

Financial Statements of

NATIONAL HELICOPTER SERVICES LIMITED

September 30, 2010

**Independent Auditors' Report to the Members
National Helicopter Services Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of National Helicopter Services Limited (the Company) which comprise the statement of financial position as at September 30, 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

K P N G

Chartered Accountants

March 17, 2011
Port of Spain
Trinidad and Tobago, W.I.

NATIONAL HELICOPTER SERVICES LIMITED

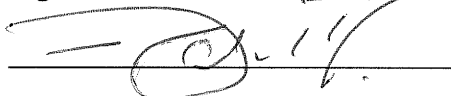
Statement of Financial Position

September 30, 2010

| | Note | 2010 | 2009 |
|--|------|------------------------------|---------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 1 | \$ 125,767,775 | 125,177,492 |
| Retirement benefit asset | 2 | - | 123,700 |
| Deferred expenditure – major aircraft components | 3 | 14,940,271 | 20,831,626 |
| GORTT receivable | 4 | <u>16,865,357</u> | <u>30,521,250</u> |
| | | <u>157,573,403</u> | <u>176,654,068</u> |
| Current assets | | | |
| Prepaid expenses | | 2,179,268 | 3,079,124 |
| Inventories | 5 | 30,662,973 | 36,026,982 |
| Taxation recoverable | | 3,359,111 | 2,508,938 |
| Accounts receivable | 6 | 33,604,473 | 28,233,184 |
| Cash | | 3,706,637 | 2,508,345 |
| Short-term deposits | | <u>9,822,501</u> | <u>4,778,030</u> |
| | | <u>83,334,963</u> | <u>77,134,603</u> |
| Total assets | | \$ <u>240,908,366</u> | <u>253,788,671</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 7 | \$ 23,766,278 | 23,766,278 |
| Retained earnings | | <u>68,115,144</u> | <u>61,588,984</u> |
| | | <u>91,881,422</u> | <u>85,355,262</u> |
| Non-current liabilities | | | |
| Borrowings | 8 | 83,356,977 | 103,134,637 |
| Retirement benefit liability | 2 | 104,100 | - |
| Deferred taxation | 9 | <u>12,979,476</u> | <u>14,367,683</u> |
| | | <u>96,440,553</u> | <u>117,502,320</u> |
| Current liabilities | | | |
| Current portion of borrowings | 8 | 20,681,696 | 23,033,784 |
| Taxation payable | | 846,077 | 120,863 |
| Trade payables | | 7,981,273 | 11,035,238 |
| Other payables and accrued liabilities | 10 | <u>23,077,345</u> | <u>16,741,204</u> |
| | | <u>52,586,391</u> | <u>50,931,089</u> |
| Total equity and liabilities | | \$ <u>240,908,366</u> | <u>253,788,671</u> |

See accompanying notes to financial statements.

Signed on behalf of the Board

 Director

 Director

NATIONAL HELICOPTER SERVICES LIMITED

Statement of Comprehensive Income

Year ended September 30, 2010

| | Notes | 2010 | 2009 |
|--|-------|----------------------------|---------------------------|
| Revenue | | \$ 113,577,164 | 97,280,410 |
| Direct operating costs | 11 | <u>(95,410,146)</u> | <u>(89,964,105)</u> |
| Gross profit | | 18,167,018 | 7,316,305 |
| Other income | 12 | <u>6,370,070</u> | <u>6,168,766</u> |
| | | 24,537,088 | 13,485,071 |
| Administration and other operating expenses | 13 | <u>(12,912,607)</u> | <u>(12,595,648)</u> |
| Operating profit before pension costs | | 11,624,481 | 889,423 |
| Net pension cost | | <u>(227,800)</u> | <u>(178,300)</u> |
| Operating profit after pension costs | | 11,396,681 | 711,123 |
| Net finance cost | 14 | <u>(6,476,451)</u> | <u>(4,069,574)</u> |
| Profit (loss) before taxation | | 4,920,230 | (3,358,451) |
| Taxation | 9 | <u>1,605,930</u> | <u>466,764</u> |
| Net profit (loss) being total comprehensive income for the year | | \$ <u><u>6,526,160</u></u> | <u><u>(2,891,687)</u></u> |

See accompanying notes to financial statements.

NATIONAL HELICOPTER SERVICES LIMITED

Statement of Changes in Equity

Year ended September 30, 2010

| | <u>Share Capital</u> | <u>Retained Earnings</u> | <u>Total</u> |
|--|--------------------------|------------------------------|--------------------|
| Year ended September 30, 2009 | | | |
| Opening balance as at October 1, 2008 | \$ 23,766,278 | 64,480,671 | 88,246,949 |
| Net loss for the year | <u>-</u> | <u>(2,891,687)</u> | <u>(2,891,687)</u> |
| Closing balance as at September 30, 2009 | \$ <u>23,766,278</u> | <u>61,588,984</u> | <u>85,355,262</u> |
| Year ended September 30, 2010 | | | |
| Opening balance as at October 1, 2009 | \$ 23,766,278 | 61,588,984 | 85,355,262 |
| Net profit for the year | <u>-</u> | <u>6,526,160</u> | <u>6,526,160</u> |
| Closing balance as at September 30, 2010 | \$ <u>23,766,278</u> | <u>68,115,144</u> | <u>91,881,422</u> |

See accompanying notes to financial statements.

