CHC Group Ltd.
Form 10-Q
September 09, 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 July 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 July 31, 2015, there were 81,487,573 ordinary shares issued and outstanding, excluding unvested restricted shares of 40,516.

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CHC GROUP LTD.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED
July 31, 2015
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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.
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 the 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)
(Unaudited)

	April 30, 2015	July 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$134,297	$102,110
Receivables, net of allowance for doubtful accounts of $1.7 million and $3.2 million, respectively (note 2(a)(ii))	241,624	203,172
Income taxes receivable	14,191	11,268
Deferred income tax assets	416	479
Inventories (note 5)	117,748	110,552
Prepaid expenses	28,742	25,836
Other assets (note 6)	67,870	61,532
	604,888	514,949
Property and equipment, net	951,554	944,084
Investments	33,293	34,038
Intangible assets	169,598	163,848
Restricted cash	19,333	35,412
Other assets (note 6)	458,156	493,353
Deferred income tax assets	1,333	1,757
Assets held for sale (note 4)	13,424	9,903
	$2,251,579	$2,197,344
Liabilities and Shareholders' Deficit		
Current liabilities:		
Payables and accruals	$275,944	$274,381
Deferred revenue	40,949	36,662
Income taxes payable	42,000	40,034
Deferred income tax liabilities	43	494
Current facility secured by accounts receivable (note 2(a)(ii))	43,379	51,437
Other liabilities (notes 3 and 7)	102,100	100,621
Current portion of long-term debt obligations (note 8)	3,624	10,136
	508,039	513,765
Long-term debt obligations (note 8)	1,215,655	1,227,353
Deferred revenue	64,387	63,150
Other liabilities (notes 3 and 7)	273,274	271,190
Deferred income tax liabilities	8,927	9,087
Total liabilities	2,070,282	2,084,545
Redeemable non-controlling interests (note 2(a)(i))	16,940	17,306
Redeemable convertible preferred shares: Par value $0.0001		
Authorized: 6,000,000; Issued: 617,045 and 630,157; Dividends in arrears: $6.5 million and $6.7 million	589,823	602,935
Capital stock: Par value $0.0001		
Authorized: 1,994,000,000; Issued: 81,249,359 and 81,487,573	8	8
Additional paid-in capital (notes 2(a)(i))	1,961,007	1,965,470
Deficit	(2,070,254)	(2,123,616)

Accumulated other comprehensive loss	(316,227)	(349,304)
	(425,466)	(507,442)
	$2,251,579	$2,197,344

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)
(Unaudited)

	Three months ended July 31, 2014	Three months ended July 31, 2015
Revenue	$460,648	$375,937
Operating expenses:		
Direct costs	(394,547)	(314,170)
Earnings from equity accounted investees	2,677	1,433
General and administration costs	(21,662)	(16,356)
Depreciation	(33,725)	(40,281)
Restructuring expense (note 3)	—	(19,379)
Asset impairments	(275)	—
Loss on disposal of assets	(5,259)	(987)
	(452,791)	(389,740)
Operating income (loss)	7,857	(13,803)
Interest on long-term debt	(34,872)	(26,946)
Foreign exchange gain (loss)	4,908	(10,079)
Other financing income (charges) (note 9)	(4,325)	10,094
Loss before income tax	(26,432)	(40,734)
Income tax expense (note 10)	(7,887)	(5,908)
Net loss	$(34,319)	$(46,642)
Net earnings (loss) attributable to:		
Controlling interest	$(42,100)	$(53,362)
Non-controlling interests	7,781	6,720
Net loss	$(34,319)	$(46,642)
Net loss per ordinary share available to common stockholders:		
Net loss attributable to controlling interest	$(42,100)	$(53,362)
Redeemable convertible preferred share dividends including cumulative effect of dividends in arrears of nil and $0.2 million	—	(13,324)
Adjustment of redeemable non-controlling interest to redemption amount (note 2(a)(i))	—	16,376
Net loss available to common stockholders	$(42,100)	$(50,310)
Net loss per ordinary share available to common stockholders - basic and diluted	$(0.52)	$(0.62)
Weighted average number of ordinary shares outstanding - basic and diluted	80,530,687	81,375,804

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	
	July 31, 2014	July 31, 2015
Net loss	$(34,319)	$(46,642)
Other comprehensive income (loss):		
Net foreign currency translation adjustments	(44,202)	(24,659)
Net change in defined benefit pension plan, net of income tax	374	1,604
Comprehensive loss	$(78,147)	$(69,697)
Comprehensive income (loss) attributable to:		
Controlling interest	$(85,314)	$(86,439)
Non-controlling interests	7,167	16,742
Comprehensive loss	$(78,147)	$(69,697)

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)

	Three months ended	
	July 31, 2014	July 31, 2015
Cash provided by (used in):		
Operating activities:		
Net loss	$(34,319)	$(46,642)
Adjustments to reconcile net loss to cash flows provided by (used in) operating activities:		
Depreciation	33,725	40,281
Loss on disposal of assets	5,259	987
Asset impairments	275	—
Earnings from equity accounted investees less dividends received	(2,174)	(793)
Deferred income taxes	1,065	138
Non-cash stock-based compensation expense	3,231	1,199
Net loss (gain) on debt extinguishment (note 9)	7,444	(14,687)
Amortization of long-term debt and lease deferred financing costs	2,573	2,469
Mark to market gain on derivative instruments	(8,408)	(3,442)
Non-cash defined benefit pension income (note 11)	(207)	(173)
Defined benefit contributions and benefits paid	(17,127)	(6,777)
Unrealized loss (gain) on foreign currency exchange translation	(5,990)	10,605
Other	(1,502)	(3,580)
Change in cash resulting from changes in operating assets and liabilities:		
Receivables, net of allowance	(8,282)	30,726
Income taxes receivable and payable	(683)	93
Inventories	(7,643)	1,818
Prepaid expenses	(2,666)	2,715
Payables and accruals	(12,070)	5,929
Deferred revenue	11,163	170
Other assets and liabilities	5,091	4,203
Cash provided by (used in) operating activities	(31,245)	25,239
Financing activities:		
Sold interest in accounts receivable, net of collections	(9,146)	10,602
Long-term debt proceeds	70,000	150,000
Long-term debt repayments	(71,371)	(95,868)
Redemption and repurchases of senior secured notes	(70,620)	—
Redemption and repurchases of senior unsecured notes	—	(18,818)
Increase in deferred financing costs	—	(2,179)
Cash provided by (used in) financing activities	(81,137)	43,737
Investing activities:		
Property and equipment additions	(125,879)	(80,095)
Proceeds from disposal of property and equipment	69,198	27,723
Helicopter deposits net of lease inception refunds	(14,780)	(24,360)
Restricted cash	1,605	(16,638)
Cash used in investing activities	(69,856)	(93,370)
Effect of exchange rate changes on cash and cash equivalents	(356)	(7,793)

Change in cash and cash equivalents during the period	(182,594)	(32,187)
Cash and cash equivalents, beginning of period	302,522	134,297
Cash and cash equivalents, end of period	$119,928	$102,110

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)
(Unaudited)

