	—	11,581	16,250	—	28,742
Other assets	—	—	97,621	139,857	56,407	(226,015)	67,870
	14,288	—	615,710	992,881	640,020	(1,658,011)	604,888
Property and equipment, net	—	—	—	708,875	242,679	—	951,554
Investments	183,411	—	—	431,122	25,016	(606,256)	33,293
Intangible assets	—	—	—	166,528	3,070	—	169,598
Restricted cash	—	—	—	8,537	10,796	—	19,333
Other assets	36	—	22,799	390,000	68,120	(22,799)	458,156
Long-term intercompany receivables	—	—	202,740	67,525	419,129	(689,394)	—
Deferred income tax assets	—	—	—	157	1,176	—	1,333
Assets held for sale	—	—	—	13,424	—	—	13,424
	$197,735	$—	$841,249	$2,779,049	$1,410,006	$(2,976,460)	$2,251,579
Liabilities and Shareholders' Equity (Deficit)							
Current Liabilities							
Payables and accruals	$4,642	$—	$11,206	$171,069	$100,233	$(11,206)	$275,944
Deferred revenue	—	—	—	30,975	9,974	—	40,949
Income taxes payable	—	—	9	36,429	5,571	(9)	42,000
Current intercompany payables	28,160	—	57,572	369,331	515,782	(970,845)	—
Deferred income tax liabilities	—	—	—	31	12	—	43
Current facility secured by accounts receivable	—	—	—	—	43,379	—	43,379
Other liabilities	576	—	35,727	120,830	109,089	(164,122)	102,100
Current portion of long-term debt obligations	—	—	—	3,624	—	—	3,624
	33,378	—	104,514	732,289	784,040	(1,146,182)	508,039
Long-term debt obligations	—	—	1,141,680	1,215,655	—	(1,141,680)	1,215,655
Long-term intercompany payables	—	—	—	418,406	68,249	(486,655)	—
Deferred revenue	—	—	—	36,124	28,263	—	64,387

Other liabilities	—	—	—	185,898	87,376	—	273,274
Deferred income tax liabilities	—	—	—	543	8,384	—	8,927
Total liabilities	33,378	—	1,246,194	2,588,915	976,312	(2,774,517)	2,070,282
Redeemable non-controlling interests	—	—	15,223	15,223	(47,399)	33,893	16,940
Redeemable convertible preferred shares	589,823	—	—	—	—	—	589,823
Shareholders' equity (deficit)	(425,466)	—	(420,168)	174,911	481,093	(235,836)	(425,466)
	$197,735	$—	$841,249	$2,779,049	$1,410,006	$(2,976,460)	$2,251,579

(1) During October 2014, the Sub-Parent entities were liquidated.

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Balance Sheets as at October 31, 2015 (Expressed in thousands of United States dollars)	Parent	Sub-Parent (1)	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Assets							
Current Assets							
Cash and cash equivalents	$14	$—	$215,019	$198,825	$—	$(345,466)	$68,392
Receivables, net of allowance for doubtful accounts	161	—	113	91,475	120,221	(827)	211,143
Current intercompany receivables	2,620	—	335,732	481,181	415,020	(1,234,553)	—
Income taxes receivable	—	—	—	1,443	14,380	—	15,823
Deferred income tax assets	—	—	—	—	48	—	48
Inventories	—	—	—	95,371	5,900	—	101,271
Prepaid expenses	599	—	—	13,788	15,083	—	29,470
Other assets	—	—	118,147	154,588	62,619	(270,222)	65,132
	3,394	—	669,011	1,036,671	633,271	(1,851,068)	491,279
Property and equipment, net	—	—	—	650,817	304,941	—	955,758
Investments	71,534	—	—	415,668	27,489	(479,284)	35,407
Intangible assets	—	—	—	160,808	2,956	—	163,764
Restricted cash	—	—	—	4,842	20,140	—	24,982
Other assets	36	—	19,689	401,794	76,728	(19,689)	478,558
Long-term intercompany receivables	—	—	86,934	68,556	420,088	(575,578)	—
Deferred income tax assets	—	—	—	973	643	—	1,616
Assets held for sale	—	—	—	7,060	—	—	7,060
	$74,964	$—	$775,634	$2,747,189	$1,486,256	$(2,925,619)	$2,158,424
Liabilities and Shareholders' Equity (Deficit)							
Current Liabilities							
Bank indebtedness	$—	$—	$—	$—	$130,447	$(130,447)	$—
Payables and accruals	3,039	—	9,113	163,743	85,518	(9,113)	252,300
Deferred revenue	—	—	—	27,974	11,166	—	39,140
Income taxes payable	—	—	11	36,246	3,791	(11)	40,037
Current intercompany payables	27,594	—	47,512	401,413	469,896	(946,415)	—
Deferred income tax liabilities	—	—	—	83	32	—	115
Current facility secured by accounts receivable	—	—	—	—	48,033	—	48,033
Other liabilities	1,579	—	38,917	120,183	119,890	(190,991)	89,578
Current portion of long-term debt obligations	—	—	—	19,878	—	—	19,878
	32,212	—	95,553	769,520	868,773	(1,276,977)	489,081
Long-term debt obligations	—	—	1,199,682	1,269,670	14,400	(1,199,682)	1,284,070