NATIONAL HELICOPTER SERVICES LIMITED

Statement of Cash Flows

Year ended September 30, 2010

| | 2010 | 2009 |
|---|----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit (loss) for the year before taxation | \$ 4,920,230 | (3,358,451) |
| Adjustments for: | | |
| Depreciation | 12,679,211 | 8,626,258 |
| Amortisation of expenditure - major aircraft components | 7,334,042 | 5,754,897 |
| Net pension cost | 788,200 | 651,800 |
| Loss on disposal of property, plant and equipment | 592,730 | - |
| Operating profit before working capital changes | 26,314,413 | 11,674,504 |
| Change in accounts receivable | 8,284,604 | 22,322,273 |
| Change in inventories | 5,364,009 | (1,382,812) |
| Change in prepaid expenses | 899,856 | (1,041,092) |
| Change in trade payables | (3,053,965) | (2,111,326) |
| Change in other payables and accrued liabilities | 6,336,141 | (4,005,955) |
| Taxes refunded | 92,764 | (302,611) |
| Pension contributions paid | (560,400) | (473,500) |
| Cash flows from operating activities | <u>43,677,422</u> | <u>24,679,481</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (13,905,789) | (80,855,921) |
| Proceeds from disposal of property, plant and equipment | 43,565 | - |
| Expenditure on major aircraft components | <u>(1,442,687)</u> | <u>(3,483,672)</u> |
| Net cash used in investing activities | <u>(15,304,911)</u> | <u>(84,339,593)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | - | 77,344,371 |
| Repayment of borrowings | <u>(22,129,748)</u> | <u>(22,542,003)</u> |
| Net cash (used in) from financing activities | <u>(22,129,748)</u> | <u>54,802,368</u> |
| Net increase (decrease) in cash and cash equivalents | 6,242,763 | (4,857,744) |
| Cash and cash equivalents beginning of year | <u>7,286,375</u> | <u>12,144,119</u> |
| Cash and cash equivalents end of year | \$ <u>13,529,138</u> | \$ <u>7,286,375</u> |
| Cash and cash equivalents represented by: | | |
| Cash | \$ 3,706,637 | 2,508,345 |
| Short-term deposits | <u>9,822,501</u> | <u>4,778,030</u> |
| | \$ <u>13,529,138</u> | \$ <u>7,286,375</u> |

See accompanying notes to financial statements

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

Incorporation and Principal Activity

The Company was incorporated as a company limited by shares under the laws of the Republic of Trinidad and Tobago on October 3, 1989 to establish and carry on the business of air transport and helicopter services. Its registered office is located at NHSL Heliport, Camden, Couva, Trinidad and Tobago.

These financial statements were authorised for issue by the Directors on March 17, 2011.

Summary of Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and its interpretation adopted by the International Accounting Standards Board.

(b) Basis of preparation

These financial statements have been prepared under the historical cost convention modified for the inclusion of financial instruments at fair value through profit or loss.

(c) Foreign currency translation

i) Functional and presentation currency

These financial statements are presented in Trinidad and Tobago dollars which is the Company’s functional currency and has been rounded to the nearest dollar.

ii) Transactions and balances

Foreign currency transactions are translated into Trinidad and Tobago dollars using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Trinidad and Tobago dollars at the selling rate ruling at that date. Foreign transaction gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

Summary of Significant Accounting Policies (continued)

(d) *Use of estimates and judgments*

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgment made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year.

(e) *Property, plant and equipment*

- i) Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Projects under construction are stated at cost less impairment losses and capitalised when the asset is put into use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefit embodied in the item of property, plant and equipment. All other expenditure is recognised in the statement of comprehensive income during the financial period as an expense as incurred.

- ii) Depreciation is charged to the statement of comprehensive income on a reducing balance basis over the estimated useful life of items of property, plant and equipment. Freehold land is not depreciated as it is deemed to have an infinite life. Depreciation is provided over the estimated useful life of the respective assets at the following rates and methods:

| | |
|--------------------------------|-------------|
| Leasehold land and buildings | 1.67%-2.02% |
| Aircraft | 8.33%-12.5% |
| Ground and workshop equipment | 20% |
| Office furniture and equipment | 15% |
| Computer | 20% |
| Motor vehicles | 25% |

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

Summary of Significant Accounting Policies (continued)

(e) Property, plant and equipment (continued)

- iii) Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the net income for the year.

(f) Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. (See accounting policy (f)(i)).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

(i) Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Inventories

Inventories which consist mainly of spare parts are measured at the lower of cost and net realizable value. The cost of the inventories is based on the first in, first out principle, with cost being the supplier's invoice cost excluding freight and other import cost.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

Summary of Significant Accounting Policies (continued)

(h) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdraft.