Three months ended July 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	78,428	—	—	—	—	—	—	—	—
Capital contribution by shareholder	—	—	—	—	—	—	195	—	—
Foreign currency translation	—	—	—	—	(43,443)	(43,443)	(759)	—	—
Stock-based compensation expense	—	—	3,231	—	—	3,231	—	—	—
Defined benefit plan, net of income tax	—	—	—	—	229	229	145	—	—
Net earnings (loss)	—	—	—	(42,100)	—	(42,100)	7,781	—	—
July 31, 2014	80,597,912	$8	$2,042,602	$(1,307,203)	$(165,998)	$569,409	$(15,216)	—	$—

Three months ended July 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	238,214	—	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	(34,160)	(34,160)	9,501	—	—
	—	—	1,199	—	—	1,199	—	—	—

Stock-based compensation expense									
Defined benefit plan, net of income tax	—	—	—	—	1,083	1,083	521	—	—
Redeemable convertible preferred share dividends	—	—	(13,112)	—	—	(13,112)	—	13,112	13,112
Adjustment of redeemable non-controlling interest to redemption amount (note 2(a)(i))	—	—	16,376	—	—	16,376	(16,376)	—	—
Net earnings (loss)	—	—	—	(53,362)	—	(53,362)	6,720	—	—
July 31, 2015	81,487,573	$8	$1,965,470	$(2,123,616)	$(349,304)	$(507,442)	$17,306	630,157	$602,935

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:

	Three months ended	
	July 31, 2014	July 31, 2015
Average rates:		
£/US $	1.693993	1.552814
CAD/US $	0.924214	0.801231
NOK/US $	0.164972	0.127480
AUD/US $	0.934843	0.765316
€/US $	1.361830	1.111956
Period end rates:		
£/US $	1.688797	1.563271
CAD/US $	0.918274	0.766460
NOK/US $	0.159045	0.122863
AUD/US $	0.930028	0.733119
€/US $	1.338935	1.102782

(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 and 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 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 July 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	July 31, 2015
EEA Helicopters Operations B.V.	$15,223	$15,589
Atlantic Aviation Limited and Atlantic Aviation FZE	1,717	1,717
	$16,940	$17,306

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 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.
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	July 31, 2015
Cash and cash equivalents	$128,744	$104,613
Receivables, net of allowance	82,286	76,356
Other current assets	44,262	39,389
Other long-term assets	118,025	140,989
Total assets	$373,317	$361,347
Payables and accruals	$79,382	$61,205
Intercompany payables	135,285	125,541
Other current liabilities	21,280	38,930
Accrued pension obligations	73,102	70,810
Long-term intercompany payables	134,687	120,893
Other long-term liabilities	33,315	33,059
Total liabilities	$477,051	$450,438

	Three months ended	
	July 31, 2014	July 31, 2015
Revenue	$300,506	$237,604
Net earnings	13,701	14,131

(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	July 31, 2015
Restricted cash	$2,634	$20,724
Transferred receivables	62,488	59,320
Current facility secured by accounts receivable	43,379	51,437

(iii) Trinity Helicopters Limited:

As at July 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.

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):
(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		July 31, 2015	
	Carrying amounts	Maximum exposure to loss	Carrying amounts	Maximum exposure to loss
Receivables, net of allowances	$4,398	$4,398	$4,018	$4,018
Equity method investment	25,022	25,022	26,238	26,238

As of July 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 $12.4 million and $11.6 million for the three months ended July 31, 2014 and 2015, respectively.
(ii) Leasing entities:
Related party lessors
We have operating lease agreements for the lease of 31 helicopters from individual entities considered to be VIEs ("lessor VIEs").
The lessor VIEs 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. 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	
	July 31, 2014	July 31, 2015
Operating lease expense	$12,584	$—

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 July 31, 2014 and 2015, we leased from various entities considered to be VIEs 65 helicopters and 103 helicopters, respectively. All 65 and 103 leases were considered to be operating leases as at July 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 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 period ended July 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	4,952	14,427	19,379
Non-cash charges and foreign exchange (i)	372	(5,779)	(5,407)
Cash payments	(10,970)	(6,443)	(17,413)
Balance at July 31, 2015	$18,183	$50,788	$68,971

(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 July 31, 2015, we have expensed $40.9 million of employee related severance and other costs and $58.8 million of lease associated costs cumulatively to date under this restructuring review.

4. Assets held for sale:

We have classified certain assets such as helicopters 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, 2015 # Helicopters		July 31, 2015 # Helicopters	
Helicopters held for sale:				
Book value, beginning of year	11	$25,426	5	$8,689
Classified as held for sale, net of impairment	2	968	—	—
Sales	(6)	(15,511)	—	—
Reclassified as held for use	(2)	(1,890)	—	—
Foreign exchange		(304)		(46)
Helicopters held for sale	5	8,689	5	8,643
Buildings held for sale	—	4,735	—	1,260
Total assets held for sale		$13,424		$9,903

The helicopters classified as held for sale are older technology helicopters that are being divested by us. The building classified as held for sale is the result of relocation of certain of our base operations.

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5. Inventories:

	April 30, 2015	July 31, 2015
Work-in-progress for long-term maintenance contracts under completed contract accounting	$7,551	$4,322
Consumables	118,339	114,380
Provision for obsolescence	(8,142)	(8,150)
	$117,748	$110,552

6. Other assets:

	April 30, 2015	July 31, 2015
Current:		
Helicopter operating lease funded residual value guarantees	$24,349	$15,493
Foreign currency embedded derivatives (a) (note 12)	11,754	17,224
Mobilization costs	8,179	7,686
Deferred financing costs	8,126	9,230
Prepaid helicopter rentals	4,166	3,985
Residual value guarantees	2,861	2,709
Foreign currency forward contracts (a) (note 12)	492	—
Other receivable	7,943	5,205
	$67,870	$61,532
Non-current:		
Helicopter operating lease funded residual value guarantees	$202,209	$212,834
Helicopter deposits	70,123	88,059
Security deposits	38,695	39,396
Deferred financing costs	38,459	39,789
Foreign currency embedded derivatives (a) (note 12)	22,243	27,671
Long-term income tax receivable	19,490	18,840
Prepaid helicopter rentals	15,941	15,779
Accrued pension asset	15,091	18,241
Mobilization costs	14,760	13,223
Pension guarantee assets	8,521	7,925
Residual value guarantees	8,441	8,569
Foreign currency forward contracts (a) (note 12)	775	—
Other	3,408	3,027
	$458,156	$493,353

(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	July 31, 2015
Current:		
Restructuring (note 3)	$57,310	$49,975
Foreign currency forward contracts (a) (note 12)	22,562	28,143
Deferred gains on sale-leasebacks of helicopters	13,927	13,722
Residual value guarantees	3,505	2,825
Foreign currency embedded derivatives (a) (note 12)	2,173	1,908
Contract inducement	742	735
Other	1,881	3,313
	$102,100	$100,621
Non-current:		
Accrued pension obligations	$120,879	$115,071
Deferred gains on sale-leasebacks of helicopters	85,250	81,570
Residual value guarantees	19,245	19,988
Restructuring (note 3)	15,102	18,996
Insurance claims accrual	8,888	9,087
Contract inducement	7,203	6,954
Foreign currency forward contracts (a) (note 12)	6,894	10,314
Foreign currency embedded derivatives (a) (note 12)	2,526	2,360
Other	7,287	6,850
	$273,274	$271,190

(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.