Long-term intercompany payables	—	—	—	419,368	69,273	(488,641)	—
Deferred revenue	—	—	—	33,958	26,070	—	60,028
Other liabilities	—	—	—	175,184	80,684	—	255,868
Deferred income tax liabilities	—	—	—	498	8,453	—	8,951
Total liabilities	32,212	—	1,295,235	2,668,198	1,067,653	(2,965,300)	2,097,998
Redeemable non-controlling interests	—	—	15,957	15,957	(28,136)	13,896	17,674
Redeemable convertible preferred shares	616,326	—	—	—	—	—	616,326
Shareholders' equity (deficit)	(573,574)	—	(535,558)	63,034	446,739	25,785	(573,574)
	$74,964	$—	$775,634	$2,747,189	$1,486,256	$(2,925,619)	$2,158,424

(1) During October 2014, the Sub-Parent entities were liquidated.

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Statements of Operations and Comprehensive Loss for the three months ended October 31, 2014 (Expressed in thousands of United States dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	$—	$—	$—	$297,722	$ 304,852	$(144,352)	$ 458,222
Operating expenses:							
Direct costs	—	—	7	(220,301)	(302,768)	144,344	(378,718)
Earnings (loss) from equity accounted investees	(177,711)	(27,842)	(222,225)	(95,176)	798	523,535	1,379
General and administration costs	(6,030)	(25)	(515)	(21,677)	5,043	515	(22,689)
Depreciation	—	—	—	(28,151)	(5,002)	—	(33,153)
Asset impairments	—	—	—	(143,856)	(2,275)	—	(146,131)
Loss on disposal of assets	—	—	—	(2,224)	(395)	—	(2,619)
	(183,741)	(27,867)	(222,733)	(511,385)	(304,599)	668,394	(581,931)
Operating income (loss)	(183,741)	(27,867)	(222,733)	(213,663)	253	524,042	(123,709)
Financing income (charges)	159	46	46,388	41,941	(87,953)	(46,387)	(45,806)
Loss before income tax	(183,582)	(27,821)	(176,345)	(171,722)	(87,700)	477,655	(169,515)
Income tax recovery (expense)	—	20	(670)	(6,031)	(1,214)	670	(7,225)
Net loss	$(183,582)	$(27,801)	$(177,015)	$(177,753)	$ (88,914)	$478,325	$ (176,740)
Net earnings (loss) attributable to:							
Controlling interest	$(183,582)	$(27,801)	$(177,015)	$(177,753)	$ (95,756)	$478,325	$ (183,582)
Non-controlling interests	—	—	—	—	6,842	—	6,842
Net loss	$(183,582)	$(27,801)	$(177,015)	$(177,753)	$ (88,914)	$478,325	$ (176,740)
Comprehensive loss	$(234,906)	$(72,989)	$(224,880)	$(229,077)	$ (117,313)	$652,983	$ (226,182)

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Statements of Operations and Comprehensive Loss for the six months ended October 31, 2014 (Expressed in thousands of United States dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	$—	$—	$—	$590,915	$ 623,246	$(295,291)	$ 918,870
Operating expenses:							
Direct costs	—	—	—	(449,628)	(618,928)	295,291	(773,265)
Earnings (loss) from equity accounted investees	(215,630)	(65,707)	(253,774)	(117,617)	3,042	653,742	4,056
General and administration costs	(10,559)	(105)	(761)	(33,022)	(665)	761	(44,351)
Depreciation	—	—	—	(57,064)	(9,814)	—	(66,878)
Asset impairments	—	—	—	(144,131)	(2,275)	—	(146,406)
Loss on disposal of assets	—	—	—	(7,592)	(286)	—	(7,878)
	(226,189)	(65,812)	(254,535)	(809,054)	(628,926)	949,794	(1,034,722)
Operating loss	(226,189)	(65,812)	(254,535)	(218,139)	(5,680)	654,503	(115,852)
Financing income (charges)	507	72	38,873	15,559	(96,233)	(38,873)	(80,095)
Loss before income tax	(225,682)	(65,740)	(215,662)	(202,580)	(101,913)	615,630	(195,947)
Income tax recovery (expense)	—	20	(1,350)	(13,038)	(2,094)	1,350	(15,112)
Net loss	$(225,682)	$(65,720)	$(217,012)	$(215,618)	$ (104,007)	$616,980	$ (211,059)
Net earnings (loss) attributable to:							
Controlling interest	$(225,682)	$(65,720)	$(217,012)	$(215,618)	$ (118,630)	$616,980	$ (225,682)
Non-controlling interests	—	—	—	—	14,623	—	14,623
Net loss	$(225,682)	$(65,720)	$(217,012)	$(215,618)	$ (104,007)	$616,980	$ (211,059)
Comprehensive loss	$(320,220)	$(154,122)	$(308,177)	$(310,156)	$ (134,279)	$922,625	$ (304,329)