(i) Accounts receivable

Accounts receivable are recognised at the original amount less any provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the statement of comprehensive income. Bad debts are written off to the statement of comprehensive income when identified.

(j) Provisions

Provisions are recognised when, the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

(k) Financial instruments

Financial instruments include cash, short-term deposits, accounts receivable, trade payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(l) Borrowings

Borrowings are recognised initially as the proceeds are received. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

(m) Revenue recognition

- (i) Revenue is recognised on the accrual basis upon performance of services.
- (ii) Government grants are recognized as income in the statement of comprehensive income to match the related cost for which the grants are intended to compensate.

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

Summary of Significant Accounting Policies (continued)

(n) Trade and other payables

Liabilities for trade and other payables which are normally settled on thirty to ninety day terms are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not invoiced to the Company.

(o) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in the statement of comprehensive income using the effective interest method.

Finance costs comprise interest expense on borrowings unwinding of the discount on provisions, impairment losses recognized on financial assets recognized on the statement of comprehensive income.

(p) Pension obligations

The Company operates a defined benefit plan, the assets of which are held in a separate trustee administered fund. The pension plan is funded by payments from employees and by the Company taking account of the recommendations of independent qualified actuaries.

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of comprehensive income so as to spread the regular cost over the service life of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans annually.

(q) Deferred expenditure – major aircraft components

The cost of major component overhaul or replacement is accounted for by the deferral method. The cost of each overhaul or replacement is deferred and written-off over the expected life of the component.

(r) Taxation

Income tax comprises current and deferred tax and is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date and green fund levy, and any adjustment to tax payable in respect of previous years.

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

Summary of Significant Accounting Policies (continued)

(r) Taxation (continued)

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable income (loss).

Deferred tax is calculated on the basis of the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The effect on the deferred tax of any changes in the tax rate is charged to the statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

(s) Related parties

A number of transactions have been entered into with related parties in the normal work of business. These transactions were conducted at market rates on commercial terms and conditions.

(t) New standards adopted and new standards and interpretations not yet adopted

New standards adopted

The Company applied revised IAS 1 Presentation of Financial Statements (2007), which became effective as of January 1, 2009. As a result, the Company now presents a statement of comprehensive income which replaces the statement of income.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended September 30, 2010, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Company, except:

IFRS 9 Financial Instruments, published on November 12, 2009 as part of phase 1 of the IASB's comprehensive project to replace IAS 39. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value.

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

(t) *New standards adopted and new standards and interpretations not yet adopted* (continued)

New standards and interpretations not yet adopted (continued)

A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of *held to maturity, available for sale and loans and receivables*. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income.

No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

1. Property, Plant and Equipment

| | 2010 | | | | | | |
|---|----------------------|--------------------|------------------|------------------|-------------------|----------------------------------|--------------------|
| | Land and Building | Aircraft | Equipment | Computers | Motor Vehicles | Project Under Construction | Total |
| Cost | | | | | | | |
| Opening balance as at October 1, 2009 | \$ 13,702,443 | 178,972,318 | 8,454,059 | 2,338,684 | 924,808 | 2,489,074 | 206,881,386 |
| Additions | - | 385,062 | 160,757 | 52,034 | - | 13,307,936 | 13,905,789 |
| Disposals | - | (2,692,840) | - | - | (98,771) | - | (2,791,611) |
| Transfers | 15,369 | - | 123,104 | 4,095 | - | (142,568) | - |
| Closing balance as at September 30, 2010 | \$ <u>13,717,812</u> | <u>176,664,540</u> | <u>8,737,920</u> | <u>2,394,813</u> | <u>826,037</u> | <u>15,654,442</u> | <u>217,995,564</u> |
| Depreciation | | | | | | | |
| Opening balance as at October 1, 2009 | \$ 2,026,201 | 71,406,352 | 5,683,553 | 1,719,589 | 868,199 | - | 81,703,894 |
| Charge for the year | 252,604 | 11,303,938 | 839,864 | 226,211 | 56,595 | - | 12,679,211 |
| Disposals | - | (2,056,548) | - | - | (98,769) | - | (2,155,316) |
| Closing balance as at September 30, 2010 | \$ <u>2,278,805</u> | <u>80,653,742</u> | <u>6,523,417</u> | <u>1,945,800</u> | <u>826,025</u> | <u>-</u> | <u>92,227,789</u> |
| Carrying Value | | | | | | | |
| As at September 30, 2010 | \$ <u>11,439,007</u> | <u>96,010,798</u> | <u>2,214,503</u> | <u>449,013</u> | <u>12</u> | <u>15,654,442</u> | <u>125,767,775</u> |
| As at September 30, 2009 | \$ <u>11,676,242</u> | <u>107,565,966</u> | <u>2,770,506</u> | <u>619,095</u> | <u>56,609</u> | <u>2,489,074</u> | <u>125,177,492</u> |

