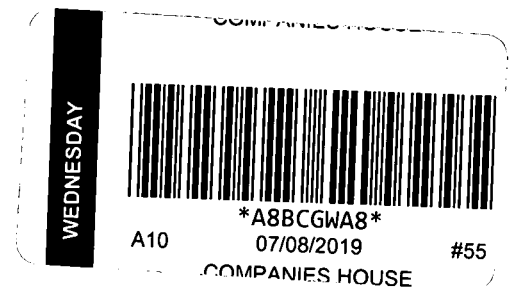


Company number: 06491951

# EXPRO HOLDINGS UK 2 LIMITED

Report and Financial Statements

Period from 1 April 2018 to 31 December 2018



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## Strategic report

Period Ended 31 December 2018

The directors present their strategic report of Expro Holdings UK 2 Limited (the “Company” or “EHUK2” or “We”) for the period ended 31 December 2018.

### The Company’s business

We are a member of the Expro<sup>1</sup> group of companies. Established over 40 years ago, we provide highly specialized well flow management services to the land, offshore and deepwater oil and gas industry.

We offer a range of mission critical services designed to measure, improve, control and process flow from high value oil and gas wells, from exploration through to abandonment:

- Well test and appraisal services;
- Subsea completion and intervention services; and
- Production services.

These services allow our customers to optimise production, maximise reservoir recoveries and increase cost efficiency. Our capabilities span the full lifecycle of the well, including a specific expertise in technology driven solutions for both mature field and frontier environments.

Our principal activity is that of a holding company and our subsidiaries include a number of the main operating companies of the Expro group. As such, they operate in a large number of locations across the globe and their activities span each of Expro’s core areas of capability.

### Financial results and operating performance

We did not generate any revenue for period from 1 April 2018 to 31 December 2018 and year ended 31 March 2018. Our loss for the period 1 April 2018 to 31 December 2018 was \$1.5m (1 April 2017 to 31 March 2018:\$ 0.5m), which primarily represents the director fees and audit fees of the Group.

Our net assets as at 31 December 2018 were \$1,006.9m (31 March 2018: \$1,008.5m) which represents our investments in Expro Holdings UK 3 Limited (“EHUK3”), cash at bank, other payables and amount due to related parties.

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<sup>1</sup> “Expro” or “The Group” refers to Expro Group Holdings International Limited and its consolidated subsidiaries

## Strategic report (continued)

Period Ended 31 December 2018

### Principal risks and uncertainties

The following risks could materially affect our subsidiaries' business or financial position. Controls are put in place for the mitigation of internal risks and management seeks to identify risks that are not within our control.

#### *Oil price*

The market conditions for upstream well flow management services are closely linked to the price for oil and gas. Price is a factor of supply and demand, and in the short-term this is impacted by immediate issues such as the global economic and geopolitical environments. The prevailing price for oil, as well as the expectations in respect of future prices, will therefore directly impact our revenues, adjusted operating profit and cash flows.

#### *Political*

Our subsidiaries operate in a number of locations that are susceptible to political, social or economic instability. In such locations there is an increased risk of discriminatory adverse changes to relevant regulations or taxation policy and in some cases it may not be possible to effectively enforce our contractual rights through an independent legal system. In such locations our subsidiaries can also be exposed to slower collection of accounts receivable balances compared to more developed markets. Extreme periods of instability may result in an increased risk of disruption to operations, security threats to employees or expropriation of assets. We work with our subsidiaries to structure operations and contractual arrangements to mitigate these risks where possible.

#### *Regulatory risk*

The general upstream oil and gas sector is subject to significant regulation which aims to ensure that the exploration, development and production of hydrocarbons are achieved in a safe and responsible manner. As a service provider, we are impacted by both regulation on our customers and regulations which impact us directly. Regulations on customers will impact where and how hydrocarbons could be developed and this in turn will impact the demand for our well-testing and commissioning segments. Regulation on the sector and service companies can be positive as it limits the amount of direct competition we experience in a number of our product and service offerings.

#### *Brexit*

Following the referendum in 2016, we have been assessing the potential impact of Brexit on Expro. While there is still uncertainty as to the timing and nature of the UK's exit from the EU, we do not believe that Brexit will pose a significant risk to our business. The Board continues to keep this under review.

#### *Foreign currency*

Our subsidiaries transact in a number of different currencies. They are therefore exposed to both transactional foreign exchange risk as well as translational risk from the revaluation of net monetary assets and liabilities. Exposure to foreign exchange risk is monitored on an ongoing basis through the analysis of the profile of our subsidiaries' monetary assets and liabilities.

#### *Credit risk*

Our exposure to credit risk is primarily through our direct holdings of cash, short term deposits and trade and other receivables and through those of our subsidiaries. Liquid assets are invested in cash or short term deposits with maturities of less than 90 days and are amongst the most creditworthy of investments available. The counterparties for these investments are large international financial institutions.

## Strategic report (continued)

Period Ended 31 December 2018

### Other matters

#### *Health and safety*

Health and safety is a critical priority for the Expro Group, with commitment from all levels of the business to maintaining industry-leading standards. In 2018 Expro continued to outperform its peers.

Driven through the Expro Group's Champion Safety initiative, the organisation continued to run a range of campaigns associated with hand, driving and process safety. This resulted in a number of regions achieving key milestones, including three years lost time injury frequency ("LTI") free in Sub Saharan Africa and North America, alongside nine million man hours LTI free in Asia. Employees remain at the heart of these achievements and why this period the company conducted a global safety climate survey to gather feedback on culture and focus areas. This is being carefully analysed in order to target and enhance strategic improvements for the organisation in the year ahead, including a fresh approach to hand safety.

In the meantime, our long-standing Excellence in Operations programme continues to drive safety and quality across the business through a range of targets. From organisation objectives, key performance indicators and employee performance appraisals – health and safety remains at the forefront of our business drivers.

#### *Employees*

We do not directly employ any members of staff. Our subsidiaries employ approximately 4,164 employees and 700 contractors across the geographical regions in which they operate.

We benefit from a range of training tools, competency processes and structured development programmes that have been developed by Expro in order to maintain and develop the knowledge of employees and promote a performance based culture.

The two key processes followed are the *Employee Development Plan* and the *End of Grade Assessment*. The *Employee Development Plan* empowers employees to succeed in their current job and to develop for the future with the career aspiration discussion enhancing our leadership succession planning. The End of Grade Assessment (EOGA) in our competency programme incorporates a review of the behaviours and individual performance of our operational employees. We have also created a suite of programmes to facilitate training and development in a number of key areas. This includes ADVANCE; a series of intensive accelerated learning programmes which are aimed at different levels of personnel. It enables new and existing employees to develop, and add value to the business at a much quicker rate. We have also implemented a multi-skilling programme aimed at cross-training a number of our personnel to allow us to increase efficiency.

#### *Reputation*

As a member of the Expro Group of Companies we are required to follow the *Expro Code of Conduct*, which provides a framework for responsible, innovative and ethical yet commercial business practices. The *Expro Code of Conduct* applies to all employees and all contractors and service providers are expected to comply with those parts of the Expro Code that relate to them, or have adopted similar codes of conduct.

We consider compliance with the *Expro Code of Conduct* to be one of the cornerstones of delivering operational excellence and critical to the maintenance of Expro's reputation as a trustworthy and reliable organisation that protects the international operating reputations of its customers.

## **Strategic report (continued)**

Period Ended 31 December 2018

### *Social responsibility*

We strive to have a positive impact on the communities in which we operate and are committed to conducting business with integrity at all times. We achieve this by complying with the law of the countries in which we operate, supporting the United Nations' Universal Declaration of Human Rights, giving proper regard to health, safety and the environment, and adhering to the Expro Code of Conduct.

### *Risk management*

As a member of the Expro Group of Companies we benefit from a comprehensive set of policies and procedures to cover major risk areas, including, but not limited to, finance, operations, human resources, health and safety. Expro also operates a self-certification process which requires us to confirm compliance with key financial policies. This certification process is completed quarterly.

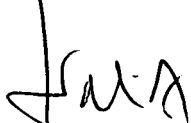
### *Anti-bribery and anti-corruption*

We have zero tolerance approach to bribery and corruption and commit to acting professionally, fairly with integrity in all our business dealings and relationships. We have in force effective systems to counter bribery wherever we operate and continue to monitor those systems

### *Future developments*

The market is slowly recovering with mid-term offshore capital investment showing a modest upward trend as Operators continue to exercise strong capital discipline. In the near term focus has been on smaller leaner brownfield tiebacks. E&P companies are now looking to commit to larger Green Financial Investment Decisions (FIDs) with analysts predicting over 100 offshore projects in 2019. Deepwater reserves are required to meet global supply demand now that shale cost advantage is not as compelling. The Group continues to work closely with our clients in order to carefully monitor and adjust our business to these evolving market demands.

By order of the Board



**John McAlister**

Director

Third Floor

14-16 Cross Street

Reading

Berkshire

RG1 1SN

20 June 2019

Expro Holdings UK 2 Limited

Registered in England & Wales with number 06491951

Registered office: Third Floor, 14-16 Cross Street, Reading, Berkshire RG1 1SN.

## **Directors' report**

Period Ended 31 December 2018

The directors present their report on the affairs of the Company for the period ended 31 December 2018.

### **Corporate structure and Ultimate parent company**

The Company's ultimate parent company and ultimate controlling party is Expro Group Holdings International Limited ("EGHIL"), a company incorporated in the Cayman Islands.

The parent company of the smallest group for which consolidated financial statements are prepared and which include the Company is EGHIL. The Company's immediate parent company is also EGHIL.

### **Results and dividend**

The loss for the period 1 April 2018 to December 2018, after taxation, amounted to \$1.5m (1 April 2017 to 31 March 2018: \$0.5m). No dividends have been proposed or paid during the period.

### **Business review and future developments**

The information contained in the strategic report constitutes the review of our business. It also contains details of expected future developments in our business. The directors have chosen, in accordance with S414c (11) of the Companies Act 2006, to include principal risks and uncertainties within the strategic report.

### **Going concern**

The directors have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for a period of not less than twelve months from the date of signature of the accounts. In making this assessment, the directors considered the Company's principal risks and uncertainties, the current market conditions and future expectations, including financial forecasts for the next twelve months. Accordingly, the directors have determined it is appropriate to prepare and issue these financial statements on a going concern basis.

### **Events after the reporting date**

Events between the reporting date and the date the financial statements were authorised for issue that require disclosure are set out in Note 10.

### **Directors**

The directors who served during the period or to the date of this report were:

Current

John McAlister

Michael Bentham

### **Share capital**

There were no changes to the Company's share capital in the period.

### **Disclosure of information to the auditor**

So far as each person who was a director at the date of this report was aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor was unaware. Having made enquiries of fellow directors and the auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

### **Re-appointment of auditor**

Ernst & Young LLP has been appointed as auditor by resolution of the Company's sole shareholder and has expressed its willingness to continue in office as auditor

## Directors' report (continued)

Period Ended 31 December 2018

### Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with UK Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



**John McAlister**

Director  
Third Floor,  
14-16 Cross Street  
Reading  
Berkshire  
RG1 1SN  
20 June 2019

Expro Holdings UK 2 Limited.  
Registered in England & Wales with number 06491951  
Registered office: Third Floor, 14-16 Cross Street, Reading, Berkshire RG1 1SN.

## **Independent auditor's report to the Members of Expro Holdings UK 2 Limited**

We have audited the financial statements of Expro Holdings UK 2 Limited for the period ended 31 December 2018 which comprise the Statement of Total Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and the related notes 1 to 12 for the accounts. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the strategic report and director's report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

## Independent auditor's report to the Members of Expro Holdings UK 2 Limited (continued)

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed



David Hales (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Reading, United Kingdom  
20 June 2019

**Statement of total comprehensive income**

Period Ended 31 December 2018

	Note	Period from 1 April 2018 to 31 December 2018 \$'000	Year to 31 March 2018 \$'000
Administrative expenses		1,522	455
<b>Operating loss and loss before tax</b>		<b>1,522</b>	<b>455</b>
Tax expense	5	-	-
<b>Loss and total comprehensive loss for the period/year</b>		<b>1,522</b>	<b>455</b>

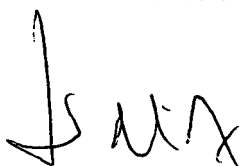
The accompanying notes are an integral part of these financial statements.

**Statement of financial position**

As at 31 December 2018

		31 December 2018	31 March 2018
	Notes	\$'000	\$'000
<b>Non-current assets</b>			
Investments	6	1,009,025	1,009,025
		<u>1,009,025</u>	<u>1,009,025</u>
<b>Current assets</b>			
Cash		10	10
		<u>10</u>	<u>10</u>
<b>Current liabilities</b>			
Other payables	7	(335)	(454)
Amounts due to related parties	8	(1,737)	(96)
		<u>(2,072)</u>	<u>(550)</u>
<b>Total assets less current liabilities</b>		<u>1,006,963</u>	<u>1,008,485</u>
<b>Equity</b>			
Share capital	9	333,283	333,283
Share premium		1,583,963	1,583,963
Accumulated loss		(910,283)	(908,761)
<b>Shareholders' funds</b>		<u>1,006,963</u>	<u>1,008,485</u>

The financial statements were approved by the Board of Directors and authorised for issue on 20 June 2019. They were signed on behalf of the Board by:



**John McAlister**  
*Director*

**Statement of changes in equity**

Period ended 31 December 2018

	Share capital \$'000	Share premium \$'000	Accumulated Loss \$'000	Total \$'000
<b>Period Ended 31 December 2018</b>				
At 1 April 2018	333,283	1,583,963	(908,761)	1,008,485
Loss for the period	-	-	(1,522)	(1,522)
<b>At 31 December 2018</b>	<b>333,283</b>	<b>1,583,963</b>	<b>(910,283)</b>	<b>1,006,963</b>
<b>Year Ended 31 March 2018</b>				
At 1 April 2017	333,283	574,938	(908,306)	(85)
Capital contribution by parent company	-	1,009,025	-	1,009,025
Loss for the year	-	-	(455)	(455)
<b>At 31 March 2018</b>	<b>333,283</b>	<b>1,583,963</b>	<b>(908,761)</b>	<b>1,008,485</b>

The accompanying notes are an integral part of these financial statements.