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Cash flows for the six months ended October 31, 2014 (Expressed in thousands of US dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Cash provided by (used in) operating activities	$4,055	$(88)	$(88,492)	$124,977	$ (155,362)	$88,622	$(26,288)
Financing activities:							
Sold interest in accounts receivable, net of collections	—	—	—	—	(11,826)	—	(11,826)
Net proceeds from issuance of capital stock	—	—	105,700	105,700	160,000	(371,400)	—
Net proceeds from issuance of redeemable convertible preference shares	110,194	—	—	—	—	—	110,194
Long-term debt proceeds	—	—	325,000	325,000	—	(325,000)	325,000
Long-term debt repayments	—	—	(325,000)	(327,228)	—	325,000	(327,228)
Redemption of senior secured notes	—	—	(70,620)	(70,620)	—	70,620	(70,620)
Distribution paid to non-controlling interest	(8,500)	—	—	—	—	—	(8,500)
Long-term intercompany flow-issuance of debt	—	—	84,900	—	—	(84,900)	—
Dividends paid	—	—	—	—	(7,697)	7,697	—
Cash provided by financing activities	101,694	—	119,980	32,852	140,477	(377,983)	17,020
Investing activities:							
Property and equipment additions	—	—	—	(209,572)	(38,040)	(130)	(247,742)
Proceeds from disposal of property and equipment	—	—	—	102,287	267	—	102,554
Helicopter deposits net of lease inception refunds	—	—	—	(25,610)	—	—	(25,610)
Investment in subsidiaries	(105,700)	—	(160,000)	(160,000)	—	425,700	—
Restricted cash	—	—	—	1,879	(13,614)	—	(11,735)
Dividends received	—	—	102,595	7,697	—	(110,292)	—
Cash used in investing activities	(105,700)	—	(57,405)	(283,319)	(51,387)	315,278	(182,533)
Cash provided by (used in) operations	49	(88)	(25,917)	(125,490)	(66,272)	25,917	(191,801)
Effect of exchange rate changes on cash and cash	—	—	—	(8,845)	6,036	—	(2,809)

equivalents							
Change in cash and cash equivalents during the period	49	(88)	(25,917)	(134,335)	(60,236)	25,917	(194,610)
Cash and cash equivalents, beginning of the period	90	88	98,067	315,602	(13,258)	(98,067)	302,522
Cash and cash equivalents, end of the period	$139	$—	$72,150	$181,267	$ (73,494)	$ (72,150)	$107,912

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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, except share and per share information)

Statements of Operations and Comprehensive Loss for the three months ended October 31, 2015 (Expressed in thousands of United States dollars)	Parent	Sub-Parent (1)	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	$—	$—	$—	$235,953	$ 247,866	$(123,066)	$ 360,753
Operating expenses:							
Direct costs	—	—	—	(179,546)	(230,900)	123,066	(287,380)
Earnings (loss) from equity accounted investees	(39,466)	—	(27,420)	6,717	1,256	60,251	1,338
General and administration costs	(3,949)	—	(320)	(12,618)	(1,530)	320	(18,097)
Depreciation	—	—	—	(27,241)	(8,296)	—	(35,537)
Restructuring expense	(707)	—	—	(13,178)	(2,326)	—	(16,211)
Asset impairments	—	—	—	(10,185)	(274)	—	(10,459)
Loss on disposal of assets	—	—	—	(1,223)	(196)	—	(1,419)
	(44,122)	—	(27,740)	(237,274)	(242,266)	183,637	(367,765)
Operating income (loss)	(44,122)	—	(27,740)	(1,321)	5,600	60,571	(7,012)
Financing income (charges)	3	—	(10,896)	(33,222)	2,209	10,896	(31,010)
Earnings (loss) before income tax	(44,119)	—	(38,636)	(34,543)	7,809	71,467	(38,022)
Income tax recovery (expense)	3	—	(566)	(4,923)	978	566	(3,942)
Net earnings (loss)	$(44,116)	$—	$(39,202)	$(39,466)	$ 8,787	$72,033	$ (41,964)
Net earnings (loss) attributable to:							
Controlling interest	$(44,116)	$—	$(39,202)	$(39,466)	$ 6,635	$72,033	$ (44,116)
Non-controlling interests	—	—	—	—	2,152	—	2,152
Net earnings (loss)	$(44,116)	$—	$(39,202)	$(39,466)	$ 8,787	$72,033	$ (41,964)
Comprehensive income (loss)	$(55,546)	$—	$(49,946)	$(50,896)	$ 2,524	$100,840	$ (53,024)