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

1. Property, Plant and Equipment (continued)

| | 2009 | | | | | | |
|--|----------------------|--------------------|------------------|------------------|-------------------|----------------------------------|--------------------|
| | Land and Building | Aircraft | Equipment | Computers | Motor Vehicles | Project Under Construction | Total |
| Cost | | | | | | | |
| Opening balance as at October 1, 2008 | \$ 10,585,601 | 101,710,179 | 7,314,312 | 2,030,014 | 924,808 | 3,460,551 | 126,025,465 |
| Additions | 1,203,728 | 3,417,898 | 661,122 | 115,078 | - | 75,458,095 | 80,855,921 |
| Transfers | 1,913,114 | 73,844,241 | 478,625 | 193,592 | | (76,429,572) | - |
| Closing balance as at September 30, 2009 | \$ <u>13,702,443</u> | <u>178,972,318</u> | <u>8,454,059</u> | <u>2,338,684</u> | <u>924,808</u> | <u>2,489,074</u> | <u>206,881,386</u> |
| Depreciation | | | | | | | |
| Opening balance as at October 1, 2008 | \$ 1,817,064 | 64,171,088 | 4,914,534 | 1,446,236 | 728,714 | - | 73,077,636 |
| Charge for the year | 209,137 | 7,235,264 | 769,019 | 273,353 | 139,485 | - | 8,626,258 |
| Closing balance as at September 30, 2009 | \$ <u>2,026,201</u> | <u>71,406,352</u> | <u>5,683,553</u> | <u>1,719,589</u> | <u>868,199</u> | <u>-</u> | <u>81,703,894</u> |
| Carrying Value | | | | | | | |
| As at September 30, 2009 | \$ <u>11,676,242</u> | <u>107,565,966</u> | <u>2,770,506</u> | <u>619,095</u> | <u>56,609</u> | <u>2,489,074</u> | <u>125,177,492</u> |
| As at September 30, 2008 | \$ <u>8,768,537</u> | <u>37,539,091</u> | <u>2,399,778</u> | <u>583,778</u> | <u>196,094</u> | <u>3,460,551</u> | <u>52,947,829</u> |

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

2. Retirement Benefit Liability

The Company has established a pension scheme that covers substantially all of the employees. The pension scheme is a final salary defined benefit plan and is fully funded. The assets of the funded plan are held independently of the Company's assets in a separate trustee administered fund. The scheme was valued by independent actuaries as at September 30, 2010 using the projected unit credit method.

| | <u>2010</u> | <u>2009</u> |
|---|--------------------|--------------------|
| The details are as follows: | | |
| Present value of funded obligation | \$ 16,211,300 | 14,157,300 |
| Fair value of plan assets | (13,781,300) | (12,236,900) |
| | 2,430,000 | 1,920,400 |
| Unrecognised actuarial losses | <u>(2,325,900)</u> | <u>(2,044,100)</u> |
| Liability (asset) recognized in statement of financial position | \$ <u>104,100</u> | <u>(123,700)</u> |

The amount recognised in the statement of comprehensive income is as follows:

| | | |
|---------------------------------------|-------------------|----------------|
| Current service cost | \$ 604,300 | 603,000 |
| Interest cost | 1,165,300 | 1,008,400 |
| Expected return on assets | (1,010,000) | (959,600) |
| Net Actuarial Loss recognised in year | <u>28,600</u> | <u>-</u> |
| | \$ <u>788,200</u> | <u>651,800</u> |

The actuarial return on plan assets was \$711,900 (2009: \$711,500).

Movement recognised in the statement of financial position:

| | | |
|------------------------------|---------------------|----------------|
| At the beginning of the year | \$ 123,700 | 302,000 |
| Total expense as above | (788,200) | (651,800) |
| Contribution paid | <u>560,400</u> | <u>473,500</u> |
| At the end of the year | \$ <u>(104,100)</u> | <u>123,700</u> |

The principal actuarial assumptions used for accounting purposes were:

| | | |
|---|-------|-------|
| Discount rate | 7.5% | 8.0% |
| Expected rate of return on plan assets | 7.0% | 8.0% |
| Expected average remaining working lives of employees (years) | 22.20 | 23.00 |
| Future salary increases | 6.0% | 6.5% |

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|-------------------|
| 3. Deferred Expenditure – Major Aircraft Components | | |
| Opening balance as at October 1 | \$ 20,831,626 | 23,102,851 |
| Amortisation on deferred expenditure | (7,334,042) | (5,754,897) |
| Expenditure on major aircraft components | <u>1,442,687</u> | <u>3,483,672</u> |
| Closing balance as at September 30 | \$ <u>14,940,271</u> | <u>20,831,626</u> |
| 4. Government of the Republic of Trinidad and Tobago (GORTT) Receivables | | |
| GORTT receivable represents amounts owed by the Ministry of National Security (MNS) for the purchase of air assets. The loans to acquire the purchase of these assets are guaranteed and are being repaid by the Government of the Republic of Trinidad and Tobago. As payments are made on the loan balances, set out in note 8(ii) and (iv), the accounts receivable is reduced accordingly | \$ <u>16,865,357</u> | <u>30,521,250</u> |
| 5. Inventories | | |
| Aircraft spares | \$ 29,845,451 | 32,389,083 |
| Goods-in transit | 636,380 | 3,233,781 |
| Fuel | <u>181,142</u> | <u>404,118</u> |
| | \$ <u>30,662,973</u> | <u>36,026,982</u> |
| Inventories are shown net of provision for slow moving and obsolete stock of \$6,355,783 (2009: \$3,521,749). | | |
| 6. Accounts Receivable | | |
| Accounts receivable - trade | \$ 28,361,600 | 23,713,481 |
| Other | <u>5,242,873</u> | <u>4,519,703</u> |
| | \$ <u>33,604,473</u> | <u>28,233,184</u> |