## Notes to the Company's financial statements

Period Ended 31 December 2018

### 1. Corporate information

The financial statements of the Company for the period ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 20 June 2019.

The Company's principal activity is to be a holding company of subsidiaries that provide services and products that measure, improve, control and process flow from high value oil and gas wells, from exploration and appraisal through to mature field production optimisation and enhancement. Its business activities, principal risks and uncertainties are detailed in the Strategic report.

On 14 June 2018, the Company notified the UK Companies House of the change of financial year from 31 March to 31 December each year. The reason for this change is to synchronize the financial year with that of the ultimate parent company and normal practice in the oilfield services industry.

The Company's ultimate parent company and ultimate controlling party is Expro Group Holdings International Limited ("EGHIL"), a company incorporated in the Cayman Islands. The parent company of the smallest group for which consolidated financial statements are prepared and which include the Company is EGHIL, which is also the Company's immediate parent Company.

The Company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare and deliver group accounts. Accordingly the financial statements present information about the Company as an individual undertaking and not about its group.

Copies of the consolidated financial statements of EGHIL are available from its registered office at 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands.

The Company is a limited company incorporated in Great Britain with its registered office situated in England and Wales. The registered office is located at Third Floor, 14-16 Cross Street, Reading, Berkshire RG1 1SN, United Kingdom.

## Notes to the Company's financial statements (continued)

Period Ended 31 December 2018

### 2. Basis of preparation and accounting policies

#### 2.1 Basis of preparation and a statement of compliance with FRS 101

The Company's financial statements have been prepared in accordance with (i) Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), as it applies to the financial statements of the Company for the period ended 31 December 2018, and (ii) the Companies Act 2006.

The financial statements have also been prepared on a going concern and historical cost basis (except for derivative financial instruments which have been measured at fair value). They are presented in US Dollar and all values are rounded to the nearest thousand US Dollars (\$'000) except where otherwise stated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 10(d), 10(f), and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ;
- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 *Share Based Payment*
- the requirements of IFRS 7 *Financial Instruments: Disclosures*
- the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial period. The principal accounting policies adopted by the Company are set out in Note 2.3

#### 2.2 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date of the financial statements, and the amounts reported for revenues and expenses during the period.

Estimates and judgments are reviewed on an ongoing basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The key assumptions concerning the future and other key judgments at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

## Notes to the Company's financial statements (continued)

Period Ended 31 December 2018

### *Impairment assessment and testing*

FRS 101 requires management to perform impairment tests annually for its investments in subsidiaries. Impairment testing requires management to assess whether the carrying value of assets can be supported by the net present value of future cash flows that they generate. Calculating the net present value of future cash flows requires assumptions to be made with respect to appropriate discount rates and future financial results. Changes in the assumptions selected by management, especially discount rates used in the cash flow projections, could significantly affect the Company's impairment evaluations and therefore reported assets and financial results. The carrying value of the Company's investments and the further details of the calculations are provided in Note 6.

### *Functional currency*

In determining the functional currency for the Company, management has made judgements regarding the currency of the primary economic environment in which the entity operates. Management's view is that the currency which mainly influences the global market for oilfield services is the US dollar and therefore has assessed the US dollar to be the functional currency of the Company.

### *Income taxation*

An estimate must be made for taxation liabilities before tax returns are filed and review or audit of these returns by the local taxation authorities can take place several years later. Management makes provisions for taxation liabilities on what it believes to be a fair and reasonable calculation of the probable liability, which includes recognition of deferred tax assets or liabilities on temporary differences between accounting and taxable profit. The Company's income tax expense (benefit) is calculated based on management's interpretation of the tax laws in various jurisdictions where the Company conducts business. This requires an evaluation of current tax obligations and uncertain tax positions and an assessment of temporary differences.

Changes in the underlying assumptions regarding the reversal of these differences, or in the tax regime where the differences arise, could result in significant changes in the carrying value of tax assets or liabilities. Refer to Note 5 for further information regarding the Company's income taxes.

## **2.3 Summary of significant accounting policies**

### **Foreign currency translation**

The functional reporting currency of the Company is the US Dollar as this is considered to be the currency of the primary economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the functional currency by applying the monthly average rate which is approximate to the actual rate for the relevant accounting period on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date with all differences taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the monthly average rate at the date of the transaction.

### **Taxation**

The tax expense represents the sum of the current tax payable and deferred tax.

The current tax payable is based on the taxable profit for the period. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management regularly evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method.

## Notes to the Company's financial statements (continued)

Period Ended 31 December 2018

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary undertakings and jointly controlled entities, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Uncertain tax positions generally occur where there is an uncertainty as to the meaning of the law, or to the applicability of the law to a particular transaction, or both. The Company determines whether it is more likely than not that its tax position will be sustained upon examination, based on the position's technical merits (this likelihood is the 'recognition threshold') and measures the amount of tax benefit that is to be recognized in the financial statements. A tax position that meets the recognition threshold is measured at the largest amount of benefit that has more than a fifty percent likelihood of being realized upon settlement. No benefit is recorded for tax positions that do not meet the recognition threshold.

### Payables

Trade payables are measured at initial recognition at fair value and are subsequently carried at book value which, due to the short maturity period of trade payables, approximates to amortised cost.

### Investments

Investments in subsidiaries are shareholdings in group undertakings which are shown at cost less provision for impairment.

### Impairment of financial assets

The Company applied IFRS 9 retrospectively, with an initial application date of 1 April 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. No differences were identified as at 1 April 2018 arising from the adoption of IFRS 9.

In relation to the impairment of financials asset, the Company applies Expected Credit loss ("ECL") model as opposed to incurred credit loss model. Under the expected credit loss model, the Company accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect the changes in credit risk since initial recognition of financial assets. It is not necessary for a credit event to have occurred before credit losses are recognised.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

## Notes to the Company's financial statements (continued)

Period Ended 31 December 2018

The Company has adopted a simplified approach for measuring the impairment on trade receivables, lease receivables and contract assets. Under the simplified approach, the Company measures the loss allowance at an amount equal to lifetime ECL. The Company measures the expected credit losses of a financial instrument considering the following:

- A provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment;
- Time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured for the maximum contractual period over which entity is exposed to credit risk. The expected credit losses are recognised in the statement of comprehensive income.

### Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is either:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when either:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Company classifies all other liabilities as non-current.

**Notes to the Company's financial statements (continued)**

Period Ended 31 December 2018

**3 Staff costs**

There were no employees of the Company in the period ended 31 December 2018 (31 March 2018: Nil).

The remuneration of the Company's directors and the Group's key management is set out below in aggregate:

	Period from 1 April 2018 to 31 December 2018	Year to 31 March 2018
	\$'000	\$'000
Short-term employment benefits	4,546	3,022
	<u>4,546</u>	<u>3,022</u>

Directors' emoluments have been borne by another Group company. The directors' services to the Company do not occupy a significant amount of their time and, as such, the directors consider it is not appropriate to allocate their remuneration in respect of their services provided to the Company.

The remuneration of the highest paid director of the Company is set out below:

	Period from 1 April 2018 to 31 December 2018	Year to 31 March 2018
	\$'000	\$'000
Short-term employment benefits	1,899	506
	<u>1,899</u>	<u>506</u>

## Notes to the Company's financial statements (continued)

Period Ended 31 December 2018

### 3 Staff costs (continued)

#### Management incentive plans

During October 2018, the EGHIL Board of Directors approved the Expro Group Holdings International Limited 2018 Management Incentive Plan which comprises the following stock based compensation plans (a) stock options to key management personnel of the Group and (b) restricted stock units.

#### Stock Options

EGHIL's stock option plans provide for the issuance of stock options to key management personnel, all of which become exercisable only on the occurrence of a Liquidity Event, as defined in the plan. The options for management vest over four years, subject to the fulfilment of continued service. Additionally, a portion of the management options is subject to performance conditions (linked to changes in Internal Rate of Returns ('IRR')) in addition to the service condition.

#### Restricted Stock Units

In addition to stock options, certain management personnel of the Group have been granted restricted stock units ("RSUs"), where each unit represents the right to receive, at the end of a stipulated period, one unrestricted share of stock with no exercise price. RSUs are subject to vesting over a three-year period. RSUs are only exercisable on a Liquidity Event as defined in the plan rules.

Due to the nature of the performance and exercise conditions, recognition of compensation cost for the stock options and RSUs has been deferred until the occurrence of a Liquidity Event, as defined in the plan rules.

**Notes to the Company's financial statements (continued)**

Period Ended 31 December 2018

**4 Auditor remuneration**

An analysis of auditor's remuneration of the Group is provided below:

	Period from 1 April 2018 to 31 December 2018	Year to 31 March 2018
	\$'000	\$'000
Audit of the Group's annual financial statements	1,846	1,362
Audit of the Company's subsidiaries' financial statements pursuant to legislation	493	495
Audit related assurance services	-	-
Tax compliance services	317	227
Tax advisory services	264	470
Other services relating to corporate finance transactions	231	111
	<u>3,151</u>	<u>2,665</u>

**Notes to the Company's financial statements (continued)**

Period Ended 31 December 2018

**5 Tax**

The major components of income tax expense for the periods under review were:

	Period from 1 April 2018 to 31 December 2018 \$'000	Year to 31 March 2018 \$'000
Income tax:		
United Kingdom :		
Corporation tax	-	-
	<hr/>	<hr/>
<b>Current tax expense</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>

The charge for the period 1 April 2018 to 31 December 2018 and year ended 31 March 2018 can be reconciled to the profit per statement of profit and loss as follows:

	Period from 1 April 2018 to 31 December 2018 \$'000	Year to 31 March 2018 \$'000
Loss before tax	1,522	455
Tax at the UK corporation tax rate of 19% (31 March 2018: 19%)	(289)	(86)
Tax rate changes	-	9
Expenses not deductible for tax purposes	125	-
Deferred tax not recognised	164	77
	<hr/>	<hr/>
<b>Tax expense at the effective tax rate of 0% (31 March 2018: 0%)</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>

The company has an unrecognised deferred tax assets arising on non-trading losses of \$0.2m as at 31 December 2018 (31 March 2018: \$0.1m). These losses do not have an expiry date. The asset remains unrecognised as management do not expect the Company to generate profits to utilise these losses in the foreseeable future.

**Notes to the Company's financial statements (continued)**

Period Ended 31 December 2018

**6 Investments**

The following table shows the movement in the Company's investment in subsidiaries.

	At 31 December	At 31 March
	2018	2018
	\$'000	\$'000
Carrying value brought forward	1,009,025	-
Additions	-	1,009,025
<b>Total</b>	<b>1,009,025</b>	<b>1,009,025</b>

During the year ended 31 March 2018, the Company contributed additional paid in capital in Expro Holdings UK 3 Limited, one of its subsidiaries, increasing the Company's investments by \$1009.0m.

**Notes to the Company's financial statements (continued)**

Period Ended 31 December 2018

**6 Investments (continued)**

A list of the Company's direct and indirect subsidiaries at 31 December 2018 is set out below.

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
Expro Argentina, Srl	Argentina	San Martin 140 Piso 14 Ciudad Autonoma de Buenos Aires
Expro Group Australia Pty Ltd*	Australia	BDO 38 Station Street Subiaco, WA 6008
Expro Holdings Australia 1 Pty Ltd	Australia	BDO 38 Station Street Subiaco, WA 6008
Expro Holdings Australia 2 Pty Ltd	Australia	BDO 38 Station Street Subiaco, WA 6008
Expro Do Brasil Servicos Ltda	Brazil	Av Rio Branco 138 sala 1602, centro Rio de Janeiro 20040-002
Expro Do Brasil Propriedades Ltda	Brazil	Av Rio Branco 138 sala 1602, centro Rio de Janeiro 20040-002
Expro (B) SDN BHD	Brunei Darussalam	Lot No 2237 No 80 Lorong Setia DiRaja Kuala Belait KA 3131
Expro Group Canada Inc	Canada	3700, 400-3RD Avenue S.W. Calgary AB AB T2P 4H2
Expro Petroleum Equipment Technology (Beijing) Ltd Co.	China	Room 510, Air China Plaza No.36 Xiaoyun Road Chaoyang District Beijing 100027
Expro Gulf Ltd*	Cyprus	Arch. Makariou III, 284 Fortuna Court Block B 2 & 3 Floor Limassol
Expro Egypt LLC	Egypt	Katamia - Ein El Sokhna at KM 12 Cairo
Expro Equatorial Guinea Ltd	Equatorial Guinea	Calle Parque de Africa Malabo
Expro Gabon Sarl	Gabon	Zone Portuaire Oprag Port Gentil B P 2843
Expro Oilfield Services Ghana Ltd	Ghana	1000 Axis Lane, PMB 9 New Amanful Road Takoradi
Expro International Ltd	Guernsey	Heritage Hall P O Box 225 Le Marchant Street St Peter Port GY1 4HY
PT Expro Indonesia	Indonesia	The Garden Centre 5-19 Cilandak Commercial Estate Jl. Raya Cilandak KKO Jakarta 12560