8. Long-term debt obligations:

	Principal Repayment terms	Facility maturity dates	April 30, 2015	July 31, 2015
Senior secured notes	At maturity	October 2020	$1,006,387	$1,006,669
Senior unsecured notes (a)	At maturity	June 2021	135,292	101,232
Senior secured revolving credit facility:				
US LIBOR plus a 4.5% margin	At maturity	January 2019	—	20,000
Alternate Base Rate plus a 3.5% margin	At maturity	January 2019	—	35,000
Capital lease obligations (USD)	Quarterly	October 2017 - September 2025	34,370	33,845
Capital lease obligations (Euro)	Quarterly	September 2025	15,024	14,697
Boundary Bay financing – 6.93% (CAD)	Monthly	April 2035	28,206	26,046
Total long-term debt obligations			1,219,279	1,237,489
Less: current portion			(3,624)	(10,136)
Long-term debt obligations			$1,215,655	$1,227,353

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8. Long-term debt obligations (continued):

(a) Senior unsecured notes:

On July 20, 2015, one of our subsidiaries repurchased $34.1 million of the senior unsecured notes on the open market at 55.25% of the principal plus accrued and unpaid interest of $0.4 million. A gain on extinguishment of $14.7 million related to the repurchase discount net of the unamortized deferred financing costs was recognized.

On August 3, 2015, one of our subsidiaries repurchased $6.5 million of the senior unsecured notes on the open market at 50.50% of the principal plus paid accrued and unpaid interest of $0.1 million. A gain on extinguishment of $3.1 million related to the repurchase discount net of the unamortized deferred financing costs will be recognized in the three and six months ended October 31, 2015. As at July 31, 2015, the $6.5 million is classified in the current portion of long-term debt obligations.

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

9. Other financing income (charges):

	Three months ended	
	July 31, 2014	July 31, 2015
Amortization of deferred financing costs	$(1,887)	$(1,861)
Net gain (loss) on debt extinguishment (note 8)	(7,444)	14,687
Net loss on fair value of foreign currency forward contracts	(2,508)	(15,526)
Net gain on fair value of foreign currency embedded derivatives	10,011	13,709
Amortization of guaranteed residual values	(1,041)	(148)
Interest expense	(5,163)	(4,382)
Interest income	6,090	5,790
Other	(2,383)	(2,175)
	$(4,325)	$10,094

10. Income taxes:

During the three months ended July 31, 2014 and 2015, we recorded income tax expense of $7.9 million and $5.9 million, respectively, resulting in effective tax rates of (29.8)% and (14.5)%, respectively.

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10. Income taxes (continued):
During the three months ended July 31, 2015, there were no new uncertain tax positions identified. The remaining 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 July 31, 2015, there was $28.8 million in unrecognized tax benefits, of which $23.6 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 July 31, 2015 was $9.3 million and $10.2 million, respectively.

11. Employee pension plans:
The net defined benefit pension plan income is as follows:

	Three months ended	
	July 31, 2014	July 31, 2015
Current service cost	$5,400	$4,043
Interest cost	8,705	5,838
Expected return on plan assets	(13,823)	(10,756)
Amortization of net actuarial and experience losses	520	1,247
Amortization of past service credits	(146)	(124)
Employee contributions	(863)	(421)
	$(207)	$(173)

12. 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 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.

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12. 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
July 31, 2015				
Purchase contracts to sell U.S. dollars and buy Canadian dollars	CAD	216,000	$(24,279)	Aug 2015 to Nov 2017
Purchase contracts to sell U.S. dollars and buy Euros	€	42,051	(8,506)	Sept 2015 to Nov 2015
Purchase contracts to sell Pounds Sterling and buy Euros	€	25,000	(5,672)	Aug 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		July 31, 2015	
	Fair value	Carrying value	Fair value	Carrying value
Senior secured notes	$893,467	$ 1,006,387	$649,145	$ 1,006,669
Senior unsecured notes	89,800	135,292	52,641	101,232

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.

13. 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 $252.8 million as at April 30, 2015 and July 31, 2015, respectively.

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14. Related party transactions:
During the three months ended July 31, 2014, we engaged in leasing transactions with VIEs formerly related to one of our shareholders (note 2(b)(ii)).
15. Commitments:
We have helicopter operating leases for 169 helicopters and 163 helicopters at April 30, 2015 and July 31, 2015, respectively. As at July 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 July 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 July 31:

	Helicopter operating leases (i)	Building, land and equipment operating leases	Total operating leases
2016	$ 284,713	$ 15,422	$ 300,135
2017	267,496	11,840	279,336
2018	256,167	8,952	265,119
2019	238,740	7,353	246,093
2020	188,078	4,153	192,231
Thereafter	256,116	37,071	293,187
	$ 1,491,310	$ 84,791	$ 1,576,101

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

Including amendments to our aircraft purchase agreements with certain original equipment manufacturers made during and subsequent to the quarter ended July 31, 2015, we have a total commitment of $258.7 million for the purchase of new helicopters. These helicopters are expected to be delivered in fiscal 2016 ($30.8 million), 2017 ($161.7 million) and 2018 ($66.2 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 $249.0 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 $29.0 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 July 31, 2015, we were in compliance with all helicopter lease covenants.

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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.

Two securities lawsuits were recently brought against the Company: McCrory v. CHC Group et al. was filed on April 17, 2015 in New York Supreme Court (now removed to the federal district court for the Southern District of New York), and Rudman et al. v. CHC Group et al. was filed on May 15, 2015 in federal district court for the Southern District of New York. Both complaints allege 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. Both complaints seek class treatment and unspecified damages. The Company maintains adequate insurance to respond to these complaints. 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 July 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 $2.0 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 July 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 $3.7 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 July 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 ($27.8 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 July 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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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 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 July 31, 2014

	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	$423,711	$36,937	$—	$—	$460,648
Add: Inter-segment revenues	—	23,981	—	(23,981)	—
Total revenue	423,711	60,918	—	(23,981)	460,648
Direct costs (i)	(299,587)	(55,642)	—	23,962	(331,267)
Earnings from equity accounted investees	2,677	—	—	—	2,677
General and administration costs	—	—	(21,662)	—	(21,662)
Adjusted EBITDAR (ii)	126,801	5,276	(21,662)	(19)	110,396
Helicopter lease and associated costs	(63,280)	—	—	—	(63,280)
Depreciation					(33,725)
Asset impairments					(275)
Loss on disposal of assets					(5,259)
Operating income					7,857
Interest on long-term debt					(34,872)
Foreign exchange gain					4,908
Other financing charges					(4,325)
Income tax expense					(7,887)
Net loss					$(34,319)