Accounts receivable is shown net of provision for doubtful debt of NIL (2009: NIL).

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|-------------------|
| 7. Share Capital | | |
| Authorised An unlimited number of shares of no par value | | |
| Issued and fully paid 23,766,278 ordinary shares of no par value | \$ <u>23,766,278</u> | <u>23,766,278</u> |
| 8. Borrowings | | |
| i) Loan from RBTT Bank Limited of US\$3,300,000 (\$20,790,000) for the purchase of a helicopter 9Y TJW. The loan, secured by the helicopter, is in the form of a Bankers Acceptance (BA) renewable semi-annually. The BA bears interest at a rate of One-Year Libor plus 2.92625% per annum. Principal and interest are payable semi-annually | \$ 3,066,709 | 6,217,596 |
| ii) Loan from Citibank Trinidad & Tobago Limited of US\$6,425,000 (\$40,477,500) for the purchase of two helicopters on behalf of the Ministry of National Security. The loan is secured by a guarantee from the GORTT dated December 8, 2004. The loan bears interest at a rate of LIBOR plus 1.5% per annum. Principal and interest are payable semi-annually | 8,756,357 | 14,456,250 |
| iii) Loan from Citibank Trinidad & Tobago Limited of US\$3,500,000 (\$22,050,000) for the purchase of a S76 helicopter 9YNHS. This loan is secured by the said helicopter and the assignment of specific accounts receivable balances. The loan bears interest at a rate of LIBOR plus 1.5% per annum. Principal and interest are payable semi-annually | \$ 9,540,000 | 12,600,000 |

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|---------------------|
| 8. Borrowings (continued) | | |
| iv) Loan taken from Unit Trust Corporation of US\$6,375,000 (\$40,162,500) for the acquisition of air assets on behalf of the Ministry of National Security. The loan bears an interest rate of 6.5% for a period of five (5) years. Principal and interest are payable semi-annually | \$ 8,109,000 | 16,065,000 |
| v) Short-term revolving loan taken from Citibank of US\$400,000 (\$2,516,000). The interest Rate is reset semi-annually and was 6.69% at the end of the period | - | 2,520,000 |
| vi) Loan taken from RBTT Bank Ltd of US\$715,000 (\$4,483,050) to assist with the construction of a helipad at Mucurapo Foreshore and expansion of the administration building at Camden Base Couva. The loan bears an interest rate of 7.5% for a period of eight (8) years. The loan is being repaid on a monthly basis | 3,812,854 | 4,223,310 |
| vii) Bridging Loan taken from Republic Finance & Merchant Bank Limited of US\$11,124,804 (\$70,086,265) for the purchase of a S76C++ Helicopter 9YMCK. This loan is secured by a Letter of Comfort issued by the Government of the Republic of Trinidad and Tobago. The loan bears interest at a rate of 6.25% per annum. This loan will be repaid by a long term financing facility arranged through Republic Finance & Merchant Bank Limited and HSBC; and financed by PEFCO Corporation / Eximbank and Republic Bank Ltd. On finalisation the principal and interest are payable semi-annually | <u>70,753,753</u> | <u>70,086,265</u> |
| Total borrowings | 104,038,673 | 126,168,421 |
| Less current portion of borrowings | <u>(20,681,696)</u> | <u>(23,033,784)</u> |
| | <u>\$ 83,356,977</u> | <u>103,134,637</u> |

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

| | <u>2010</u> | <u>2009</u> |
|--|-----------------------|------------------|
| 9. Provision for Taxation | | |
| a) Taxation for the year is comprised of: | | |
| Deferred tax | \$ 110,316 | (902,370) |
| Current tax | 1,081,027 | - |
| Business levy | - | 207,718 |
| Green fund levy | 118,578 | 103,859 |
| Over provision of prior years taxes | | |
| - Current tax | (1,417,328) | - |
| - Deferred tax | (1,498,523) | - |
| Under provision of prior years deferred tax | <u>-</u> | <u>124,029</u> |
| | <u>\$ (1,605,930)</u> | <u>(466,764)</u> |

The Company applicable tax rate is the statutory tax rate of 25%. The following is a reconciliation of the current tax provision calculated at the applicable tax rate with the provision for taxation.