(1) During October 2014, the Sub-Parent entities were liquidated.

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

Statements of Operations and Comprehensive Loss for the six months ended October 31, 2015 (Expressed in thousands of United States dollars)	Parent	Sub-Parent (1)	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	$—	$—	$—	$477,578	$ 500,040	$(240,928)	$ 736,690
Operating expenses:							
Direct costs	—	—	—	(369,806)	(472,672)	240,928	(601,550)
Earnings (loss) from equity accounted investees	(87,119)	—	(71,627)	(32,685)	2,472	191,730	2,771
General and administration costs	(8,021)	—	(800)	(27,876)	1,444	800	(34,453)
Depreciation	—	—	—	(60,753)	(15,065)	—	(75,818)
Restructuring expense	(2,428)	—	—	(28,099)	(5,063)	—	(35,590)
Asset impairments	—	—	—	(10,185)	(274)	—	(10,459)
Loss on disposal of assets	—	—	—	(1,805)	(601)	—	(2,406)
	(97,568)	—	(72,427)	(531,209)	(489,759)	433,458	(757,505)
Operating income (loss)	(97,568)	—	(72,427)	(53,631)	10,281	192,530	(20,815)
Financing income (charges)	87	—	(12,422)	(23,802)	(34,226)	12,422	(57,941)
Loss before income tax	(97,481)	—	(84,849)	(77,433)	(23,945)	204,952	(78,756)
Income tax recovery (expense)	3	—	(1,162)	(9,686)	(167)	1,162	(9,850)
Net loss	$(97,478)	$—	$(86,011)	$(87,119)	$ (24,112)	$206,114	$ (88,606)
Net earnings (loss) attributable to:							
Controlling interest	$(97,478)	$—	$(86,011)	$(87,119)	$ (32,984)	$206,114	$ (97,478)
Non-controlling interests	—	—	—	—	8,872	—	8,872
Net loss	$(97,478)	$—	$(86,011)	$(87,119)	$ (24,112)	$206,114	$ (88,606)
Comprehensive loss	$(141,985)	$—	$(130,195)	$(131,626)	$ (17,908)	$298,993	$ (122,721)

(1) During October 2014, the Sub-Parent entities were liquidated.

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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, except share and per share information)

Cash flows for the six months ended October 31, 2015 (Expressed in thousands of US dollars)	Parent	Sub-Parent (1)	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Cash provided by (used in) operating activities	$(98)	$—	$56,662	$95,443	$ (122,241)	$(56,662)	$ (26,896)
Financing activities:							
Sold interest in accounts receivable, net of collections	—	—	—	—	8,305	—	8,305
Net proceeds from issuance of capital stock	—	—	—	—	200	(200)	—
Long-term debt proceeds	—	—	312,000	312,000	14,400	(312,000)	326,400
Long-term debt repayments	—	—	(214,000)	(215,748)	—	214,000	(215,748)
Proceeds from bank indebtedness	—	—	—	—	130,447	(130,447)	—
Redemption and repurchases of senior unsecured notes	—	—	(22,101)	(22,101)	—	22,101	(22,101)
Increase in deferred financing costs	—	—	—	—	(4,868)	—	(4,868)
Cash provided by financing activities	—	—	75,899	74,151	148,484	(206,546)	91,988
Investing activities:							
Property and equipment additions	—	—	—	(53,407)	(53,545)	—	(106,952)
Proceeds from disposal of property and equipment	—	—	—	28,470	—	—	28,470
Helicopter deposits net of lease inception refunds	—	—	—	(32,050)	(557)	—	(32,607)
Investment in subsidiaries	—	—	—	(200)	—	200	—
Restricted cash	—	—	—	1,337	(10,073)	—	(8,736)
Cash used in investing activities	—	—	—	(55,850)	(64,175)	200	(119,825)
Cash provided by (used in) operations	(98)	—	132,561	113,744	(37,932)	(263,008)	(54,733)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(11,347)	175	—	(11,172)
	(98)	—	132,561	102,397	(37,757)	(263,008)	

Change in cash and cash equivalents during the period