**Notes to the Company's financial statements (continued)**

Period Ended 31 December 2018

**6. Investments (continued)**

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
PT Power Well Services Indonesia (in liquidation)	Indonesia	The Garden Centre 5-19 Cilandak Commercial Estate Jl. Raya Cilandak KKO Jakarta 12560
Expro Italiana Srl	Italy	Via Arapietra 29 65124 Pescara
Expro-ECOCP JV LLP	Kazakhstan	Office 203 43 Dostyk Avenue 050010 Almaty
Expro FinServices Sàrl	Luxembourg	46A, Avenue John F. Kennedy L-1855
AS Petrotech Knowledge (Malaysia) Sdn Bhd	Malaysia	Level 7 Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur
Expro Group Malaysia SDN BHD	Malaysia	Level 7 Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur
Expro Oilfield Services SDN BHD	Malaysia	Suite 1005, 10th Floor Wisma Hamzah-Kwong Hing No.1 Leboh Ampang 50100 Kuala Lumpur Wilayah Persekutuan
Exprotech (Malaysia) SDN BHD	Malaysia	Level 7 Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur
Expro Servicios S de RL de CV	Mexico	Calle Via 3 # 126 Planta Baja Tabasco 2000 Fracc. La Hacienda Villahermosa CP 86035
Expro Tool S de RL de CV	Mexico	Prolongacion Periferico Arco Noreste s/n Gonzalez 1 ra Seccion Centro Tabasco Villahermosa Tabasco 86280
Expro International BV	Netherlands	Nijverheidsweg 4 1785 AA Den Helder
Expro Worldwide BV*	Netherlands	Nijverheidsweg 4 1785 AA Den Helder
Petrotech BV	Netherlands	Nijverheidsweg 4 1785 AA Den Helder

**Notes to the Company's financial statements (continued)**

Period Ended 31 December 2018

**6 Investments (continued)**

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
Ecodrill Nigeria Ltd	Nigeria	1A Elemenwo Road Rumukurusi Port-Harcourt
Exprotech Nigeria Ltd	Nigeria	188 Awolowolo Road S W Ikoyi Lagos
PWSH Nigeria Ltd	Nigeria	1 Murtala Muhammed Drive Ikoyi Lagos
Expro Holdings Norway AS	Norway	Energivegen 12A 4056 Tananger 1124 Sola
Expro Norway AS	Norway	Energivegen 12A 4056 Tananger 1124 Sola
Petrotech AS*	Norway	Kvalamarka 26 5501 Haugesund
Expro Overseas Inc*	Panama	piso 9 y 10 Boulevard Oeste Santa Maria Business District
Expro Peru S.A.	Peru	c/o Rodrigo, Elias & Medrano Abogados Ave San Felipe 758 Lima 11
Expro Trinidad Ltd	Trinidad and Tobago	48 - 50 Sackville Street Port of Spain
Expro Oilfield Services Uganda (SMC) Limited	Uganda	3rd Floor Rwenzori Courts, Plot 2 & 4A, Nakasero Road, P.O. Box 3509, Kampala
Exploration and Production Services (Holdings) Ltd	UK	Third Floor 14-16 Cross Street Reading Berkshire RG1 1SN
Expro Benelux Ltd	UK	Third Floor 14-16 Cross Street Reading Berkshire RG1 1SN
Expro-ECOCP (Holdings) Ltd	UK	Third Floor 14-16 Cross Street Reading Berkshire RG1 1SN
Expro Eurasia Ltd*	UK	Third Floor 14-16 Cross Street Reading Berkshire RG1 1SN

**Notes to the Company's financial statements (continued)**

Period Ended 31 December 2018

**6 Investments (continued)**

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
Expro Group Integrated Services Limited	UK	Third Floor 14-16 Cross Street Reading Berkshire RG1 1SN
Expro Holdings UK 3 Ltd **	UK	Third Floor 14-16 Cross Street Reading Berkshire RG1 1SN
Expro Holdings UK 4 Ltd	UK	Third Floor 14-16 Cross Street Reading Berkshire RG1 1SN
Expro International Group Ltd	UK	Third Floor 14-16 Cross Street Reading Berkshire RG1 1SN
Expro North Sea Ltd*	UK	Third Floor 14-16 Cross Street Reading Berkshire RG1 1SN
Expro Oilfield Services PLC **	UK	Third Floor 14-16 Cross Street Reading Berkshire RG1 1SN
Expro Overseas Ltd	UK	Third Floor 14-16 Cross Street Reading Berkshire RG1 1SN
Expro Resources Ltd*	UK	Third Floor 14-16 Cross Street Reading Berkshire RG1 1SN
Expro Ukraine LLC	Ukraine	15 Zahorodnia Str Kyiv 03680
Expro Americas, LLC	USA	c/o Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808
Expro Holdings US Inc	USA	c/o Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808
Expro Meters, Inc.	USA	c/o Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808

**Notes to the Company's financial statements (continued)**

Period Ended 31 December 2018

**6 Investments (continued)**

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
Expro Midstream Services LLC	USA	c/o Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808
Expro US Holdings, LLC	USA	c/o Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808
Expro US Finco LLC	USA	c/o Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808

\* In addition to its place of incorporation, operates in other countries

\*\* Direct holding, all other entities are subsidiaries via indirect holdings

All of the above companies are wholly owned subsidiaries with the exception of AS Petrotech Knowledge (Malaysia) Sdn Bhd, Expro-ECOC (Holdings) Ltd, Expro Oilfield Services SDN BHD, Expro Oilfield Services Ghana Limited, Exprotech (Malaysia) Sdn Bhd, PT Expro Indonesia, and PT Power Well Services Indonesia.

All of the companies are involved in the provision of well flow management services and products to the upstream oil and gas industry.

## Notes to the Company's financial statements (continued)

Period Ended 31 December 2018

### 7. Other payables

The following table is an analysis of the Company's other payables as at 31 December 2018 and 31 March 2018.

	At 31 December	At 31 March
	2018	2018
	\$'000	\$'000
Other payables	335	454
	<u>335</u>	<u>454</u>

Other payables represents the accruals for audit fees.

### 8. Amounts due to related parties

The following table is an analysis of the Company's amounts due to related parties as at 31 December 2018 and 31 March 2018.

	At 31 December	At 31 March
	2018	2018
	\$'000	\$'000
Amount due to related parties	1,737	96
	<u>1,737</u>	<u>96</u>

### 9. Share capital

The following table is an analysis of the Company's share capital as at 31 December 2018 and 31 March 2018.

	At 31 December	At 31 March	At 31 December	At 31 March
	2018	2018	2018	2018
	Thousands	Thousands	\$'000	\$'000
Allotted, called up and fully paid				
Ordinary shares of \$1 each	333,283	333,283	333,283	333,283

All ordinary shares issued have the same rights.

### 10. Subsequent events

There were no events between the reporting date and the date the financial statements were authorised for issue that require disclosure.

### 11. Borrowings

On December 20, 2018 the Group entered into a Revolving Credit Facility ("RCF") with an overall commitment of \$150.0 million (up to \$100.0 million available for drawdown as loans and an engagement line of up to \$50 million for bonds and guarantees). The RCF bears interest at USD LIBOR plus 3.75% and is guaranteed in full by our material subsidiaries as defined in the agreement. No drawdown from the facility has been made as of December 31, 2018. .

### 12. Comparative information

The financial statements have been prepared from 1 April 2018 to 31 December 2018 and are accordingly not comparable with the prior period financial statements which are for the 12 months ended 31 March 2018.



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## **Report of Independent Auditors**

The Directors  
Expro Group Holdings International Limited  
89 Nexus Way  
Camana Bay  
Grand Cayman  
KY1-9009  
Cayman Islands

We have audited the accompanying consolidated financial statements of Expro Group Holdings International Limited and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of comprehensive income (loss), statements of stockholders' equity and cash flows for the period from February 1, 2018 through December 31, 2018 (Successor), and for the period from January 1, 2018 through January 31, 2018 (Predecessor), and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 control 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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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 referred to above present fairly, in all material respects, the consolidated financial position of Expro Group Holdings International Limited and subsidiaries at December 31, 2018, and the consolidated results of their operations and their cash flows for the period from February 1, 2018 through December 31, 2018 (Successor), and for the period from January 1, 2018 through January 31, 2018 (Predecessor) in conformity with U.S. generally accepted accounting principles.

**Company Reorganization**

As discussed in Note 2 to the consolidated financial statements, on January 25, 2018, the Bankruptcy Court entered an order confirming the plan of reorganization, which became effective on February 5, 2018. Accordingly, the accompanying consolidated financial statements have been prepared in conformity with Accounting Standards Codification 852, *Reorganizations*, for the Successor Company as a new entity with assets, liabilities and a capital structure having carrying amounts not comparable with prior periods as described in Note 2.

*Ernst & Young LLP*

Ernst & Young LLP  
Reading  
12 March 2019

**Expro Group Holdings International Limited**  
**Consolidated Statements of Operations**  
(U.S. \$ in thousands, except share and per share data)

	Predecessor	Successor
	Period January 01, 2018 through January 31, 2018	Period February 01, 2018 through December 31, 2018
<b>Total revenue</b>	51,686	686,951
<b>Operating costs and expenses:</b>		
Cost of sales	(52,611)	(677,121)
Selling, general and administrative	(3,297)	(38,326)
Restructuring	(700)	(6,527)
Total operating costs and expenses	(56,608)	(721,974)
<b>Operating loss</b>	(4,922)	(35,023)
Reorganization items, net	563,883	-
Finance (expense) income, net	(14,954)	6,332
<b>Income (loss) before taxes and equity income of joint ventures</b>	544,007	(28,691)
Equity share of income from joint ventures	387	4,811
Income tax expense	(1,457)	(7,198)
<b>Net income (loss)</b>	542,937	(31,078)
<b>Basic and diluted earnings (loss) per share</b>		
<b>Earnings (loss) per share</b>	1.63	(0.53)
<b>Weighted average shares outstanding</b>		
Basic and diluted	333,282,666	58,489,895

The accompanying notes are an integral part of these consolidated financial statements.

**Expro Group Holdings International Limited**  
**Consolidated Statement of Comprehensive Income (Loss)**  
(U.S. \$ in thousands)

	Predecessor	Successor
	Period January 01, 2018 through January 31, 2018	Period February 01, 2018 through December 31, 2018
<b>Net income (loss) for the period</b>	542,937	(31,078)
<b>Other comprehensive income:</b>		
Actuarial gain on defined benefit pension	244	6,743
Income taxes on pension	-	(48)
<b>Other comprehensive income</b>	244	6,695
<b>Comprehensive income (loss)</b>	543,181	(24,383)

**Expro Group Holdings International Limited**  
**Consolidated Balance Sheet**  
(U.S. \$ in thousands, except share data)

	<b>Successor</b>
	<b>December 31, 2018</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	193,019
Restricted cash	2,303
Accounts receivable, net and unbilled	218,208
Inventories, net	52,128
Tax receivables	26,547
Other current assets	70,834
<b>Total current assets</b>	<b>563,039</b>
<b>Non-current assets</b>	
Property, plant and equipment, net	289,518
Investment in joint ventures	34,277
Intangible assets, net	293,240
Goodwill	212,289
Deferred tax assets	17,128
Other non-current assets	3,905
<b>Total non-current assets</b>	<b>850,357</b>
<b>Total assets</b>	<b>1,413,396</b>
<b>Liabilities and stockholders' equity</b>	
<b>Current liabilities</b>	
Accounts payable and accrued liabilities	147,531
Tax liabilities	19,128
Capital lease obligations	1,357
Other current liabilities	51,846
<b>Total current liabilities</b>	<b>219,862</b>
<b>Non-current liabilities</b>	
Capital lease obligations	19,424
Tax liabilities	36,819
Deferred tax liabilities	79,685
Post-retirement benefits	57,247
Other non-current liabilities	7,527
<b>Total non-current liabilities</b>	<b>200,702</b>
<b>Total liabilities</b>	<b>420,564</b>
<b>Stockholders' equity:</b>	
Common stock, ordinary \$0.01 shares, par value \$0.01 per share issued 58,489,895 at December 31, 2018	585
Warrants	10,530
Additional paid-in capital	1,006,100
Accumulated other comprehensive income	6,695
Accumulated deficit	(31,078)
<b>Total stockholders' equity</b>	<b>992,832</b>
<b>Total liabilities and stockholders' equity</b>	<b>1,413,396</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Expro Group Holdings International Limited**  
**Consolidated Statements of Cash Flows**  
(U.S. \$ in thousands)

	Predecessor	Successor
	Period January 01, 2018 through January 31, 2018	Period February 01, 2018 through December 31, 2018
<b>Cash flows from operating activities:</b>		
Net income (loss)	542,937	(31,078)
<i>Adjustments to reconcile net income (loss) to net cash used in operating activities:</i>		
Impairment of property, plant and equipment	-	3,360
Amortization of intangible assets	1,519	32,403
Depreciation of property, plant and equipment	7,705	85,716
Amortization of capitalized interest	422	-
Gain on disposal of intangibles and property, plant and equipment	(3)	147
Equity share of income from joint ventures	(387)	(4,811)
Elimination of unrealized profit on sales to joint ventures	-	140
Amortization of loan issuance costs	567	-
Interest accreted to mezzanine loan balance	151	-
Term loan and RCF interest	8,327	-
Reorganization items, net	(563,883)	-
Deferred income tax credit	(749)	(9,806)
Unrealized foreign exchange	(543)	2,697
<i>Changes in assets and liabilities:</i>		
Accounts receivable, net and unbilled	(3,151)	(15,249)
Inventories	(593)	(5,860)
Other assets	(6,054)	(2,752)
Accounts payable	(9,770)	30,709
Other liabilities	6,357	(12,451)
Income taxes - net	4,094	(2,170)
Other	4,454	(5,391)
Dividend received from joint ventures	-	773
<b>Net cash (used in) provided by operating activities</b>	<b>(8,600)</b>	<b>66,377</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(4,653)	(47,664)
Proceeds from disposal of property, plant and equipment	4	1,369
Payment of deferred consideration	(38)	(26)
<b>Net cash used in investing activities</b>	<b>(4,687)</b>	<b>(46,321)</b>
<b>Cash flows from financing activities:</b>		
Repayment of borrowings under debtors in possession facility	(65,000)	-
Proceeds from borrowings under debtors in possession facility	4,781	-
Proceeds from issue of share capital	-	205,725
Payment of cash collateralized	-	(32,315)
Payment of loan issuance and other transaction costs	(10,601)	(18,726)
Repayment of capital leases	(286)	(4,082)
(Increase) decrease in restricted cash	(10,778)	10,917
<b>Net cash (used in) provided by financing activities</b>	<b>(81,884)</b>	<b>161,519</b>
Effect of exchange rate changes on cash and cash equivalents	(221)	(3,021)
<b>Net (decrease) increase to cash and cash equivalents</b>	<b>(95,392)</b>	<b>178,554</b>
Cash and equivalents at beginning of period	109,857	14,465
<b>Cash and equivalents at end of period</b>	<b>14,465</b>	<b>193,019</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash receipt (paid) during the period for income taxes	1,889	(19,173)
Cash paid during the period for interest	(1,193)	(495)
Net change in accounts payable and accrued expenses related to property and equipment additions	1,325	(19,703)
Reorganization of loans	1,418,138	-

The accompanying notes are an integral part of these consolidated financial statements.