| | <u>2010</u> | <u>2009</u> |
|---|-----------------------|--------------------|
| <i>Reconciliation of effective tax rate</i> | | |
| Profit before provision for taxation | \$ <u>4,920,230</u> | <u>(3,358,451)</u> |
| Computed tax using the applicable corporation tax rate | \$ 1,230,057 | (839,612) |
| Tax effect of non-deductible items and non taxable income | (38,714) | (62,758) |
| Business levy | - | 207,718 |
| Green fund levy | 118,578 | 103,859 |
| (Over) under provision of prior year's taxes | <u>(2,915,851)</u> | <u>124,029</u> |
| Total tax provision | <u>\$ (1,605,930)</u> | <u>(466,764)</u> |

b) Deferred tax liabilities are attributable to items detailed in the table below:

| | | |
|---|----------------------|-------------------|
| Property, plant and equipment | \$ 11,114,279 | 10,370,712 |
| Retirement benefit (liability) asset | (26,025) | 30,925 |
| Deferred expenditure – major aircraft components | 3,735,068 | 5,207,908 |
| Unrealised foreign currency translation differences | (254,900) | (89,904) |
| Unused tax losses | - | (1,151,958) |
| Stock obsolescence | <u>(1,588,946)</u> | <u>-</u> |
| Deferred tax liability | <u>\$ 12,979,476</u> | <u>14,367,683</u> |

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

9. Provision for Taxation (continued)

| Deferred tax liability (asset) | Charge (credit) to the statement of | | |
|--|--|----------------------|-------------------|
| | 2009 | comprehensive income | 2010 |
| Property, plant and equipment | \$ 10,370,712 | 743,567 | 11,114,279 |
| Retirement benefit asset (liability) | 30,925 | (56,950) | (26,025) |
| Deferred expenditure—major aircraft components | 5,207,908 | (1,472,840) | 3,735,068 |
| Unrealised foreign currency translation differences | (89,904) | (164,996) | (254,900) |
| Unused tax losses | (1,151,958) | 1,151,958 | - |
| Stock obsolescence | - | (1,588,946) | (1,588,946) |
| | <u>\$ 14,367,683</u> | <u>(1,388,207)</u> | <u>12,979,476</u> |

10. Other Payables and Accrued Liabilities

| | 2010 | 2009 |
|-----------------------|----------------------|-------------------|
| VAT payable | \$ 1,346,765 | 1,700,582 |
| Employee withholdings | 589,877 | 624,304 |
| GORTT payable | 5,418,752 | 5,365,021 |
| Accrued liabilities | <u>15,721,951</u> | <u>9,051,297</u> |
| | <u>\$ 23,077,345</u> | <u>16,741,204</u> |

11. Direct Operating Costs

| | | |
|---------------------------------|----------------------|-------------------|
| Aircraft spares and accessories | \$ 23,523,771 | 25,601,904 |
| Rental of aircraft/equipment | 17,832,750 | 15,702,526 |
| Depreciation | 11,303,938 | 7,235,264 |
| Insurance | 5,468,988 | 3,899,422 |
| Fuel | 8,249,741 | 6,997,379 |
| Employees costs and benefits | 21,777,459 | 22,118,090 |
| Operating supplies | 615,983 | 743,679 |
| Purchased services | 3,950,454 | 3,234,104 |
| Rental-premises | - | 614,440 |
| Training | 1,850,567 | 2,803,229 |
| Vehicle expenses | 114,149 | 182,906 |
| Lease rental of vehicles | 365,098 | 291,682 |
| Subscriptions | 39,097 | 28,196 |
| Miscellaneous | <u>318,151</u> | <u>511,284</u> |
| | <u>\$ 95,410,146</u> | <u>89,964,105</u> |

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

| | <u>2010</u> | <u>2009</u> |
|--|----------------------|-------------------|
| 12. Other Income | | |
| Government Grant | \$ 1,384,813 | 2,253,465 |
| Foreign currency translation differences | (725,475) | 162,580 |
| Management fee | 4,523,737 | 3,613,427 |
| Miscellaneous | 1,186,995 | 139,294 |
| | <u>\$ 6,370,070</u> | <u>6,168,766</u> |
| 13. Administration & Other Operating Expenses | | |
| Repairs and maintenance | \$ 363,711 | 379,897 |
| Depreciation | 1,375,273 | 1,390,994 |
| Insurance | 316,520 | 336,393 |
| Employee costs and benefits | 5,471,132 | 4,788,668 |
| Training | 43,265 | 48,549 |
| Vehicle expenses | 84,479 | 95,513 |
| Lease rental of vehicles | 109,822 | 174,972 |
| Telephone and electricity | 598,236 | 536,213 |
| Travel and entertainment | 61,220 | 132,504 |
| Subscriptions and donations | 128,228 | 146,628 |
| Professional services | 212,066 | 99,502 |
| Directors' fees | 202,600 | 178,800 |
| Promotions | 174,718 | 370,345 |
| Security | 2,175,074 | 2,102,420 |
| Staff welfare | 395,865 | 566,291 |
| Purchased services | 703,112 | 625,311 |
| Printing and stationery | 174,932 | 247,299 |
| Operating supplies | 81,741 | 38,518 |
| Miscellaneous | 240,613 | 336,831 |
| | <u>\$ 12,912,607</u> | <u>12,595,648</u> |
| 14. Net Financing Cost | | |
| Interest expense | \$ 6,673,597 | 4,641,979 |
| Interest income | (197,146) | (572,405) |
| | <u>\$ 6,476,451</u> | <u>4,069,574</u> |