(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 July 31, 2015

	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	$340,500	$35,437	$—	$—	$375,937
Add: Inter-segment revenues	—	27,366	—	(27,366)	—
Total revenue	340,500	62,803	—	(27,366)	375,937
Direct costs (i)	(220,690)	(55,439)	—	26,633	(249,496)
Earnings from equity accounted investees	1,433	—	—	—	1,433
General and administration costs	—	—	(16,356)	—	(16,356)
Adjusted EBITDAR (ii)	121,243	7,364	(16,356)	(733)	111,518
Helicopter lease and associated costs	(64,674)	—	—	—	(64,674)
Depreciation					(40,281)
Restructuring expense (note 3)					(19,379)
Loss on disposal of assets					(987)
Operating loss					(13,803)
Interest on long-term debt					(26,946)
Foreign exchange loss					(10,079)
Other financing income					10,094
Income tax expense					(5,908)
Net loss					$(46,642)

(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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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., one of our subsidiaries. The following consolidating schedules present financial information as of July 31, 2015 and for the three months ended July 31, 2014 and 2015, based on the guarantor structure that was in place at July 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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CHC Group Ltd.
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(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

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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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)

Balance Sheets as at July 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	$17	$—	$108,848	$105,404	$(3,311)	$(108,848)	$102,110
Receivables, net of allowance for doubtful accounts	49	—	113	79,843	123,945	(778)	203,172
Current intercompany receivables	2,289	—	437,289	606,618	421,307	(1,467,503)	—
Income taxes receivable	—	—	—	1,448	9,820	—	11,268
Deferred income tax assets	—	—	—	—	479	—	479
Inventories	—	—	—	103,963	6,589	—	110,552
Prepaid expenses	755	—	—	10,990	14,091	—	25,836
Other assets	—	—	115,038	149,805	58,283	(261,594)	61,532
	3,110	—	661,288	1,058,071	631,203	(1,838,723)	514,949
Property and equipment, net	—	—	—	657,790	286,294	—	944,084
Investments	119,845	—	—	411,436	26,232	(523,475)	34,038
Intangible assets	—	—	—	160,866	2,982	—	163,848
Restricted cash	—	—	—	5,954	29,458	—	35,412
Other assets	36	—	20,867	415,997	77,320	(20,867)	493,353
Long-term intercompany receivables	—	—	123,008	71,805	425,522	(620,335)	—
Deferred income tax assets	—	—	—	957	800	—	1,757
Assets held for sale	—	—	—	9,903	—	—	9,903
	$122,991	$—	$805,163	$2,792,779	$1,479,811	$(3,003,400)	$2,197,344
Liabilities and Shareholders' Equity (Deficit)							
Current Liabilities							
Payables and accruals	$5,054	$—	$30,666	$189,947	$79,379	$(30,665)	$274,381
Deferred revenue	—	—	—	26,876	9,786	—	36,662
Income taxes payable	—	—	10	34,883	5,151	(10)	40,034
Current intercompany payables	21,124	—	45,867	407,170	601,946	(1,076,107)	—
Deferred income tax liabilities	—	—	—	31	463	—	494
Current facility secured by accounts receivable	—	—	—	—	51,437	—	51,437
Other liabilities	1,320	—	36,634	122,994	122,864	(183,191)	100,621
Current portion of long-term debt obligations	—	—	6,500	10,136	—	(6,500)	10,136
	27,498	—	119,677	792,037	871,026	(1,296,473)	513,765
Long-term debt obligations	—	—	1,156,401	1,227,353	—	(1,156,401)	1,227,353
Long-term intercompany payables	—	—	—	424,801	72,532	(497,333)	—
Deferred revenue	—	—	—	34,952	28,198	—	63,150

Other liabilities	—	—	—	186,199	84,991	—	271,190
Deferred income tax liabilities	—	—	—	503	8,584	—	9,087
Total liabilities	27,498	—	1,276,078	2,665,845	1,065,331	(2,950,207)	2,084,545
Redeemable non-controlling interests	—	—	15,589	15,589	(30,658)	16,786	17,306
Redeemable convertible preferred shares	602,935	—	—	—	—	—	602,935
Shareholders' equity (deficit)	(507,442)	—	(486,504)	111,345	445,138	(69,979)	(507,442)
	$122,991	$—	$805,163	$2,792,779	$1,479,811	$(3,003,400)	$2,197,344

(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)

Statements of Operations and Comprehensive Loss for the three months ended July 31, 2014 (Expressed in thousands of United States dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	$—	$—	$—	$293,193	$ 318,394	$(150,939)	$ 460,648
Operating expenses:							
Direct costs	—	—	(7)	(229,327)	(316,160)	150,947	(394,547)
Earnings (loss) from equity accounted investees	(37,919)	(37,865)	(31,549)	(22,441)	2,244	130,207	2,677
General and administration costs	(4,529)	(80)	(246)	(11,345)	(5,708)	246	(21,662)
Depreciation	—	—	—	(28,913)	(4,812)	—	(33,725)
Asset impairments	—	—	—	(275)	—	—	(275)
Gain (loss) on disposal of assets	—	—	—	(5,368)	109	—	(5,259)
	(42,448)	(37,945)	(31,802)	(297,669)	(324,327)	281,400	(452,791)
Operating loss	(42,448)	(37,945)	(31,802)	(4,476)	(5,933)	130,461	7,857
Financing income (charges)	348	26	(7,515)	(26,382)	(8,280)	7,514	(34,289)
Loss before income tax	(42,100)	(37,919)	(39,317)	(30,858)	(14,213)	137,975	(26,432)
Income tax expense	—	—	(680)	(7,007)	(880)	680	(7,887)
Net loss	$(42,100)	$(37,919)	$(39,997)	$(37,865)	$ (15,093)	$138,655	$ (34,319)
Net earnings (loss) attributable to:							
Controlling interest	$(42,100)	$(37,919)	$(39,997)	$(37,865)	$ (22,874)	$138,655	$ (42,100)
Non-controlling interests	—	—	—	—	7,781	—	7,781
Net loss	$(42,100)	$(37,919)	$(39,997)	$(37,865)	$ (15,093)	$138,655	$ (34,319)
Comprehensive loss	$(85,314)	$(81,133)	$(83,297)	$(81,079)	$ (16,966)	$269,642	$ (78,147)

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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 three months ended July 31, 2014 (Expressed in thousands of US dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Cash provided by (used in) operating activities	$(18)	$(88)	$22,593	$132,316	$(163,419)	$(22,629)	$(31,245)
Financing activities:							
Sold interest in accounts receivable, net of collections	—	—	—	—	(9,146)	—	(9,146)
Net proceeds from issuance of capital stock	—	—	—	—	102,000	(102,000)	—
Long-term debt proceeds	—	—	70,000	70,000	—	(70,000)	70,000
Long-term debt repayments	—	—	(70,000)	(71,371)	—	70,000	(71,371)
Redemption of senior secured notes	—	—	(70,620)	(70,620)	—	70,620	(70,620)
Long-term intercompany flow-issuance of debt	—	—	34,900	—	—	(34,900)	—
Dividends paid	—	—	—	(64)	—	64	—
Cash provided by (used in) financing activities	—	—	(35,720)	(72,055)	92,854	(66,216)	(81,137)
Investing activities:							
Property and equipment additions	—	—	—	(114,816)	(11,099)	36	(125,879)
Proceeds from disposal of property and equipment	—	—	—	69,018	180	—	69,198
Helicopter deposits net of lease inception refunds	—	—	—	(14,780)	—	—	(14,780)
Investment in subsidiaries	—	—	(102,000)	(102,000)	—	204,000	—
Restricted cash	—	—	—	4,424	(2,819)	—	1,605
Dividends received	—	—	64	64	—	(128)	—
Cash used in investing activities	—	—	(101,936)	(158,090)	(13,738)	203,908	(69,856)
Cash used in operations	(18)	(88)	(115,063)	(97,829)	(84,303)	115,063	(182,238)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(2,192)	1,836	—	(356)
Change in cash and cash equivalents during the period	(18)	(88)	(115,063)	(100,021)	(82,467)	115,063	(182,594)
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	$72	$—	$(16,996)	$215,581	$(95,725)	$16,996	$119,928