**Expro Group Holdings International Limited**  
**Consolidated Statements of Stockholders' Equity**  
(U.S. \$ in thousands)

	Common Stock	Warrants	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total Stockholder's deficit
<b>Balance at January 1, 2018 (Predecessor)</b>	333,283	-	4,939,986	(120,112)	(5,985,548)	(832,391)
Comprehensive income, net of tax						
Net income	-	-	-	-	542,937	542,937
Other comprehensive income:						
Remeasurement gain on defined benefit pension, net of tax	-	-	-	244	-	244
Cancellation of Predecessor equity	(333,283)	-	(4,939,986)	119,868	5,442,611	289,210
<b>Balance at January 31, 2018 (Predecessor)</b>	-	-	-	-	-	-

	Common Stock	Warrants	Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total Stockholder's equity
<b>Balance at February 1, 2018 (Successor)</b>	-	-	-	-	-	-
Shares issued	585	-	1,006,100	-	-	1,006,685
Warrants issued	-	10,530	-	-	-	10,530
Comprehensive loss, net of tax						
Net loss	-	-	-	-	(31,078)	(31,078)
Other comprehensive income:						
Remeasurement gain on defined benefit pension, net of tax	-	-	-	6,695	-	6,695
<b>Balance at December 31, 2018 (Successor)</b>	585	10,530	1,006,100	6,695	(31,078)	992,832

The accompanying notes are an integral part of these consolidated financial statements.

**Expro Group Holdings International Limited**  
**Notes to the Consolidated Financial Statements**  
Year Ended December 31, 2018

**1. Business Description**

Expro Group Holdings International Limited (the “Company” or “EGHIL”) and our consolidated subsidiaries (collectively referred to as “We” or the “Group”), provide services and products that measure, improve, control and process flow from high value oil and gas wells, from exploration and appraisal through to mature field production optimization and enhancement.

EGHIL is a limited company incorporated in the Cayman Islands with its registered office situated in the Cayman Islands.

**2. Emergence from Voluntary Reorganization under Chapter 11 Proceedings and Plan of Reorganization:**

The Predecessor Group’s (comprising Expro Holdings UK 2 Limited and its subsidiaries) ultimate parent company and ultimate controlling party before 5 February 2018 was Expro International Group Holdings Limited (“EIGHL”). On 18 December 2017, the Predecessor Group filed a consensual pre-packaged plan of re-organisation under Chapter 11 of the United States Bankruptcy Code (the “Plan”), which was approved by the Court on 25 January 2018. Under the Plan, the Predecessor Group’s Term Loan and Revolving Credit Facility holders exchanged all of their outstanding principal and accrued interest for equity shares in the reorganised Group and the Mezzanine lenders exchanged all of their outstanding principal and accrued interest for warrants in the reorganised Group. As part of the restructuring, the Predecessor Group’s ultimate holding company, EIGHL, transferred all of its interest in the Predecessor Group to EGHIL, in exchange for New B warrants in EGHIL. The Group emerged from Chapter 11 (the “Emergence”), on 5 February 2018 (the “Effective Date”), at which point EGHIL became the Ultimate Parent Company of the Predecessor Group. As a result, \$1,418.1 million of debt was cancelled.

Pursuant to the Plan, the significant transactions that occurred upon the Effective Date were as follows:

**Term Loan and Revolving Credit Facility:** Registered holders of valid claims arising under the Senior Secured Term loan (Term Loan) and Revolving Credit Facility (“RCF”) were issued 41,199,908 shares in EGHIL. As a result, the total outstanding Term Loan and RCF of \$1,272.5 million and \$127.3 million, respectively, were cancelled. Further, the engagement line of \$25.3 million related to bonds and guarantees carved out of the total RCF commitment was also cancelled, with outstanding contingent liabilities being cash collateralized.

**Mezzanine Loan:** Registered holders of valid claims arising under the Mezzanine Loan Facility were issued 1,284,978 New A Warrants which entitles its holders to equity of up to 2% in the re-organized Group. The warrants are exercisable on the occurrence of certain specified events involving and, if not exercised, expire 5 years from the Effective Date. As a result, the total outstanding Mezzanine Loan of \$18.3 million was cancelled.

**Debtor In Possession Facility:** On 20 December 2017, the Predecessor Group entered into a Debtor in Possession (“DIP”) credit facility, as part the Plan, with an overall commitment of \$155 million. The overall commitment included an engagement line of \$30 million related to letter of credits. The DIP bore interest at USD LIBOR plus 8%. On the Effective Date, the outstanding amount of \$65 million of the DIP was fully repaid and the DIP was terminated.

**Equity:** On the Effective Date, EGHIL acquired the Predecessor Group in exchange for 4,497,414 New B Warrants, which entitle its holders to equity of up to 7% in the re-organized Group and which are exercisable on the occurrence of certain specified events involving EGHIL. The New B Warrants expire if not exercised within 5 years of the Effective Date. Further, on the Effective Date, shareholders of EGHIL subscribed for 17,289,987 shares for a total consideration of \$205.7 million.

**Expro Group Holdings International Limited**  
**Notes to the Consolidated Financial Statements**  
Year Ended December 31, 2018

**3. Fresh Start Accounting**

Upon our Emergence, we adopted fresh start accounting as required by US GAAP. We qualified for fresh start accounting because (i) the holders of existing voting shares of the pre-emergence debtor-in-possession received less than 50% of the voting shares of the post-emergence successor entity and (ii) the reorganization value of our assets immediately prior to confirmation was less than the post-petition liabilities and allowed claims.

We applied fresh start accounting using a convenience date of January 31, 2018 (the "Convenience Date"), as the difference between the Convenience Date and the date of Emergence is no more than a few days and the results of operations and changes in financial position are not material to the Successor Period. However, the impact of transactions on the date of Emergence, which has an impact on the Predecessor Period has been appropriately reflected in the Predecessor Period. Adopting fresh start accounting results in a new reporting entity for financial reporting purposes with no beginning retained earnings or deficit.

References to "Successor Period" relate to the financial position and results of operations for the period February 1, 2018 through December 31, 2018 and references to "Predecessor Period" refer to the financial position and results of operations of the Predecessor Group from January 1, 2018 through January 31, 2018.

**Reorganization value for fresh start accounting**

The potential range of total enterprise value for the Reorganised Expro Group, as approved by the Court as the reorganization value in support of the Plan, was approximately \$800.0 million to \$1,200.0 million, with a mid-point value of \$1,000.0 million. Based upon the various estimates and assumptions necessary for fresh start accounting and a valuation carried out by an independent valuer, the estimated enterprise value, which approximates the reorganization value, was determined to be \$803.3 million, before consideration of cash and cash equivalents, accruals for restructuring costs and outstanding debt at the Effective Date.

The Enterprise value was estimated using budgeted after-tax cash flows against which a discount rate reflecting the post-tax weighted average cost of capital for a comparable company was applied. The forecast cash flows were based upon the most recent five year plan which was submitted as part of the Chapter 11 proceedings. Cash flows after the fifth year were estimated by applying a long-term growth rate assumption to the final year of the plan, adjusted for normalised levels of capital expenditure and working capital movements.

**Key assumptions**

The key assumptions inherent in the forecasted after-tax cash flows were that (i) the oil price will stabilise at current levels in the short-term before recovering in the later years of the plan; (ii) there will be short-term weakness in the exploration and appraisal market but this will recover in the outer years of the five year forecast as reserve replacement becomes critical for the Group's customers; (iii) NOC activity remains resilient, particularly in Middle East and North Africa; and (iv) there will be a short-term impact to the deepwater market as development projects are delayed.

**Expro Group Holdings International Limited**  
**Notes to the Consolidated Financial Statements**  
Year Ended December 31, 2018

**3. Fresh Start Accounting (continued)**

The discount rate was estimated using the capital asset pricing model and validated by running a comparison of implied enterprise value to EBITDA multiples for the Group to those of a group of comparable companies. Long-term growth rate assumptions reflect management's estimate of the long-run growth potential of the market relevant to the reporting unit.

The values for the key assumptions used in the estimation of the Enterprise Value as of the Effective Date were:

	<b>January 31,</b>
	<b>2018</b>
Forecasted EBITDA CAGR* (%)	22.1
Long term growth rate (%)	2.7
Post-tax discount rate (%)	12.6

\* EBITDA CAGR is the average forecasted growth rate over the period covered by the five year plan.

**Consolidated Balance Sheet**

The following consolidated balance sheet is as of January 31, 2018. This consolidated balance sheet includes adjustments that reflect the consummation of the transactions contemplated by the Plan (reflected in the column "Reorganization Adjustments") as well as fair value adjustments as a result of the adoption of fresh start accounting (reflected in the column "Fresh Start Adjustments") as of the Convenience Date:

As at January 31, 2018

	Predecessor	Total reorganisation adjustments	Fresh start adjustments	Successor
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	99,053	121,137 (a)	-	220,190
Restricted cash	2,269	10,951 (a)	-	13,220
Accounts receivable (net) and unbilled	206,155	-	-	206,155
Inventories	46,268	-	-	46,268
Tax receivables	28,245	-	-	28,245
Other current assets	53,170	(19,784) (b)	-	33,386
<b>Total current assets</b>	<b>435,160</b>	<b>112,304</b>	<b>-</b>	<b>547,464</b>
<b>Non-current assets</b>				
Property plant and equipment	313,985	-	-	313,985
Investment in joint ventures	30,378	-	-	30,378
Intangible assets	63,458	-	260,853 (g)	324,311
Goodwill	117,896	8,190 (d)	86,203 (g)	212,289
Deferred tax assets	11,247	-	5,743 (g)	16,990
Other non-current assets	4,703	-	-	4,703
<b>Total non-current assets</b>	<b>541,667</b>	<b>8,190</b>	<b>352,799</b>	<b>902,656</b>
<b>Total assets</b>	<b>976,827</b>	<b>120,494</b>	<b>352,799</b>	<b>1,450,120</b>

**Expro Group Holdings International Limited**  
**Notes to the Consolidated Financial Statements**  
Year Ended December 31, 2018

**3. Fresh Start Accounting (continued)**

As at January 31, 2018

	Predecessor	Total reorganisation adjustments		Fresh start adjustments	Successor
<b>Liabilities and Shareholders' Equity</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	101,053	22,671	(b)	-	123,724
Tax liabilities	24,439	-		-	24,439
Capital lease obligations	1,007	-		-	1,007
Other current liabilities	55,929	-		-	55,929
<b>Total current liabilities</b>	<b>182,428</b>	<b>22,671</b>		<b>-</b>	<b>205,099</b>
<b>Non-current liabilities</b>					
Liabilities subject to compromise	1,418,138	(1,418,138)	(b)	-	-
Debtor in possession facility	65,137	(65,137)	(a)	-	-
Capital lease obligations	21,812	-		-	21,812
Tax liabilities	35,291	-		-	35,291
Deferred tax liabilities	25,620	-		63,589	(g)
Post-retirement benefits	74,026	-		-	74,026
Other non-current liabilities	7,468	-		-	7,468
<b>Total non-current liabilities</b>	<b>1,647,492</b>	<b>(1,483,275)</b>		<b>63,589</b>	<b>227,806</b>
<b>Total liabilities</b>	<b>1,829,920</b>	<b>(1,460,604)</b>		<b>63,589</b>	<b>432,905</b>
<b>Stockholders' equity:</b>					
Common stock – Predecessor	333,283	(333,283)	(e)	-	-
Common stock – Successor	-	585	(c)	-	585
Additional paid-in capital – Predecessor	4,939,986	(4,939,986)	(e)	-	-
Additional paid-in capital – Successor	-	1,006,100	(c)	-	1,006,100
Share warrants	-	10,530	(d)	-	10,530
Accumulated other comprehensive loss	(119,868)	119,868	(e)	-	-
Accumulated earnings (deficit)	(6,006,494)	5,717,284	(f)	289,210	(h)
<b>Total stockholders' equity (deficit)</b>	<b>(853,093)</b>	<b>1,581,098</b>		<b>289,210</b>	<b>1,017,215</b>
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>976,827</b>	<b>120,494</b>		<b>352,799</b>	<b>1,450,120</b>

**Reorganization adjustments**

(a) Adjustments reflect the net cash inflow recorded as of the Effective Date of implementation of the Plan:

Proceeds from Rights issue	205,725
Repayment of Debtor In Possession facility (including accrued interest)	(65,137)
Payment of transaction costs	(8,500)
Payment to Escrow for professional fees related to the Plan	(10,951)
<b>Total</b>	<b>121,137</b>

**Expro Group Holdings International Limited**  
**Notes to the Consolidated Financial Statements**  
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**3. Fresh Start Accounting (continued)**

- (b) As part of the Plan, the Court approved the settlement of certain allowable claims, reported as liabilities subject to compromise which comprised Term loan of \$1,272.5 million, Revolving credit facility of \$127.3 million and Mezzanine loan facility of \$18.3 million in the Group's historical consolidated balance sheet in exchange for equity shares and warrants in the Reorganized Group. As a result, a gain of \$563.9 million was recognized on settlement of the liabilities subject to compromise. The gain was calculated as follows:

Liabilities subject to compromise		1,418,138
Fair value of equity issued to registered holders under Term Loan and RCF		(800,960)
Warrants issued to registered holders under Mezzanine Loan Facility		(2,340)
Professional fees and other costs associated with the Reorganization:		
- Costs paid before Emergence	(19,784)	
- Transaction costs paid on Emergence	(8,500)	
- Accrual for unpaid transaction costs	(22,671)	(50,955)
<b>Reorganization items, net</b>		<b>563,883</b>

- (c) Adjustments represents (i) issuance of 41,199,908 shares with par value of \$0.01 per share at a fair value of \$801.0 million to the registered holders of Term Loan and RCF and (ii) subscription to 17,289,987 shares with par value of \$0.01 per share for a total consideration of \$205.7 million, as part of a rights issue by the Group.
- (d) Adjustments represents (i) issuance of 4,497,414 New B Warrants by EGHIL in consideration for transfer of the Predecessor Expro Group. The fair value of the warrants were determined to be \$8.2 million and the corresponding investment value in the books of EGHIL was adjusted to Goodwill as part of fresh start accounting (ii) issuance of 1,284,978 New A Warrants to Registered holders of valid claims arising under the Mezzanine Loan facility. The fair value of the warrants were determined to be \$2.3 million.