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

15. Related Parties

The Company is a state enterprise owned by the GORTT, an 82.3% shareholder, and The National Gas Company of Trinidad and Tobago Limited (NGC) owning the remaining 17.7% of the issued share capital.

Significant transactions arising in the ordinary course of business with related parties are as follows:

| | <u>2010</u> | <u>2009</u> |
|--|----------------------|-------------------|
| Revenue - Helicopter Services | | |
| GORTT | \$ 7,548,652 | 7,557,315 |
| NGC | 13,408,568 | 15,933,230 |
| | \$ <u>20,957,220</u> | <u>23,490,545</u> |
| Other Income - MNS-SAUTT | | |
| Management fees - MNS-SAUTT | \$ 4,523,737 | 3,613,427 |
| Lease BO105 - MNS-SAUTT | 1,246,376 | - |
| Government Grant | 1,384,813 | 2,253,465 |
| | \$ <u>7,154,926</u> | <u>5,866,892</u> |
| Finance cost (on behalf of MNS-SAUTT) | \$ <u>1,384,813</u> | <u>2,253,465</u> |
| Outstanding balances with related parties are as follows: | | |
| Accounts receivable | | |
| GORTT - borrowings on behalf of MNS-SAUTT (Note 4) | \$ 16,865,357 | 30,521,250 |
| GORTT - helicopter services | 3,656,726 | 1,752,626 |
| NGC - helicopter services | 2,447,474 | 4,309,090 |
| MNS-SAUTT – other | 4,965,345 | 3,802,146 |
| | \$ <u>27,934,902</u> | <u>40,385,112</u> |
| Accounts payable | | |
| GORTT – other | \$ <u>5,418,752</u> | <u>5,365,021</u> |

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|-------------------|
| 16. Directors' Fees | | |
| Fees are based upon rates provided by the Ministry of Finance (Investments) | | |
| Fees | \$ <u>202,600</u> | <u>178,800</u> |
| 17. Staff Costs | | |
| Wages and salaries | \$ 24,640,103 | 24,497,814 |
| National Insurance and Health Surcharge cost | 1,625,488 | 1,475,808 |
| Pension cost | <u>983,000</u> | <u>933,136</u> |
| | \$ <u>27,248,591</u> | <u>26,906,758</u> |

18. Financial Risk Management

Introduction and Overview

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

a. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises on accounts receivables.

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

18. Financial Risk Management (continued)

a. Credit risk (continued)

Management of credit risk

A credit policy has been established under which each new customer is analysed individually for credit worthiness. Credit is granted to customers on the approval of the Director of Corporate Services. During the credit approval process, the customer is assessed for certain indicators of possible delinquency. In monitoring customer credit risk, customers are grouped according to the ageing of their debt.

The Company established an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The allowance for doubtful debts is based on the ageing of the trade receivables. The Company also makes special provision for receivables based on information that they have that shows that the receivables balance is uncollectible.

The Company limits its exposure to credit risks by only investing in liquid securities and only with counterparts that are licensed under the Banking Act. Management does not expect any counterparty to fail to meet its obligations.

The aging of accounts receivables at the reporting date was:

| | | Gross |
|------------------------|----------------------|-------------------|
| | 2010 | 2009 |
| Not past due 0-30 days | \$ 11,453,816 | 17,882,458 |
| Past due 31-60 days | 12,421,563 | - |
| Past due 61-90 days | 3,124,237 | 5,443,020 |
| Over 90 days | <u>1,361,984</u> | <u>388,003</u> |
| | \$ <u>28,361,600</u> | <u>23,713,481</u> |

There was no movement in the allowance for doubtful debts during the year which had a nil balance as at September 30, 2009.

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

18. Financial Risk Management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Management of Liquidity

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Liquidity risk may result from an inability to sell a financial asset at, or close to, its fair value.

Typically the Company ensures that it has sufficient cash on demand and marketable securities to meet operational expenses including the servicing of financial obligations.