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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 July 31, 2015 (Expressed in thousands of United States dollars)	Parent	Sub-Parent (1)	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	$—	$—	$—	$241,625	$ 252,174	$(117,862)	$ 375,937
Operating expenses:							
Direct costs	—	—	—	(190,260)	(241,772)	117,862	(314,170)
Earnings (loss) from equity accounted investees	(47,653)	—	(44,207)	(39,402)	1,216	131,479	1,433
General and administration costs	(4,072)	—	(480)	(15,258)	2,974	480	(16,356)
Depreciation	—	—	—	(33,512)	(6,769)	—	(40,281)
Restructuring expense	(1,721)	—	—	(14,921)	(2,737)	—	(19,379)
Loss on disposal of assets	—	—	—	(582)	(405)	—	(987)
	(53,446)	—	(44,687)	(293,935)	(247,493)	249,821	(389,740)
Operating income (loss)	(53,446)	—	(44,687)	(52,310)	4,681	131,959	(13,803)
Financing income (charges)	84	—	(1,526)	9,420	(36,435)	1,526	(26,931)
Loss before income tax	(53,362)	—	(46,213)	(42,890)	(31,754)	133,485	(40,734)
Income tax expense	—	—	(596)	(4,763)	(1,145)	596	(5,908)
Net loss	$(53,362)	$—	$(46,809)	$(47,653)	$ (32,899)	$134,081	$ (46,642)
Net earnings (loss) attributable to:							
Controlling interest	$(53,362)	$—	$(46,809)	$(47,653)	$ (39,619)	$134,081	$ (53,362)
Non-controlling interests	—	—	—	—	6,720	—	6,720
Net loss	$(53,362)	$—	$(46,809)	$(47,653)	$ (32,899)	$134,081	$ (46,642)
Comprehensive loss	$(86,439)	$—	$(80,249)	$(80,730)	$ (20,432)	$198,153	$ (69,697)

(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 three months ended July 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	$(95)	$—	$(9,792)	$15,384	$ 9,950	$9,792	$ 25,239
Financing activities:							
Sold interest in accounts receivable, net of collections	—	—	—	—	10,602	—	10,602
Long-term debt proceeds	—	—	150,000	150,000	—	(150,000)	150,000
Long-term debt repayments	—	—	(95,000)	(95,868)	—	95,000	(95,868)
Redemption and repurchases of senior unsecured notes	—	—	(18,818)	(18,818)	—	18,818	(18,818)
Increase in deferred financing costs	—	—	—	—	(2,179)	—	(2,179)
Cash provided by financing activities	—	—	36,182	35,314	8,423	(36,182)	43,737
Investing activities:							
Property and equipment additions	—	—	—	(38,706)	(41,389)	—	(80,095)
Proceeds from disposal of property and equipment	—	—	—	27,723	—	—	27,723
Helicopter deposits net of lease inception refunds	—	—	—	(24,360)	—	—	(24,360)
Restricted cash	—	—	—	2,248	(18,886)	—	(16,638)
Cash used in investing activities	—	—	—	(33,095)	(60,275)	—	(93,370)
Cash provided by (used in) operations	(95)	—	26,390	17,603	(41,902)	(26,390)	(24,394)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(8,627)	834	—	(7,793)
Change in cash and cash equivalents during the period	(95)	—	26,390	8,976	(41,068)	(26,390)	(32,187)
Cash and cash equivalents, beginning of the period	112	—	82,458	96,428	37,757	(82,458)	134,297
	$17	$—	$108,848	$105,404	$ (3,311)	$(108,848)	$ 102,110

Cash and cash equivalents,
end of the period

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

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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 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. The following discussion of our results of operations and financial condition should be read in conjunction with the unaudited interim consolidated financial statements and related notes thereto included elsewhere in this report and our audited annual consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2015, filed with the Securities and Exchange Commission, or SEC, on July 1, 2015, and the MD&A contained therein. In the discussion that follows, the terms “prior year quarter" and "current year quarter” refers to the three months ended July 31, 2014 and 2015, respectively. The following discussions include forward-looking statements that involve certain risks and uncertainties, including those identified in the “Risk Factors” section elsewhere in this Quarterly Report on Form 10-Q and incorporated by reference to our Annual Report on Form 10-K for the fiscal year ended April 30, 2015.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q and the documents incorporated herein by reference contain 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, or Securities Act, 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,” “ “plan,” “expect” or the negative or plural of these words or similar expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- we have a history of net losses;
- our level of indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in our business or our industry and place us at a competitive disadvantage;
- failure to regain compliance with all applicable New York Stock Exchange (“NYSE”) listing requirements could cause the NYSE to delist our ordinary shares, which is likely to have an adverse impact on the trading volume, liquidity and the market price of our ordinary shares. See "Item 1A. Risk Factors" for further information;
- failure to comply with covenants contained in certain of our lease agreements could limit our ability to maintain our leased helicopter fleet and could adversely affect our business;
- our operations are largely dependent upon the level of activity in the oil and gas industry;
- many of the markets in which we operate are highly competitive, and if we are unable to effectively compete, it may result in a loss of market share or a decrease in revenue or profit margins;
- we rely on a limited number of large offshore helicopter support contracts with a limited number of customers. If any of these are terminated early or not renewed, our revenues could decline;
- operating helicopters involves a degree of inherent risk and we are exposed to the risk of losses from safety incidents;
- if we are unable to mitigate potential losses through a robust safety management and insurance coverage program, our financial condition would be jeopardized in the event of a safety or other hazardous incident;
- failure to maintain standards of acceptable safety performance could have an adverse impact on our ability to attract and retain customers and could adversely impact our reputation, operations and financial performance;
- negative publicity may adversely impact us;
- our fixed operating expenses and long-term contracts with customers could adversely affect our business under certain circumstances;
- we depend on a small number of helicopter manufacturers;
- we depend on a limited number of third-party suppliers for helicopter parts and subcontract services;