The Group utilized the Black-Scholes option pricing model to determine the fair value of the Warrants. Determining the fair value of the warrants required judgment, including estimating the associated volatility.

The key assumptions used to estimate the fair value of the warrants are as follows:

	<u>January 31,</u>
	<u>2018</u>
Risk free interest rate	2.9%
Expected volatility	30.0%
Expected life	5 years

- (e) Adjustments represents (i) cancellation of Predecessor stock issued and outstanding as of the Effective Date (ii) cancellation of Predecessor Additional Paid-in Capital outstanding as of the Effective Date (iii) transfer of Accumulated other comprehensive loss to Accumulated deficit, so as to reset the same to Nil on fresh start accounting.
- (f) The adjustment reflects cumulative impact of the following reorganization adjustments:

Gain on settlement on liabilities subject to compromise	563,883
Common stock – Predecessor	333,283
Additional paid-in capital – Predecessor	4,939,986
Accumulated other comprehensive loss	(119,868)
<b>Total</b>	<b>5,717,284</b>

**Expro Group Holdings International Limited**  
**Notes to the Consolidated Financial Statements**  
Year Ended December 31, 2018

**3. Fresh Start Accounting (continued)**

(g) Adjustments represents (i) increase in intangible assets by \$260.9 million based on a fresh valuation carried out by an independent valuer on Emergence (ii) Net deferred tax impact of \$57.8 million on creation of the additional intangible assets and (iii) resultant change in goodwill on allocation of the Enterprise value to the assets and liabilities of the Group.

(h) Adjustments represents the cumulative impact of all the fresh start adjustments discussed above in (g).

**4. Basis of Preparation and Accounting Policies**

**Basis of Preparation**

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Upon emergence from Chapter 11, the Group adopted fresh start accounting as per the ASC 852, *Reorganizations*. Adopting fresh start accounting results in a new reporting entity for financial reporting purposes with no beginning retained earnings or deficit.

**Basis of Consolidation**

Our consolidated financial statements include the accounts of Expro Group Holdings International Limited and our subsidiaries. We have eliminated all intragroup balances and transactions, including unrealized profits arising from them.

We use the equity method of accounting for our equity investments where we hold more than 20% of the outstanding stock of the investee or where we have the ability to significantly influence the operations or financial decisions of the investee. Under the equity method of accounting, the interest in the joint venture or associate is carried in the statement of financial position at cost plus post-acquisition changes in our share of net assets, less distributions received and less any impairment in value of individual investments. Our statement of operations reflects the share of the joint venture's results after tax. The goodwill arising on the acquisition of the joint venture, representing the excess of the cost of the investment compared to our share of the net fair value of the entity's identifiable net assets, is included in the carrying amount of the joint venture entity and is not amortized.

The results of the joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies used into line with ours; to take into account fair values assigned at the date of acquisition; and to reflect impairment losses where appropriate. Adjustments are also made in our financial statements to eliminate our share of unrealized gains and losses on transactions between us and our jointly controlled entity.

**Use of Estimates**

Preparation of the consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. The most significant estimates and assumptions are those associated with determination of enterprise value and fair value of assets and liabilities upon emergence from Chapter 11 and application of fresh start accounting, valuation of intangible assets, valuation of share warrants, impairment assessment of goodwill, pensions, tax provisions, recovery of deferred taxes and revenue recognition. Despite our intentions to establish accurate estimates and reasonable assumptions, actual results could differ from these estimates.

**Revenue Recognition**

We recognize revenue when there is persuasive evidence of an arrangement that sets a fixed or determinable price for the contract, usually a contract or purchase order, services are performed or products delivered, and collectability is reasonably assured.

The majority of our revenues arise on the provision of well flow management services to our customers. Contracts are typically structured on a time and materials basis and the associated revenue is recognized in the period in which services are performed.

We recognize revenue for products sold when title and risk of loss passes, when collectability is reasonably assured and when there are no further significant obligations for future performance.

We also enter into contracts to design and build equipment on behalf of our customers. Revenue on such contracts is recognized by reference to the stage of completion of the contract. Stage of completion is estimated using an appropriate measure according to the nature of the contract, such as the achievement of contract milestones. Typically components would comprise design, engineering, procurement, assembly, testing and delivery. Contract costs are recognized as expenses in the period in which they are incurred, according to the stage of completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately as an expense.

**Expro Group Holdings International Limited**  
**Notes to the Consolidated Financial Statements**  
Year Ended December 31, 2018

Where contractual arrangements contain multiple deliverables, we analyze each performance obligation within the sales arrangement to ensure we adhere to the separation guidelines for multiple-element arrangements. We allocate revenue for any transactions involving multiple elements to each unit of accounting based on its relative selling price, and recognize revenue when all revenue recognition criteria for a unit of accounting have been met. A small number of our multiple element arrangements contain penalty provisions for late delivery and installation of equipment, downtime or other equipment functionality. These penalties are typically percentage reductions in the total arrangement consideration, capped at a certain amount, or a reduction in the on-going service fee. We evaluate these penalty provisions to determine whether they impact the amount of arrangement consideration allocable to the delivered item.

**Taxes Collected from Customers and Remitted to Governmental Authorities**

We do not include tax amounts collected from customers in sales transactions as a component of revenue.

**Foreign Currency Transactions**

Our reporting currency is the U.S. Dollar. In addition, all of our subsidiaries are assessed to have a functional currency of the U.S. Dollar, being the currency of the primary economic environment in which they operate.

We remeasure monetary assets and liabilities that are not denominated in the functional currency at exchange rates in effect at the end of each reporting period. Gains and losses from these remeasurements are recognized in the consolidated statement of operations.

**Finance Costs**

Our finance costs consist of interest and other costs that we incur in connection with the borrowing of funds and capital lease obligations. We capitalize interest as part of the historical cost of acquiring or constructing certain assets during the period of time required to place the assets into service. These assets include property, plant and equipment. Interest capitalized for property, plant and equipment is depreciated over the estimated useful life of the related asset when they are placed into service. We capitalize interest to the extent that expenditures to acquire, construct, or develop an asset have occurred and interest cost has been incurred. Costs incurred that are directly related to the raising of finance, together with any original issue discount or premium, are recognized over the term of the loan or facility, using the effective interest method. All other finance costs are expensed in the period they are incurred.

**Taxation**

We use the asset and liability method to account for income taxes whereby we calculate the deferred tax asset or liability account balances using tax laws and rates in effect at that time. Under this method, the balances of deferred tax liabilities and assets at the end of each period are determined using the tax rate expected to be in effect when taxes are actually paid or recovered. Valuation allowances are recorded to reduce gross deferred tax assets when it is more likely than not that some portion or all of the gross deferred tax assets will not be realized. In determining the need for valuation allowances, we have made judgments and considered estimates regarding estimated future taxable income and ongoing achievable tax planning strategies. These estimates and judgments include some degree of uncertainty therefore changes in these estimates and assumptions could require us to adjust the valuation allowances for our deferred tax assets accordingly. The ultimate realisation of the deferred tax assets depends on the generation of sufficient taxable income in the applicable taxing jurisdictions.

We operate in approximately 50 countries and are subject to numerous domestic and foreign taxing jurisdictions. Determination of taxable income in any jurisdiction requires the interpretation of the related tax laws and regulations and the use of estimates and assumptions regarding significant future events such as the amount, timing and character of income, deductions, and tax credits. Changes in tax laws, regulations or agreements in each taxing jurisdiction could have an impact on the amount of income taxes that we provide during any given year.

Our tax filings for various periods are subject to audit by the tax authorities in most jurisdictions in which we operate, and these assessments can result in additional taxes. Estimating the outcome of audits and assessments by the tax authorities involves uncertainty. We review the facts of each case and apply judgements and assumptions to determine the most likely outcome and we provide for taxes, interest and penalties on this basis. We provide for uncertain tax positions in line with accounting practice and recognize a position only when it meets the required recognition threshold and measurement methodology, recognizing the impact of a tax position in the financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. Despite applying the accepted accounting practices there is potential for the resolution of a current or future tax controversy to be materially different to the amount accrued given the differences in approach to many of the taxing authorities in which we operate. We include interest and penalties related to unrecognized tax benefits within the provision for income taxes.

**Expro Group Holdings International Limited**  
**Notes to the Consolidated Financial Statements**  
Year Ended December 31, 2018

**Cash and Cash Equivalents**

We consider all highly liquid instruments with original maturities of 90 days or less at the time of purchase to be cash equivalents.

**Restricted Cash**

Restricted cash primarily relates to bank deposits which have been pledged as cash collateral for certain guarantees issued by a bank; and minimum cash balances which must be maintained in accordance with contractual arrangements.

**Accounts Receivable, Net and Unbilled**

The carrying value of our receivables, net of the allowance for doubtful accounts, represents the estimated net realisable value. We estimate our allowance for doubtful accounts based on historical collection trends, the age of outstanding receivables, and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances, and the allowance is adjusted accordingly. Past-due receivables are written off when our internal collection efforts have been unsuccessful.

Accounts receivable, unbilled represents revenue that has been recognized in advance of billing the customer, which is common for construction contracts.

**Inventories**

We hold inventories to maintain our equipment. Inventories are stated at the lower of cost or net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and overheads that have been incurred in bringing the inventories to their current location and condition which are calculated using the average cost method.

We regularly evaluate the quantities and values of our inventories in light of current market conditions and market trends, among other factors, and record write-downs for any quantities in excess of demand and for any new obsolescence. This evaluation considers the use of materials in our business, historical usage, expected demand, product obsolescence and other factors. Market conditions are subject to change, and actual consumption of our inventory could differ from forecasted demand.

**Long-Lived Assets Impairment**

We assess long-lived assets classified as “held and used,” including our property, plant and equipment for impairment whenever events or changes in business circumstances arise that may indicate that the carrying amount of our long-lived assets may not be recoverable. These events and changes can include significant current period operating losses or negative cash flows associated with the use of a long-lived asset, or group of assets, combined with a history of such factors, significant changes in the manner of use of the assets, and current expectations that it is more likely than not that a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. For purposes of recognition and measurement of an impairment loss, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. When impairment indicators are present, we compare undiscounted future cash flows, including the eventual disposition of the asset group at market value, to the asset group’s carrying value to determine if the asset group is recoverable. If the carrying values are in excess of undiscounted expected future cash flows, we measure any impairment by comparing the fair value of the asset or asset group to its carrying value. Fair value is generally determined by considering (i) internally developed discounted projected cash flow analysis of the asset or asset group, (ii) actual third-party valuations, and/or (iii) information available regarding the current market for similar assets. If the fair value of an asset or asset group is determined to be less than the carrying amount of the asset or asset group, an impairment in the amount of the difference is recorded in the period that the impairment indicator occurs. Estimating future cash flows requires significant judgment, and projections may vary from the cash flows eventually realized, which could impact our ability to accurately assess whether an asset has been impaired.

We consider a long-lived asset to be abandoned after we have ceased use of such asset and we have no intent to use or re-purpose the asset in the future.

We classify each long-lived tangible asset we plan to sell as an asset held for sale on our consolidated balance sheets only after certain criteria have been met including: (i) management has the authority and commits to a plan to sell the asset; (ii) the asset is available for immediate sale in its present condition; (iii) there is an active program to locate a buyer, and the plan to sell the asset has been initiated; (iv) the sale of the asset is probable within 12 months; (v) the asset is being actively marketed at a reasonable sales price relative to its current fair value; and (vi) it is unlikely that the plan to sell will be withdrawn or that significant changes to the plan will be made. We record assets held for sale at the lower of the carrying value or fair value less costs to sell. If, due to unanticipated circumstances, such assets are not sold in the 12 months after being classified as held for sale, then held for sale classification will continue as long as the above criteria are still met and the asset is being actively marketed at a reasonable sales price relative to its then current fair value.

**Expro Group Holdings International Limited**  
**Notes to the Consolidated Financial Statements**  
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We assess held for sale long-lived assets for impairment whenever events or circumstances arise that may indicate that the carrying amount of our held for sale long-lived assets may not be recoverable. Depreciation and amortization expense is not recorded on assets once they are classified as assets held for sale.