The table below analyses the Company's liabilities which will be settled on a gross basis into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2010

| | | Carrying Amounts | Contractual Cash Flows | 1 Year or Less | 2-5 Years | More than 5 years |
|----------------|----|---------------------|---------------------------|-------------------|-------------------|-------------------------|
| Borrowings | \$ | 104,038,673 | 132,054,881 | 31,087,273 | 63,400,545 | 37,567,063 |
| Trade Payables | | 7,981,273 | 7,981,273 | 7,981,273 | - | - |
| Other Payables | | 23,077,345 | 23,077,345 | 23,077,345 | - | - |
| | \$ | <u>135,097,291</u> | <u>163,113,499</u> | <u>62,145,891</u> | <u>63,400,545</u> | <u>37,567,063</u> |

2009

| | | | | | | |
|----------------|----|--------------------|--------------------|-------------------|-------------------|-------------------|
| Borrowings | \$ | 126,168,421 | 153,703,473 | 31,113,587 | 85,938,141 | 36,651,745 |
| Trade Payables | | 11,035,238 | 11,035,238 | 11,035,238 | - | - |
| Other Payables | | 16,741,204 | 16,741,204 | 16,741,204 | - | - |
| | \$ | <u>153,944,863</u> | <u>181,479,915</u> | <u>58,890,029</u> | <u>85,938,114</u> | <u>36,651,745</u> |

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

18. Financial Risk Management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objectives of market risk management are to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises on financial instruments that are denominated in a foreign currency, that is, in a currency other than the functional currency in which they are measured. The functional and presentation currency is Trinidad and Tobago dollars. Foreign currency risk arises in purchase transactions with supplies and sales transactions with some customers.

The Company is exposed to currency risk on cash and deposits that are denominated in a currency other than the respective functional currency of the Company, which is Trinidad and Tobago dollar (TTD). The main currency is the United States dollar (USD).

Management of currency risk

The Company ensures that the risk is kept to an acceptable level by monitoring their risk exposure.

Exposure to currency risk

The Company's exposure to foreign currency risk at the balance sheet was as follows, based on notional amounts:

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|----------------------|
| <i>Balance sheet exposure</i> | | |
| Cash | 3,796,969 | 2,280,539 |
| Short term deposits | 9,787,512 | 4,753,543 |
| Accounts receivable | 13,718,680 | 16,273,321 |
| Trade and other payables | (4,139,950) | (8,530,994) |
| Borrowings | (104,038,673) | (126,168,421) |
| Net balance sheet exposure to USD in TTD | <u>(80,875,462)</u> | <u>(111,392,012)</u> |

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

18. Financial Risk Management (continued)

Exposure to currency risk (continued)

A strengthening of the TTD against the USD at September 30, 2010 would have increased profit by \$808,755 (2009 – decreased loss by \$1,113,920). This analysis is based on foreign currency exchange differences that the Company considered to be reasonable possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

(c) *Market risk (continued)*

(ii) *Interest risk rate*

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

| | Carrying Amount | |
|----------------------------------|------------------------|---------------------|
| | 2010 | 2009 |
| Fixed rate instruments | | |
| Financial assets | \$ 9,822,501 | 4,778,030 |
| Financial liabilities | <u>(82,675,607)</u> | <u>(92,894,575)</u> |
| | \$ <u>(72,853,106)</u> | <u>(88,116,545)</u> |
| Variable rate instruments | | |
| Financial liabilities | \$ <u>(21,363,066)</u> | <u>(33,273,846)</u> |

Sensitivity analysis

A change of 1% in interest rates at the reporting date would have increased (decreased) profit or loss by \$213,631 (2009: \$332,738). This analysis assumes that all other variables remain constant.

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

18. Financial Risk Management (continued)

d. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

19. Capital Management

The Board seeks to maintain a strong capital base so as to maintain shareholder and creditor confidence. The Company defines capital as total shareholders' equity. There were no changes to the Company's approach to capital management during the year.

The Company is not subject to any externally-imposed capital requirements.

20. Operating Leases

Non-cancellable operating lease rentals are payable as follows:

| | <u>2010</u> | <u>2009</u> |
|---------------------------|---------------------|-------------------|
| Less than one year | \$ 5,725,623 | 10,889,049 |
| Between two to five years | <u>562,391</u> | <u>2,597,996</u> |
| | \$ <u>6,288,014</u> | <u>13,487,045</u> |

The lease rentals represent future payments under operating leases for motor vehicles and rental of an S76C++ Aircraft. The lease terms are for varied periods with no option to renew the lease after that date. None of the leases include contingent rentals.

During the year ended September 30, 2010 \$10,932,920 (2009: \$10,227,854) was recognized as an expense in the statement of comprehensive income in respect of operating leases.

NATIONAL HELICOPTER SERVICES LIMITED

Notes to the Financial Statements

September 30, 2010

21. Contingent Liabilities and Capital Commitments

As at September 30, 2010, the Company made a down payment of \$13,104,000 for the purchase of an S76C++ Aircraft. The total cost of the aircraft is \$72,376,290 and is to be funded by debt financing. The balance of \$59,272,290 is expected to be paid in full by February 2011.

The Company had no other capital commitments and contingent liabilities as at September 30, 2010 (2009: NIL).

22. Restatement of Statement of Comprehensive Income

For the year ended September 30, 2009 employee costs and benefits of \$1,469,684 captured under administration and operating expenses were incorrectly classified and have now been reclassified to direct operating cost. Notes 11 and 13 were amended accordingly.