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- restructuring of our operations and organizational structure may lead to significant costs;
- our business requires substantial capital expenditures, lease and working capital financing. Any deterioration of current industry or business conditions or the capital markets generally could adversely impact our business, financial condition and results of operations;
- we rely on the secondary used helicopter market to dispose of our older helicopters and parts due to our ongoing fleet modernization efforts;
- we may not be able to obtain customer contracts covering some of our new helicopters and some of our new helicopters may replace existing helicopters already under contract, which could adversely affect the utilization of our existing fleet;
- our operations are subject to extensive regulations which could increase our costs and adversely affect us;
- our MRO business, Heli-One, could suffer if licenses issued by OEMs and/or governmental authorities are not renewed or we cannot obtain additional licenses;
- we derive significant revenue from non-wholly owned variable interest entities. If we are unable to maintain good relations with the other owners of such non-wholly owned entities, our business, financial condition or results of operations could be adversely affected;
- our operations may suffer due to political and economic uncertainty;
- our business in countries with a history of corruption and transactions with foreign governments increases the compliance risks associated with our international activities;
- we are subject to extensive federal, state, local and foreign environmental, health and safety laws, rules, regulations and ordinances that could have an adverse impact on our business;
- we are subject to many different forms of taxation in various jurisdictions throughout the world, which could lead to disagreements with tax authorities regarding the application of tax laws;
- the offshore helicopter services industry is cyclical;
- we are exposed to foreign currency risks;
- our failure to hedge exposure to fluctuations in foreign currency exchange rates effectively could unfavorably affect our financial performance;
- we are exposed to credit risks;
- our customers may seek to shift risk to us;
- our customers are primarily in the oil and gas industry and, as a result, changes in economic and industry conditions could expose us to additional credit risk;
- we are highly dependent upon the level of activity in the North Sea, which is a mature exploration and production region;
- if oil and gas companies undertake cost reduction methods, there may be an adverse effect on our business;
- reductions in spending on helicopter services by government agencies could lead to modifications of SAR and EMS contract terms or delays in receiving payments, which could adversely impact our business, financial condition and results of operations;
- failure to develop or implement new technologies and disruption to our systems could affect our results of operations;
- we rely on information technology, and if we are unable to protect against service interruptions, data corruption, cyber-based attacks or network security breaches, our operations could be disrupted and our business could be negatively affected;
- assimilating any future material acquisitions into our company may strain our resources and have an adverse effect on our business;

- the loss of key personnel could affect our growth and future success;
- labor problems could adversely affect us;
- if the assets in our defined benefit pension plans are not sufficient to meet the plans' obligations, we could be required to make substantial cash contributions and our liquidity could be adversely affected;
- adverse results of legal proceedings could materially and adversely affect our business, financial condition or results of operations;
- in the event we are or become treated as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes, our U.S. shareholders could be subject to adverse U.S. federal income tax consequences;
- we are controlled by a shareholder group, which might have interests that conflict with ours or the interests of our other shareholders;
- we are a "controlled company" within the meaning of the NYSE rules and, as a result, qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You do not have the same protections afforded to shareholders of companies that are subject to such requirements;
- the market for our ordinary shares historically has experienced significant price and volume fluctuations;
- we have not paid dividends on our ordinary shares historically and may not pay any cash dividends on our ordinary shares for the foreseeable future;
- pursuant to the terms of the preferred shares issued in the Private Placement, which rank senior to our ordinary shares, we are required to pay regular cash dividends or issue shares in respect of amounts accrued as dividends on the preferred shares, and we may be required under certain circumstances to repurchase the preferred shares; such obligations could adversely affect our liquidity and financial condition;
- we may seek additional capital in the future, which could dilute the holders of our outstanding ordinary shares and may adversely affect the market price of our ordinary shares;
- the issuance of preferred shares in the Private Placement and the issuance of additional preferred shares in lieu of preferred dividends in cash will reduce the relative voting power of holders of our ordinary shares, will dilute the ownership of such holders, and may adversely affect the market price of our ordinary shares;
- the dividends on the preferred shares will increase net loss per ordinary share;
- our preferred shares have rights, preferences and privileges that are not held by, and are preferential to the rights of, holders of our ordinary shares. Such preferential rights could adversely affect our liquidity and financial condition, and may result in the interests of the holders of our preferred shares differing from those of the holders of our ordinary shares;
- there may be sales of a substantial amount of our ordinary shares, and these sales could cause the price of our ordinary shares to fall;
- we are a holding company and, accordingly, are dependent upon distributions from our subsidiaries to generate the funds necessary to meet our financial obligations and pay dividends;
- the requirements of being a public company may strain our resources and distract our management;
- our failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and ordinary share price;
- if securities analysts or industry analysts downgrade our ordinary shares, publish negative research or reports or fail to publish reports about our business, our share price and trading volume could decline;
- our actual operating results may differ significantly from our guidance and investor expectations, which could cause our share price to decline;
- provisions of our articles of association and Cayman Islands corporate law may discourage or prevent an acquisition of us which could adversely affect the value of our ordinary shares;

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- our organizational documents contain a variety of anti-takeover provisions that could delay, deter or prevent a change in control;
- shareholder rights under Cayman Islands law may differ materially from shareholder rights in the United States, which could adversely affect the ability of us and our shareholders to protect our and their interests;
- as a shareholder, you might have difficulty obtaining or enforcing a judgment against us because we are incorporated under the laws of the Cayman Islands; and
- our Major Investors, Clayton, Dubilier & Rice and First Reserve Management, L.P., may compete with us, and our articles of association contain a provision that expressly permits our non-employee directors to compete with us.

We caution you that the above list of cautionary statements is not exhaustive and should be considered with the risks described under “Risk Factors” elsewhere in this Quarterly Report on Form 10-Q and those identified in the "Risk Factors" section of the Annual Report 10-K for the fiscal year ended April 30, 2015. 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.

Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q to “Company,” “CHC,” “we,” “us” and “our” refer to CHC Group Ltd. and its subsidiaries. Our fiscal year ends on April 30, and we refer to fiscal years based on the end of such period (the fiscal year ended April 30, 2016 is referred to as “fiscal 2016”). Certain operational terms used in this Quarterly Report on Form 10-Q are defined under the heading “Glossary.”

Overview of Business

We are one of the world’s largest commercial operator of helicopters based on revenue of $1.7 billion in fiscal 2015 and based on our fleet of 231 heavy and medium helicopters as of July 31, 2015. 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. With nearly 70 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 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 60 bases with operations in approximately 20 countries. We cover this expansive and diverse geography with a technologically advanced fleet of 231 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 operating certificates as well as working with regulators and local partners.

For the fiscal year ended April 30, 2015, revenue generated by helicopter transportation services for the oil and gas industry was approximately 81% of our total revenues (for the three month period ended July 31, 2015 - approximately 80% of total revenues). We generated 9% of our total revenues related to EMS/SAR services, with MRO services provided through our Heli-One segment representing the balance of total revenues. 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. Approximately 75% to 78% of the flying revenue in our Helicopter Services segment was attributable to fixed monthly charges for the fiscal years ended April 30, 2013, 2014 and 2015.

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. 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.

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Segments

We report under two operating segments as well as a Corporate segment that provides general and administration functions. 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, including East Timor and Malaysia, and the Africa-Euro Asia region includes Nigeria, Equatorial Guinea, Kazakhstan, Mozambique, Romania and other African and Eastern European countries.
- Helicopter Services generated approximately 88% to 90% of its revenue for the three years ended April 30, 2015 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% to 11% of Helicopter Services revenue for the three years ended April 30, 2015.

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 34%, 38% and 40% of our third-party Heli-One revenue in the 2013, 2014, and 2015 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 nor 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.