**Property, Plant and Equipment**

We report our property, plant and equipment at cost less accumulated depreciation and accumulated impairment losses. Cost includes the price paid to acquire or construct the asset, required installation costs, interest capitalized during the construction period and any expenditure that substantially adds to the value of or substantially extends the useful life of an existing asset. We begin depreciation for such assets once an asset is placed into operational service. We consider an asset to be placed into service when the asset is both in the location and intended condition for its intended use. We compute depreciation expense, with the exception of land, using the straight-line method over the estimated useful lives of assets, as presented in the table below. We depreciate leasehold improvements over the shorter of their estimated useful lives or the remaining term of the lease.

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Owned property – Buildings	-	40 years
Leased property, including leasehold buildings	-	over the lesser of the remaining useful life or period of the lease
Plant and equipment	-	3 to 12 years

We expense costs related to the routine repair and maintenance of property, plant and equipment at the time we incur them. We capitalize costs incurred as part of a major refurbishment of an asset where the refurbishment either significantly prolongs the useful economic life of the asset or upgrades it for an enhanced use. We capitalize and depreciate the costs of replacing significant components over the useful economic life of the replaced component.

For property, plant and equipment that has been placed into service, but is subsequently idled temporarily, we continue to record depreciation expense during the idle period. We adjust the estimated useful lives of the idled assets if the estimated useful lives have changed.

**Goodwill**

Goodwill represents the excess of the enterprise value of the Group upon Emergence over the estimated fair value assigned to the individual assets acquired and liabilities assumed. We do not amortize goodwill, but instead are required to test goodwill for impairment at the reporting unit level at least annually, or whenever there is an indication of impairment. A reporting unit is defined as an operating segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management.

If there are indicators of impairment, we estimate the fair value of a reporting unit using a discounted cash flow approach. We recognize an impairment charge, as necessary, for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

**Other Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is recognized at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are all assessed as finite and are amortized over their useful economic life. The amortization period and the amortization method are reviewed at each financial year end. Amortization is provided on a straight-line basis over the useful life of the asset as follows:

Software	-	between 1 and 5 years
Trademarks	-	10 years
Customer relationships and contracts	-	10 years
Technology	-	10 years.

**Accounts Payable**

We measure accounts payable at initial recognition at fair value and subsequently carry accounts payable balances at book value which, due to the short maturity period, approximates to amortized cost.

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**Fair Value Measurement**

We measure certain financial assets and liabilities at fair value at each balance sheet date and, for the purposes of impairment testing, use fair value to determine the recoverable amount of some of our non-financial assets. The fair values of financial instruments measured at amortized cost are disclosed in Note 20.

Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability (an exit price) on the measurement date in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. Accounting standards include disclosure requirements around fair values used for certain financial instruments and establish a fair value hierarchy. The hierarchy prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value is reported in one of three levels:

Level 1 – Valuation techniques in which all significant inputs are unadjusted quoted market prices from active markets for identical assets or liabilities being measured;

Level 2 - Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques; and

Level 3 - Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect our own assumptions about the assumptions that market participants would use to price an asset or liability.

When available, we use quoted market prices to determine the fair value of an asset or liability. We determine the policies and procedures for both recurring fair value measurements, such as derivatives, and non-recurring fair value measurements, such as impairment tests.

At each reporting date, we analyze the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per our accounting policies.

For the purpose of fair value disclosures, we have determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**Leases**

Assets held under capital leases, which transfer to us substantially all the risks and rewards incidental to ownership of the leased item and meets the criteria of a capital lease as defined by ASC 840 *Leases*, are capitalized at the inception of the lease, with a corresponding liability being recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the statement of operations so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under capital leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the statement of operations on a straight line basis over the lease term.

**Pensions and Other Post-Retirement Benefits**

*Defined Benefit Plans*

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current and prior periods. Both current and past service costs are recognized in profit or loss as they arise.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year.

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We initially recognize actuarial gains and losses as other comprehensive income in the year they arise. Where the net cumulative actuarial gains or losses for a plan exceeds 10 percent of that plan's gross pension liability, or asset if higher, the amount of gains or losses above the 10 percent threshold are recycled through to the statement of operations over the expected remaining working lives of the plan's active participants or the remaining lives of scheme members in the event the scheme is no longer active.

The defined benefit pension asset or liability in the consolidated balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

*Defined Contribution Plans*

The costs of providing benefits under a defined contribution plan are expensed at the time contributions become payable to the respective plan.

Refer to Note 23 for a description of our pension and other post-retirement benefit plans.

**Management Incentive Plans**

We have established the 'Expro Group Holdings International Limited 2018 Management Incentive Plan' which comprises the following stock based compensation plans (a) stock options to non-executive directors and key management personnel and (b) restricted stock unit. We account for our stock-based compensation awards in accordance with ASC Topic 718, *Compensation—Stock Compensation* ("ASC 718") which requires all stock-based payments to employees, including grants of employee stock options and restricted stock and modifications to existing stock awards, to be recognized in the statements of operations and comprehensive loss based on their fair values calculated on the grant date. We do not estimate expected forfeitures, but recognise them as they occur.

**Segment Reporting**

We are organized and managed on a geographic basis. The key financial information used by our Chief Operating Decision Maker is analyzed around its five key regions; Europe and the Commonwealth of Independent States ("ECIS"), Sub-Saharan Africa ("SSA"), Asia ("Asia"), Middle East and North Africa ("MENA") and North and Latin America ("NLA"). These have been determined to be our operating segments.

**Related Parties**

Parties are determined to be related if one party controls or significantly influences the other in terms of making financial and operating decisions. In addition, parties are related if they are subject to common control or common significant influence.

**Restructuring and Exit Activities**

We record costs associated with exit activities such as employee termination benefits that represent a one-time benefit when management approves and commits to a plan of termination, or over the future service period, if any. Other costs with exit activities may include contract termination costs, including costs related to leased facilities to be abandoned, and facility and employee relocation costs.

**Earnings per Share**

Basic income (loss) per share attributable to our stockholders is based on the weighted effect of all common shares outstanding and is calculated by dividing income (loss) by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share attributable to our stockholders is based on the weighted effect of all common shares and dilutive potential common shares outstanding and is calculated by dividing income (loss) by the weighted average number of common shares and dilutive potential common shares outstanding during the period.

**Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. We evaluate periodically whether there is substantial doubt about our ability to continue as a going concern for a period of one year from the date of issuance of these consolidated financial statements. As part of this evaluation, we closely monitor covenants related to our financing agreements as well as our forecast level of liquidity and cash flows for our going concern assessment.

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**New Accounting Pronouncements**

*Accounting guidance not yet adopted*

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) to achieve a consistent application of revenue recognition within the U.S., amending the existing accounting standards for revenue recognition and is based on the principle that revenue should be recognized to depict the transfer of goods or services to a customer at an amount that reflects the consideration a company expects to receive in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for us on January 1, 2019. We have adopted this ASU from January 1, 2019. We have concluded that the adoption of this ASU will not have a material impact on our consolidated financial statements.

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires an entity to recognize lease liabilities and a right-of-use asset for all leases and to disclose key information about the entity's leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020, with earlier adoption permitted. ASU 2016-02 must be adopted using a modified retrospective approach for all leases existing at, or entered into after the date of initial adoption, with an option to elect certain transition relief. Further, ASU 2018-11, *Leases (Topic 842): Targeted Improvements* issued in August 2018, provide entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current GAAP (Topic 840, Leases). We are currently evaluating the impact of this new standard on our financial position, results of operations, cash flows and related disclosures and expect that the majority of our current operating lease commitments will be subject to the new standard.

In June 2016, the Financial Accounting Standards Board issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires measurement and recognition of expected credit losses for financial assets held. ASU 2016-13 is effective for fiscal years beginning after December 15, 2020 and for interim periods beginning after December 31, 2021. We are currently evaluating the impact of this new standard on our financial position, results of operations, cash flows and related disclosures.

In August 2016, the Financial Accounting Standards Board issued ASU 2016-15, *Statements of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payment*. This new guidance is intended to reduce diversity in practice on how certain cash receipts and payments are classified in the statement of cash flows, including debt prepayment or extinguishment costs, proceeds from the settlement of insurance claims and distributions received from certain equity method investees. The guidance is effective for interim and annual periods beginning after December 15, 2018 and interim periods beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. This ASU is not expected to have a material impact on our consolidated financial statements or disclosures.

In October 2016, the Financial Accounting Standards Board issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. ASU 2016-16 requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. ASU 2016-16 is effective for annual periods beginning after December 15, 2018 and interim periods within annual periods after December 15, 2019. This ASU is not expected to have a material impact on our consolidated financial statements or disclosures.

In November 2016, the Financial Accounting Standards Board issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires that a statement of cash flows explains the change during the period in the total of cash, cash equivalents and restricted cash. As a result, amounts classified as restricted cash should be included with cash and cash equivalents, when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. The adoption of this guidance will change the presentation of restricted cash presented on our statement of cash flows; however it will have no impact on our results of operations, financial condition or liquidity.

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In October 2017, the Financial Accounting Standards Board issued ASU 2017-07, *Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. These amendments require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component. We are currently evaluating the impact on adopting this guidance.

In February 2018, the Financial Accounting Standards Board issued ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. ASU 2018-02 provides financial statement preparers with an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. We are currently evaluating the impact of adopting this guidance.

In August 2018, the Financial Accounting Standards Board issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by these amendments. The amendments are effective for annual periods beginning after December 15, 2020, and interim periods in annual periods beginning after December 15, 2021. Early adoption is permitted. This ASU is not expected to have a material impact on our consolidated financial statements or disclosures.

In August 2018, the Financial Accounting Standards Board issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*. These amendments modify the disclosure requirements for employers that sponsor defined benefit pension or other post-retirement plans. The amendments are effective for annual periods beginning after December 15, 2020, and interim periods in annual periods beginning after December 15, 2021. Early adoption is permitted. We are currently evaluating the impact on adopting this guidance.

In August 2018, the Financial Accounting Standards Board issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. These amendments modify the disclosure requirements in Topic 820. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact on adopting this guidance.

**Expro Group Holdings International Limited**  
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**5. Segment Information**

We operate globally and provide a range of well management services and products across three areas of capability. Our services are offered to our customers either as discrete services or integrated solutions depending on their requirements and needs.

Our Company's Chief Operating Decision Maker ("CODM") manages our operations through five operational segments that are aligned with our geographic regions.

- Europe and the Commonwealth of Independent States ("ECIS")
- Sub-Saharan Africa ("SSA")
- Asia ("Asia")
- Middle East and North Africa ("MENA")
- North and Latin America ("NLA").

Each of these operational segments include a range of solutions which are provided across three main areas of capability as presented below. The CODM does not review financial performance of these three main areas of capability and as such, they are neither operating segments nor reporting units.

**Well Testing and Appraisal Services**

Services used for the safe production, measurement and sampling of hydrocarbons from a well during either exploration and appraisal testing of a new field, the flowback and clean-up of a new well prior to production or inline testing of a well during its producing life. Well testing typically involves the measurement of production rates, the recording of transient pressure data from the reservoir and the sampling of reservoir fluids. By analyzing this information it is possible for the customer to estimate hydrocarbon reserves and determine rock properties, reservoir size and connectivity.

**Subsea, Completion and Intervention Services**

A well completion consists of providing the in well tubulars and equipment needed for the safe production of hydrocarbons from the reservoir to the surface production facilities. Completion services are required to install the completion string in the well and our subsea completion landing strings facilitate this for subsea wells. We can also provide wireline intervention services to subsequently service and monitor the performance of the well.

**Production Services**

Production systems are used to provide a safe and efficient means of processing produced oil, gas and water. Solids control equipment is used to remove sand or debris from the well, followed by a separation system to split the three different well streams. Gas is usually separated from the well stream for either export, flaring or reinjection into the well or reservoir. Water is typically separated, treated and either disposed of overboard or re-injected into the reservoir for pressure maintenance. Oil is typically separated, treated as necessary, and pumped to storage facilities or an export pipeline. We can provide a range of production packages, onshore and offshore, for early production or for production enhancement.

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**5. Segment Information (continued)**

Financial information about our operating segments, for the Predecessor Period and Successor Period was as follows: (U.S. \$ in thousands).

	Predecessor Period January 01, 2018 through January 31, 2018	Successor Period February 01, 2018 through December 31, 2018
Europe and the Commonwealth of Independent States	13,281	179,778
Sub-Saharan Africa	5,131	77,532
Asia	7,631	110,049
Middle East and North Africa	13,030	175,660
North and Latin America	12,613	143,932
<b>Total revenue by geographical segment</b>	<b>51,686</b>	<b>686,951</b>
Europe and the Commonwealth of Independent States	2,769	37,017
Sub-Saharan Africa	667	15,886
Asia	890	23,934
Middle East and North Africa	4,991	71,183
North and Latin America	1,142	16,469
<b>Trading EBITDA by segment <sup>(1)(2)</sup></b>	<b>10,459</b>	<b>164,489</b>
Corporate, product line management and other administrative costs <sup>(3)</sup>	(5,460)	(71,387)
Equity share of income from joint ventures <sup>(6)</sup>	387	4,811
<b>Adjusted EBITDA <sup>(4)</sup></b>	<b>5,386</b>	<b>97,913</b>
Depreciation, amortization and impairment <sup>(5)</sup>	(9,221)	(121,598)
Restructuring	(700)	(6,527)
Reorganization items, net	563,883	-
Finance (expense) income, net	(14,954)	6,332
Income tax expense	(1,457)	(7,198)
<b>Net income (loss)</b>	<b>542,937</b>	<b>(31,078)</b>

The following table presents total assets by geographic region and assets held centrally at December 31, 2018: (U.S. \$ in thousands).