The following table shows our external revenue generated by segment, our Adjusted net loss, our Adjusted EBITDAR excluding special items, our Adjusted EBITDAR margin excluding special items, operating income (loss), operating margin and our HE Rate, for the three month periods ended July 31, 2014 and 2015:

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	Three months ended July 31,		Favorable (Unfavorable)	
	2014	2015	$ Change	% Change
Helicopter Services operating revenue	$384,137	$311,591	$(72,546)	(18.9)%
Reimbursable revenue	39,574	28,909	(10,665)	(26.9)%
Helicopter Services total revenue	423,711	340,500	(83,211)	(19.6)%
Heli-One external revenue	36,937	35,437	(1,500)	(4.1)%
Total revenue	$460,648	$375,937	$(84,711)	(18.4)%
Adjusted net loss	$(36,672)	$(33,687)	$2,985	8.1%
Adjusted EBITDAR excluding special items	112,097	113,827	1,730	1.5%
Adjusted EBITDAR margin excluding special items (i)	26.6%	32.8%	6.2%	23.3%
Operating income (loss)	$7,857	$(13,803)	$(21,660)	n/a
Operating margin (ii)	1.7%	(3.7)%	(5.4)%	n/a
HE Rate (iii)	$2,364	$2,050	$(314)	(13.3)%

(i) 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.

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

(iii) 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 and those helicopters which form part of our restructuring activities.

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 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. Adjusted EBITDAR excluding special items excludes corporate transaction costs. Adjusted EBITDAR margin is calculated as Adjusted EBITDAR divided by total revenue less reimbursable revenue. For additional information about our segment revenue and Adjusted EBITDAR, including a reconciliation of these measures to our consolidated financial statements, see Note 17 of our unaudited interim consolidated financial statements for the three months ended July 31, 2014 and 2015 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 corporate transaction costs, restructuring expense, gain (loss) on disposal of assets, asset impairments, net gain (loss) on debt extinguishment, the unrealized gain (loss) on 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 earnings 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 reconciliation to our consolidated financial statements, see "Summary 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 our fleet and those helicopters which form part of our restructuring activities. 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.

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Key Drivers Affecting our Results of Operations

Our results of operations and financial condition are affected by numerous factors, including those described under “Risk Factors” section elsewhere in this Quarterly Report on Form 10-Q and incorporated by reference to our Annual Report on Form 10-K for the fiscal year ended April 30, 2015 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 services under new contracts.

Outlook

We generate the majority of our total revenue from contracts tied to our oil and gas customers’ offshore production operations, which have long-term transportation requirements. A substantial portion of our oil and gas customer revenue comes from transporting personnel to and from offshore drilling rigs. For the fiscal year ended April 30, 2015, revenue generated by helicopter transportation services for the oil and gas industry was approximately 81% of our total revenues (for the three month period ended July 31, 2015 - approximately 80% of total revenues). We generated 9% of our total revenues related to EMS/SAR services, with MRO services provided through our Heli-One segment representing the balance of total revenues.

Since mid-2014, there has been a significant and rapid decline in Brent crude oil prices due to a combination of sustained high supply from the Organization of the Petroleum Exporting Countries and from North America, coupled with weaker demand, due to continued economic uncertainty in Europe and more recently, China. Despite some improvement in Brent crude prices during the earlier part of calendar 2015, there have been recent price declines and continued volatility with oil prices. The rapid downturn in market conditions experienced since mid-2014 now appear more prolonged in nature than initially expected. We are seeing our customers implement substantial reductions in their exploration projects and we are seeing customers across the oil and gas industry actively reducing their capital and operating expenditure plans. As our customers are actively managing their costs this has translated into increased pricing pressure on us. This continued downward pressure to reduce prices and the volatility in the oil and gas sector generally, and the potential impact of such volatility on offshore exploration and production, could negatively impact the future demand for offshore helicopter transportation services. Though the majority of our revenue is derived from contracts tied to our oil and gas customers’ offshore production operations, which provides the Company with a more stable revenue stream since the production business is typically less cyclical in nature than the exploration and development business, this trend, if sustained, could have a significant adverse effect on our business and financial conditions that we may not be able to fully recover from. See “Risk Factors” included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended April 30, 2015.

Since mid-2014, we have seen a reduction in exploration related activity by our customers, primarily in our Africa-Euro Asia region, as our customers have implemented wide-ranging capital expenditure reduction programs. The North Sea continues to be our core operating area, with approximately half of Helicopter Services' revenue being derived from this region. Though we have benefited from multi-year multi-helicopter contract wins in the North Sea region in the prior fiscal year and in fiscal 2016, we have secured an additional multi-year contract win with an oil and gas customer, overall revenue in this region has declined by 24% in the current year quarter compared to the prior year quarter. We have experienced similar revenue reductions across our other regions, though we have been able to secure several new wins and contract extensions, including those related to EMS and SAR work, in the Asia Pacific region.

Despite the significant decline in the price of oil and gas, which is negatively impacting demand from customers, we remain cautiously optimistic that growth will continue over the long-term. New technology has allowed oil and gas companies to continue exploration and drilling farther offshore, and we have seen an increase in ultra-deepwater and deepwater spending by our customers over the past few years. Oil platforms are increasingly moving further offshore, and new, larger complex platform designs mean that long-term demand for new technology medium and heavy helicopters is expected to increase.

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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. Heli-One continues to develop its third-party business for both PBH and non-PBH revenue streams, both in our traditional markets but also in Asia and South America.

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. There has been a significant strengthening of the U.S. dollar relative to the prior year quarter. As a result of the strengthening of the U.S. dollar, our reported results have been negatively impacted, primarily because approximately half of our Helicopter Services' revenue is derived from the North Sea region and is transacted primarily in the local currency of our operations in that region. Throughout the three months ended July 31, 2015, our primary foreign currency exposures were related to the Norwegian Kroner, the Euro, the British pound sterling, the Canadian dollar and the Australian dollar.

Recent Events

Aviation safety and regulatory developments

On August 23, 2013, one of our Airbus Helicopters AS332L2 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 UK Air Accident Investigation Branch (AAIB), and Police Scotland.

On October 18, 2013, the UK AAIB issued a special bulletin about its investigation on the possible causes of the AS332L2 accident. A full copy of the special bulletin is available at http://www.aaib.gov.uk/publications/special_bulletins/s1_2014___as332_l2_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 ongoing. 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 January 23, 2014, the UK AAIB issued a further special bulletin (S1/2014) on the accident which contained enhanced pre-flight safety briefing recommendations relating to the use of the passenger re-breather; these industry-wide recommendations were implemented by CHC in all regions where this equipment is in use.

Restructuring

There has been a significant and rapid downturn in market conditions in the oil and gas sector since mid-2014. As we generate over 80% of our consolidated revenues from oil and gas customers, we are actively managing our costs to respond to changes in customer demand and changing conditions in the industry. Accordingly, we are undergoing a comprehensive review of our operations and organizational structure, with the view of reducing costs. In connection with this, we incurred restructuring costs of $80.3 million in fiscal 2015, of which $35.9 million was related to employee severance costs and other associated costs and $44.4 million was related to lease and other contractual costs on older technology leased helicopters which do not form part of our prospective fleet strategy. During the current year quarter, we incurred additional restructuring costs of $19.4 million, of which $5.0 million was related to employee severance costs and other associated costs and $14.4 million was related to lease and other contractual costs on leased helicopters which do not form part of our prospective fleet strategy. We also recorded additional depreciation expense of $8.5 million in the current year quarter related to the acceleration of depreciation on certain aircraft in connection with our restructuring program. We incurred cash costs of $17.4 million during the current year quarter in connection with this program.

We will realize the benefits of the reduction in helicopter leases upon the expiry of the contractual lease obligations, however the provision for the contractual lease costs of these helicopters will reduce our helicopter lease and associated costs for the remaining term of these leases. We will incur cash payments on these helicopters for the remaining term of the contractual lease period, the majority of which expire by fiscal 2018. The majority of employee related payments will be made in fiscal 2016 and the reduction of such costs will be reflected in direct costs and general and administrative costs in future periods.

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As at July 31, 2015 we have accrued $69.0 million related to these restructuring activities. This includes $50.8 million related to lease and other contractual costs for eleven helicopter leases. We are continuing to monitor our environment and where necessary, may incur additional restructuring charges.

Capital structure optimization

We have in recent periods undertaken several transactions to reduce our total outstanding long-term debt obligations and enhance our capital structure. During the current year quarter, we completed one debt repurchase transaction of our senior unsecured notes, with a second transaction closing on August 3, 2015. These will reduce our annual cash requirements by approximately $3.8 million. This complements the debt redemption and repurchase transactions we undertook in fiscal 2014 and 2015 to reduce our total outstanding long-term debt obligations, which reduced our cash requirements on an annualized basis by approximately $41.9 million.

During the current year quarter, we entered into a new arrangement for a $145.0 million asset-based revolving credit facility which diversifies our capital structure and provides an alternative financing vehicle to leasing.

Our total liquidity was $558.7 million at July 31, 2015, which includes $145.0 million in undrawn capacity under our asset-based revolving credit facility. Our liquidity at April 30, 2015 was $500.1 million. See "—Liquidity and Sources of Liquidity" included elsewhere in this Quarterly Report on Form 10-Q for further information.

Fleet

During fiscal 2015, we decided to accelerate our exit from five older technology helicopter types. This is part of our continued fleet replacement strategy to better meet our customers' demands for newer technology helicopters and to reduce the number of different helicopter types in our fleet. The exit will take place over multiple years as helicopters complete their current flying obligations. In addition, we have incurred in fiscal 2015 and also in the current year quarter, restructuring costs related to certain helicopters which we have permanently ceased use of in operations and which no longer form part of our prospective fleet strategy.

As of July 31, 2015, our fleet was comprised of the following helicopters:

Helicopter Type	Total	Cruise Speed (kts)	Approximate Range (nmi)	Passenger Capacity	Maximum Weight (lbs)
Helicopter Type					
Heavy:					
Sikorsky S92A	46	145	400	19	26,500
Airbus Helicopters H225	40	145	400	19	24,250
Airbus Helicopters (AS332 L, L1, and L2)	35	130-140	250-350	17-19	18,000-20,500
Total Heavy	121				
Medium:					
AgustaWestland AW139	42	145	280	12-15	15,000
Sikorsky S76C++	23	145	220	12	11,700
Sikorsky S76C+	20	145	175	12	11,700
Sikorsky S76A++	8	135	130	12	10,800
Bell 412	7	125	135	13	11,900
Airbus Helicopters AS365 Series/H155	7	120-145	80-120	11-13	4,200-9,500
Airbus Helicopters H135/H145	3	N/A[(i)]	N/A[(i)]	N/A[(i)]	N/A[(i)]
Total Medium	110				
Total Helicopters	231				

(i) EMS only.

Including amendments to our aircraft purchase agreements with certain original equipment manufacturers made during and subsequent to the quarter ended July 31, 2015, we have a total commitment of $258.7 million for the purchase of new helicopters. These helicopters are expected to be delivered in fiscal 2016 ($30.8 million), 2017 ($161.7 million) and 2018

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($66.2 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 $249.0 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 $29.0 million in forfeitures.

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Summary Results of Operations

For the three months ended July 31,
(In thousands of U.S. dollars)

	Three months ended July 31, 2014	Three months ended July 31, 2015
Operating revenue	$421,074	$347,028
Reimbursable revenue	39,574	28,909
Total revenue	460,648	375,937
Operating expenses		
Direct costs (i)	(331,267)	(249,496)
Earnings from equity accounted investees	2,677	1,433
General and administration costs	(21,662)	(16,356)
Adjusted EBITDAR (ii)	110,396	111,518
Helicopter lease and associated costs (i)	(63,280)	(64,674)
Depreciation	(33,725)	(40,281)
Restructuring expense	—	(19,379)
Asset impairments	(275)	—
Loss on disposal of assets	(5,259)	(987)
Operating income (loss)	7,857	(13,803)
Interest on long-term debt	(34,872)	(26,946)
Foreign exchange gain (loss)	4,908	(10,079)
Other financing income (charges)	(4,325)	10,094
Loss before income tax	(26,432)	(40,734)
Income tax expense	(7,887)	(5,908)
Net loss	$(34,319)	$(46,642)
Net earnings (loss) attributable to:		
Controlling interest	$(42,100)	$(53,362)
Non-controlling interests	7,781	6,720
Net loss	$(34,319)	$(46,642)
Non-GAAP Financial Measures:		
Adjusted net loss (v)	$(36,672)	$(33,687)
Adjusted EBITDAR excluding special items (iii)	112,097	113,827
Adjusted EBITDAR margin (iv)	26.2%	32.1%
Adjusted EBITDAR margin, excluding special items (iv)	26.6%	32.8%
HE Rate (vi)	$2,364	$2,050

(i) Direct costs in the information above excludes helicopter lease and associated costs. These costs are combined in the consolidated statements of operations, which are included in the unaudited interim consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

(ii) Adjusted EBITDAR is a non-GAAP measure. See “Key Financial and Operating Metrics” for the definition and discussion of these non-GAAP measures. Additional information about our Adjusted EBITDAR, including a reconciliation of this measure to our consolidated financial statements is also provided in Note 17 of our unaudited interim consolidated financial statements for the three months ended July 31, 2014 and 2015, included elsewhere in this Quarterly Report on Form 10-Q.

(iii) Adjusted EBITDAR excluding special items is a non-GAAP measure. See “Key Financial and Operating Metrics” for the definition and discussion of this non-GAAP measure. A description of the adjustments to and reconciliations of this non-GAAP financial measure to Adjusted EBITDAR is as follows:

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	Three months ended July 31,	
	2014	2015
Adjusted EBITDAR excluding special items	$112,097	$113,827
Corporate transaction costs	(1,701)	(2,309)
Adjusted EBITDAR	$110,396	$111,518

(iv) Adjusted EBITDAR margin and Adjusted EBITDAR margin excluding special items are non-GAAP measures. See "Key Financial and Operating Metrics" for the definition and discussion of this non-GAAP measure. These measures are calculated by dividing the respective numerator by total revenues less reimbursable revenue.

Three months ended July 31,