	December 31, 2018
Europe and the Commonwealth of Independent States	105,554
Sub Saharan Africa	114,680
Asia	184,834
Middle East and North Africa	413,409
North and Latin America	222,057
<b>Total assets by geographical region</b>	<b>1,040,534</b>
Assets held centrally <sup>(6)(7)</sup>	372,862
<b>Total Assets</b>	<b>1,413,396</b>

<sup>1</sup> Trading EBITDA is calculated as net income before taxes, interest expense, restructuring, other operating expense, depreciation and amortization, reorganization items, equity share of income from joint ventures and corporate, product line management and other general and administrative costs.

<sup>2</sup> Trading EBITDA and Adjusted EBITDA are not recognized terms under generally accepted accounting principles in the United States, or U.S. GAAP, and should not be considered as alternatives to net income (loss) or other measures of financial performance or liquidity derived in accordance with U.S. GAAP.

<sup>3</sup> Corporate, product line and other general and administrative costs include the costs of running our corporate head office and other central functions that support the regional business, such as engineering, logistics, supply chain, sales and marketing and health and safety.

<sup>4</sup> Adjusted EBITDA is calculated as Trading EBITDA after corporate, product line management and other administrative costs and the equity share of income from joint ventures.

<sup>5</sup> Depreciation and amortization presented here excludes amortization of capitalized borrowing costs for the Predecessor Period, which are reported within the interest expense.

<sup>6</sup> Refer to Note 8 for a description and the amount of investment in joint ventures.

<sup>7</sup> Assets held centrally primarily include corporate accounts receivables, property plant and equipment under construction, investment in joint ventures, collateral deposits, tax related balances, corporate cash and cash equivalent and other current and non-current assets, which are not included in the measure of segment assets reviewed by CODM.

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**6. Revenue**

The following table sets forth the total amount of revenue by area of capability for the Predecessor Period and Successor Period: (U.S. \$ in thousands).

	<b>Predecessor</b>	<b>Successor</b>
	<b>Period January 01, 2018 through January 31, 2018</b>	<b>Period February 01, 2018 through December 31, 2018</b>
Well testing and appraisal services	25,521	335,688
Subsea, completion and intervention services	21,896	283,499
Production services	4,269	67,764
<b>Total revenue by area of capability</b>	<b>51,686</b>	<b>686,951</b>

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**7. Restructuring**

Due to the continued challenging environment in the oil and gas market, executive management approved a set of restructuring initiatives for the fiscal year 2018 intended to accelerate operating cost reductions and improve overall operating efficiency.

Restructuring charges were \$0.7 million for the Predecessor Period and \$6.5 million for the Successor Period, consisting of severance benefits to terminated employees and other termination related costs including facility exit costs, substantially all of which was paid out by the end of December 31, 2018. We reduced our headcount across all regions and function by approximately 13 employees for the Predecessor Period and 98 employees for the Successor Period.

Expenses recognized for the restructuring activities are presented in "Restructuring" in our consolidated statements of operations.

**8. Investment in Joint Ventures**

We have equity accounted investments in two joint venture companies through partnerships with PV Drilling Expro International Co. Ltd ("PVD-Expro") in Vietnam and COSL - Expro Testing Services (Tianjin) Co. Ltd ("CETS"), in China. Both of these joint venture companies are strategic to our activities as they provide us access to the Asian markets that otherwise would be challenging to penetrate and develop effectively on our own.

During the year, we held a 49% stake in the PVD-Expro joint venture, which offers the full suite of Expro products and services to the domestic Vietnam market and has a track record in the provision of offshore well testing and subsea completion landing string services.

Meanwhile, the stake we held, during the year, in CETS amounted to 50% interest. The CETS joint venture in China offers extensive offshore well testing capabilities and has a strong market share with National Oil Companies ("NOC"), International Oil Companies ("IOC") and Independent clients. Both companies are independently managed but with the full capabilities and technology of Expro.

The carrying value of our investment in joint ventures at December 31, 2018 was as follows: (U.S. \$ in thousands).

	<b>December 31,</b>
	<b>2018</b>
COSL - Expro Testing Services (Tianjin) Co. Ltd ("CETS")	31,123
PV Drilling Expro International Company Limited ("PVD-Expro")	3,154
<b>Investment in joint ventures</b>	<b>34,277</b>

**CETS**

The following table includes a summary of the joint venture equity and a reconciliation with the carrying amount of our investment: (U.S. \$ in thousands).

	<b>December 31,</b>
	<b>2018</b>
Non-current assets	20,907
Current assets, including cash and cash equivalents U.S. \$17.1 million	52,047
Current liabilities	(19,529)
<b>Equity</b>	<b>53,425</b>
Proportion of our ownership	50%
Group's share of JV's equity	26,713
Goodwill on investment	3,510
Elimination of intra-group profits	(1,621)
Foreign exchange on net assets in local currency	2,521
<b>Carrying amount of the investment</b>	<b>31,123</b>

**Expro Group Holdings International Limited**  
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**8. Investment in Joint Ventures (continued)**

**Summarized statement of profit or loss of CETS**

The following table includes a summary of the joint venture profit and loss statement and a reconciliation with our share of income amount: (U.S. \$ in thousands).

	<u>December 31,</u> <u>2018</u>
Revenue	56,662
Cost of sales	(39,415)
Administrative expenses	(4,864)
Interest income	86
<b>Profit before tax</b>	<b>12,469</b>
Income tax expense	(2,818)
<b>Profit for the year</b>	<b>9,651</b>
<b>Equity share (50%) of profit for the year</b>	<b>4,826</b>
Depreciation is included within the table above as follows:	
Cost of sales	4,712
Administrative expenses	20
<b>Total</b>	<b>4,732</b>

Equity share (50%) of profit were \$0.4 million for the Predecessor Period and \$4.4 million for the Successor Period.

**PVD-Expro**

The following table includes a summary of the joint venture equity and a reconciliation with the carrying amount of our investment: (U.S. \$ in thousands).

	<u>December 31,</u> <u>2018</u>
Non- current assets	2,178
Current assets, including cash and cash equivalents U.S. \$2.4 million	4,553
Current liabilities	(1,288)
<b>Equity</b>	<b>5,443</b>
Proportion of the Group's ownership	49%
Group's share of JV's equity	2,667
Foreign exchange on net assets in local currency	487
<b>Carrying amount of the investment</b>	<b>3,154</b>

**Expro Group Holdings International Limited**  
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**8. Investment in Joint Ventures (continued)**

**Summarized statement of profit or loss of PVD-Expro**

The following table includes a summary of the joint venture profit and loss statement and a reconciliation with our share of income amount: (U.S. \$ in thousands).

	<b>December 31,</b>
	<b>2018</b>
Revenue	2,245
Cost of sales	(1,358)
Administrative expenses	(227)
Interest income	102
<b>Profit before tax</b>	<b>762</b>
Income tax expense	(2)
<b>Profit for the year</b>	<b>760</b>
<b>Equity share (49%) of profit for the year</b>	<b>372</b>
Depreciation is included in the table above as follows:	
Cost of sales	368
Administrative expenses	1
<b>Total</b>	<b>369</b>

Equity share (49%) of profit were Nil for the Predecessor Period and \$0.4 million for the Successor Period

We had no capital commitments or contingent liabilities in respect of the joint ventures.

For the Successor Period we recognized dividends, gross of withholding taxes, of \$0.8 million.

**9. Finance (expense) income**

Finance (expense) income consisted of the following for the Predecessor Period and Successor Period: (U.S. \$ in thousands).

	<b>Predecessor</b>	<b>Successor</b>
	<b>Period January 01, 2018 through January 31, 2018</b>	<b>Period February 01, 2018 through December 31, 2018</b>
Interest income	59	1,976
Term loan interest	(7,649)	-
Revolving credit facility interest	(574)	-
Debtor in possession facility interest	(515)	(104)
Mezzanine loan cash settled interest	(103)	-
Interest accreted to Mezzanine loan	(151)	-
Amortization of financing costs	(567)	-
Amortization of capitalized interest, net	(259)	-
Other finance (expense) income	(5,195)	4,460
<b>Finance (expense) income, net</b>	<b>(14,954)</b>	<b>6,332</b>

Other finance (expense) income for the Predecessor Period includes \$4.4 million of foreign exchange losses on pensions and capital lease liabilities and \$0.7 million of other interest expenses partially related to finance leases.

Other finance (expense) income for the Successor Period includes \$8.1 million of foreign exchange gains on pensions and capital lease liabilities and \$3.7 million of other interest expense partially related to finance leases.

**Expro Group Holdings International Limited**  
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**10. Income Taxes**

The components of the income tax expense for the Predecessor Period and Successor Period were as follows: (U.S. \$ in thousands).

	Predecessor Period January 01, 2018 through January 31, 2018	Successor Period February 01, 2018 through December 31, 2018
Current tax:		
UK	-	1,332
Foreign	2,255	15,721
<b>Total current tax</b>	<b>2,255</b>	<b>17,053</b>
Deferred tax:		
UK	-	-
Foreign	(798)	(9,855)
<b>Total deferred tax</b>	<b>(798)</b>	<b>(9,855)</b>
<b>Income tax expense</b>	<b>1,457</b>	<b>7,198</b>

The UK and foreign components of income (loss) from continuing operations before income taxes for the Predecessor Period and Successor Period were as follows: (U.S. \$ in thousands).

	Predecessor Period January 01, 2018 through January 31, 2018	Successor Period February 01, 2018 through December 31, 2018
UK	438,740	(583,280)
Foreign	105,267	554,589
<b>Total</b>	<b>544,007</b>	<b>(28,691)</b>

The provision for income taxes for the Predecessor Period and Successor Period differs from the amount computed by applying the UK statutory income tax rate to income before taxes for the reasons below: (U.S. \$ in thousands).

	Predecessor Period January 01, 2018 through January 31, 2018	Successor Period February 01, 2018 through December 31, 2018
Statutory income tax at 19%	103,361	(5,451)
Permanent differences	(642)	4,561
Non-taxable accounting gain on debt transaction	(107,138)	-
Thin capitalisation adjustments on interest expenses	-	7,669
Non-UK income taxed at different rates	932	1,799
Net tax charge related to attributes with full valuation allowance	4,546	744
Exempt dividends from joint venture	-	(96)
Prior year adjustments	13	(3,742)
Withholding taxes	46	1,075
Foreign exchange movements on tax balances	339	639
<b>Income tax expense</b>	<b>1,457</b>	<b>7,198</b>
Effective tax rate on continuing operations	0.3%	(25.1%)

The effective tax rate for the Predecessor period is driven by a non-taxable accounting gain on reorganization of \$563.9 million associated with the Chapter 11 Proceedings and Plan of Reorganization.

The effective tax rate for the Successor period is driven by the payment of tax in a number of geographic locations, including jurisdictions with a turnover tax regime, and a deferred tax credit on the amortization of intangibles.

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**10. Income Taxes (continued)**

We have not provided United Kingdom income taxes and foreign withholding taxes on the undistributed earnings of foreign subsidiaries as of December 31, 2018 because we intend to permanently reinvest such earnings outside the United Kingdom. If these foreign earnings were to be repatriated in the future, the related United Kingdom tax liability would not be reduced by any foreign income taxes previously paid on these earnings. As of December 31, 2018 the group is in a cumulative net loss position. It is not possible to estimate the amount of unrecognized deferred tax liability related to jurisdictions with cumulative earnings at this time.

The primary components of our deferred tax assets and liabilities at December 31, 2018 were as follows: (U.S. \$ in thousands).

	<b>December 31,</b>
	<b>2018</b>
<b>Non-current deferred tax assets:</b>	
Net operating loss carry forwards	464,421
Employee compensation and benefits	9,995
Depreciation	31,371
Other	18,500
Subtotal	524,287
Valuation allowance	(507,159)
<b>Total</b>	<b>17,128</b>
<b>Non-current deferred tax liabilities:</b>	
Depreciation	(3,306)
Goodwill and other intangibles	(73,032)
Other	(3,347)
<b>Total</b>	<b>(79,685)</b>
<b>Net deferred tax liability</b>	<b>(62,557)</b>

At December 31, 2018 we had a total of \$2,342.8 million net operating losses, of which \$10.7 million will expire from 2019 to 2038. The balance will not expire due to indefinite expiration dates. Losses attributed to our UK companies are \$1,831.3 million.

We recognise a valuation allowance where it is more likely than not that some part or all of the deferred tax assets will not be realised. The realisation of a deferred tax asset is dependent upon the ability to generate sufficient taxable income in the appropriate taxing jurisdictions where the deferred tax assets are initially recognised.

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**10. Income Taxes (continued)**

We have performed an analysis of uncertain tax positions in the various jurisdictions in which we operate and concluded that we are adequately provided.

The following table presents the changes in our unrecognized tax benefits at December 31, 2018 included in the balance sheet: (U.S. \$ in thousands).

	<u>Predecessor</u>	<u>Successor</u>
	<u>January 31,</u>	<u>December 31,</u>
	<u>2018</u>	<u>2018</u>
Balance at beginning of year	34,147	35,291
Additions based on tax positions related to current period	351	4,876
Additions for tax positions of prior year period	793	2,773
Settlements with tax authorities	-	(1,472)
Reductions for tax positions of prior years	-	(1,619)
Reductions due to the lapse of statute of limitations	-	(3,030)
<b>Balance at end of the period</b>	<b>35,291</b>	<b>36,819</b>

The amounts above include penalties and interest of \$3.1 million for the Predecessor Period and \$3.5 million for the Successor Period. We classify penalties and interest relating to uncertain tax positions within taxes on income in the consolidated statement of operations.

We file income tax returns in the United Kingdom and in various other foreign jurisdictions. In all cases we are no longer subject to income tax examination by tax authorities for years prior to 2008. Tax filings of our subsidiaries, branches, and related entities are routinely examined in the normal course of business by the tax authorities. We believe that there are no jurisdictions in which the outcome of unresolved issues is likely to be material to our results of operations, financial position or cash flows.

**Expro Group Holdings International Limited**  
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**11. Restricted Cash**

The following table summarizes the balance of restricted cash at December 31, 2018: (U.S. \$ in thousands).

	<b>December 31,</b>
	<b>2018</b>
Cash held for contractual commitments and escrow account	2,303
<b>Total</b>	<b>2,303</b>

We held bank deposits which have been pledged as cash collateral for performance and bid bonds and guarantees issued by various banks. We also held minimum cash balances which must be maintained in accordance with contractual arrangements. Cash held for these types of contractual commitments was \$2.0 million at December 31, 2018.

**12. Accounts Receivable, Net and Unbilled**

Accounts receivable, net and unbilled consisted of the following at December 31, 2018: (U.S. \$ in thousands).

	<b>December 31,</b>
	<b>2018</b>
Accounts receivable and unbilled	229,655
Allowance for doubtful accounts	(11,447)
<b>Total</b>	<b>218,208</b>

**13. Inventories, Net**

Inventories consisted of the following at December 31, 2018: (U.S. \$ in thousands).

	<b>December 31,</b>
	<b>2018</b>
Raw materials	748
Equipment, spares and consumables	42,318
Work-in progress	9,062
<b>Total</b>	<b>52,128</b>

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**14. Other Assets and Other Liabilities**

Other assets consisted of the following at December 31, 2018: (U.S. \$ in thousands)

	<b>December 31,</b>
	<b>2018</b>
Prepayments	22,284
VAT receivable	17,708
Other receivables	2,432
Collateral deposits	32,315
<b>Total</b>	<b>74,739</b>
Other current assets	70,834
Other non-current assets	3,905
<b>Total</b>	<b>74,739</b>

Collateral deposits placed with banks represents collateral for letter of credits, performance bonds and guarantees issued.

Other liabilities consisted of the following at December 31, 2018: (U.S. \$ in thousands).

	<b>December 31,</b>
	<b>2018</b>
Deferred Income	14,238
Other tax and social security	22,363
Other payables	2,326
Provisions	20,446
<b>Total</b>	<b>59,373</b>
Other current liabilities	51,846
Other non-current liabilities	7,527
<b>Total</b>	<b>59,373</b>

**15. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities consisted of the following at December 31, 2018: (U.S. \$ in thousands).

	<b>December 31,</b>
	<b>2018</b>
Accounts payable	64,042
Accrued liabilities	83,489
<b>Total</b>	<b>147,531</b>

**Expro Group Holdings International Limited**  
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**16. Property, Plant and Equipment**

Property, plant and equipment consisted of the following at December 31, 2018: (U.S. \$ in thousands).

	<b>December 31, 2018</b>
<b>Cost</b>	
Land	3,379
Buildings	35,524
Plant and equipment	339,509
	<b>378,412</b>
Less accumulated depreciation and impairment	(88,894)
<b>Total</b>	<b>289,518</b>

Depreciation expense relating to property, plant and equipment, including assets under capital leases, was \$7.7 million for the Predecessor Period and \$85.7 million for the Successor Period.

The carrying amount of our property, plant and equipment recognized in respect of assets held under capital leases at December 31, 2018 was as follows: (U.S. \$ in thousands).

	<b>December 31, 2018</b>
<b>Cost</b>	
Buildings	21,626
Plant and equipment	358
	<b>21,984</b>
Less accumulated amortization	(1,982)
<b>Total</b>	<b>20,002</b>

We had entered into contractual commitments for the acquisition of property, plant and equipment totalling \$31.1 million as at December 31, 2018.

Approximately 80% of our total gross fixed assets at December 31, 2018 were pledged to collateralize indebtedness.

Due to the continuing challenging environment in the oil and gas industry, we tested the recoverability of our property, plant and equipment at December 31, 2018. We concluded that the carrying values of certain assets were no longer recoverable. The fair value of these assets was based on the projected present value of future cash flows that these assets are expected to generate. In addition, we determined that certain assets were no longer utilized. As a result we recorded an impairment charge related to our property, plant and equipment of \$3.4 million at December 31, 2018, which is included within "Cost of sales" on our consolidated statement of operations for the Successor Period.

**Expro Group Holdings International Limited**  
**Notes to the Consolidated Financial Statements**  
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**17. Intangible Assets**

The following table summarizes our intangible assets as at December 31, 2018: (U.S. \$ in thousands).

	December 31, 2018			Weighted average remaining life (years)
	Cost	Accumulated amortization	Net Book Value	
Customer relationships and contracts	215,200	(19,727)	195,473	9
Trademarks	40,100	(3,676)	36,424	9
Technology	66,200	(6,068)	60,132	9
Software	4,094	(2,883)	1,211	1
<b>Total</b>	<b>325,594</b>	<b>(32,354)</b>	<b>293,240</b>	<b>9</b>

We amortize intangible assets on a straight-line basis over their estimated useful lives once the intangible assets meets the criteria to amortize. Amortization expense for intangible assets was \$1.5 million for the Predecessor Period and \$32.4 million for the Successor Period. These expenses were included in Cost of Sales.

We review the carrying values of long lived assets for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Impairment is tested by estimating the undiscounted cash flows expected to result from the asset, including any residual value at the end of the asset life. If undiscounted cash flows are lower than the carrying value of the asset, an impairment loss is recorded to reduce the asset's carrying value to its fair value. No impairment charge was recognised during the year ended December 31, 2018.

Expected future intangible asset amortization as of December 31, 2018 is as follows: (U.S. \$ in thousands).

Fiscal years:	
2019	33.4
2020	32.2
2021	32.2
2022	32.2
2023	32.2
Thereafter	131.0
<b>Total</b>	<b>293.2</b>

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**18. Goodwill**

We test goodwill for impairment annually as of December 31, or more frequently if further indicators of potential impairment exist. In performing the test we consider qualitative factors first to determine whether it is more likely than not that the fair value of any of the reporting units are lower than their carrying amounts. If there are indicators of impairment, we estimate the fair value of a reporting unit using a discounted cash flow approach. We recognize an impairment charge, as necessary, for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

Our reporting units are either our operating segments or components of our operating segments depending on the level at which segment management oversees the business. Our reporting units include Europe and the Commonwealth of Independent states (ECIS), Sub-Saharan Africa (SSA), Middle East and North Africa (MENA), Asia (ASA), North American (NAM) and Latin America (LATAM).

The allocation of goodwill by reportable segment was as follows: (U.S. \$ in thousands).

	<u>December 31,</u> <u>2018</u>
Sub-Saharan Africa	12,764
Asia	44,476
Middle East North Africa	123,115
North and Latin America	31,934
<b>Total</b>	<b>212,289</b>

No impairment charge was recognised during the period ended December 31, 2018, as there were no indicators of impairment.

**Expro Group Holdings International Limited**  
**Notes to the Consolidated Financial Statements**  
Year Ended December 31, 2018

**19. Interest Bearing Loans**

On December 20, 2018 we entered into a Revolving Credit Facility (“RCF”) with an overall commitment of \$150.0 million (up to \$100.0 million available for drawdown as loans and an engagement line of up to \$50 million for bonds and guarantees). The RCF bears interest at USD LIBOR plus 3.75% and is guaranteed in full by our material subsidiaries as defined in the agreement. No drawdown from the facility has been made as of December 31, 2018.

**20. Fair Value Measurements**

At December 31, 2018 we did not have any assets or liabilities that we measure at fair value on a recurring basis.

**Fair value of Financial Instruments**

The carrying values of our financial instruments at December 31, 2018 were as follows (U.S \$ in thousands):

	December 31, 2018 Carrying amount	December 31, 2018 Fair value
Capital lease obligations	20,781	20,781

The carrying values on our consolidated balance sheet of our cash and cash equivalents, accounts receivable and unbilled, other assets, accounts payable and accrued liabilities approximate their fair values due to their nature and relatively short maturities; therefore, we exclude them from the foregoing table.

We estimate the fair value of our capital lease obligations and other financial liabilities using discounted future cash flows applying rates available for debt on similar terms, credit risk and remaining maturities. Such fair value measurements are considered Level 2 under the fair value hierarchy.

**Expro Group Holdings International Limited**  
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**21. Financial Risk Factors**

Our operations expose us to several financial risks, principally market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

**Foreign currency risk**

*Cash Flow Exposure*

We expect many of the subsidiaries of our business to have future cash flows that will be denominated in currencies other than the subsidiaries' functional currencies, which is the United States Dollar. Our primary cash flow exposures are revenues and expenses. Changes in the exchange rates between the functional currency of our subsidiaries and the other currencies in which they transact will cause fluctuations in the cash flows we expect to receive or pay when these cash flows are realized or settled.

*Transaction Exposure and Economic Hedging*

Many subsidiaries of our business have assets and liabilities that are denominated in currencies other than the subsidiaries' functional currencies. Changes in the exchange rates between our subsidiaries' functional currencies and the other currencies in which these assets and liabilities are denominated can create fluctuations in our reported consolidated statements of operations and cash flows.

**Interest rate risk**

Upon Emergence, we do not have variable interest rate bearing debt facilities and accordingly, we are currently not exposed to variability in interest expense and cash flows due to interest rate changes.

**Credit risk**

Our exposure to credit risk is primarily through cash and cash equivalents, restricted cash and accounts receivable and unbilled balances. Our liquid assets are invested in cash or short term deposits with maturities less than 90 days and are amongst the most creditworthy of investments available. The counter parties for these investments are large international financial institutions.

We do not have a significant concentration of credit risk as we have an extensive global customer base comprising of a large number of international oil companies (IOC), national oil companies (NOC) and independent E&P companies from all major oil and gas locations around the world. The majority of our accounts receivable are due for maturity within less than 90 days and largely comprise amounts receivable from large international oil companies and national oil companies. We closely monitor accounts receivable and raise provisions for bad and doubtful debts where it is deemed appropriate.

**Liquidity risk**

We believe that the Group has sufficient liquidity to meet projected working capital requirements, with sufficient headroom to protect against variability of cash flows. Key ratios are monitored on a historical and forward looking basis, to ensure that the Group has adequate liquidity to meet its contractual obligations as they fall due.

Cash balances are held in a number of currencies, in order to meet our immediate operating and administrative expenses or to comply with local currency regulations.

**Expro Group Holdings International Limited**  
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**22. Commitments and Contingencies**

**Leases**

We lease a variety of properties, administrative offices, staff accommodations and warehouses throughout the world with lease terms between one and fifteen years. We also lease certain machinery and equipment under operating and capital leases.

Future minimum payments under all of our non-cancellable leases were as follows as of December 31, 2018: (U.S. \$ in thousands).

	Operating Leases	Capital Leases
Years ending December 31,		
2019	35,467	3,832
2020	23,168	3,685
2021	12,845	3,514
2022	8,288	3,372
2023	6,206	2,677
Due after 5 years	31,022	25,610
	<u>116,996</u>	42,690
Less: Amounts representing interest		(21,909)
Total capital lease obligation		<u>20,781</u>
Short-term portion		1,357
Long-term portion		<u>19,424</u>

As of December 31, 2018 the minimum operating lease payments recognized as an expense is \$5.8 million for the Predecessor Period and \$75.8 million for the Successor Period.

**Capital Leases**

For the year ended on December 31, 2018, the average effective borrowing rate was 13.0%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis with the exception of certain properties, where lease payments increase in line with market rental rates.

**Commercial Commitments**

During the normal course of business, we enter into commercial commitments in the form of letters of credit and bank guarantees to provide financial and performance assurance to third parties. Also, refer to note 16 for details of capital commitments as of December 31, 2018.

**Litigation**

We are routinely involved in litigation claims on disputes incidental to our business. In our opinion, none of the existing litigation or results from compliance reviews are likely to have a material adverse effect on these consolidated financial statements.

**Expro Group Holdings International Limited**  
**Notes to the Consolidated Financial Statements**  
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**23. Post-Retirement Benefits**

We operate a number of pension schemes, primarily consisting of defined contribution plans for UK and non UK employees. We also sponsor defined benefit pension plans for certain UK, Holland, Norway and Indonesia employees. The majority of our pension cost relates to defined contribution plans. The assets of the various defined benefit plans are held separately from those of the Group. Our principal retirement savings plans and pension plans are discussed below.

*Defined Contribution Plans*

We offer certain retirement savings plans to UK and non-UK employees. These plans are managed in accordance with applicable local statutes and practices and are defined contribution plans. These plans include a Group Personal Pension plan ("GPP") for UK employees, which is a portable, personal pension plan to which the employer contributes on a matching basis between a base of 3% and a ceiling of 6% of base salary. In addition, we offer 401k retirement savings plans for our U.S. employees and other defined contribution schemes for our employees in Canada.

Expenses recognized in respect of these plans were \$0.8 million for the Predecessor Period and \$8.9 million for the Successor Period.

*Defined Benefit Plans*

We offer a pension plan to certain of our UK employees, which qualifies as a defined benefit scheme. Effective October 1, 1999, this plan was closed to new entrants. The contributions to the scheme are determined by a qualified external actuary on the basis of annual valuations.

In December 2015, the decision was taken to close the UK defined benefit scheme ("DB Scheme) to new accrual. The status of the DB scheme's remaining active members has changed to that of deferred member. This change affected approximately 80 employees. As deferred members, these employees will no longer accrue further benefits under the DB scheme through their service. However, benefits earned through past service are retained and will continue to increase with inflation. In addition, affected individuals were auto-enrolled in the Group's defined contribution pension scheme ("DC scheme").

We also operate defined benefit and insured defined benefit arrangements in Holland and Norway. The assets of insured schemes are insurance contracts which guarantee the pensions secured to date, and an annual valuation of the scheme amends the contribution rate each year.

Further, we operate defined benefit arrangements under Indonesian Labor law providing retirement benefit, death, disability, voluntary resignation and other payments of severance due to change of ownership, redundancy and receivership, using lump sum formula expressed in terms of a multiple of final wages depending on the years of service completed.

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**23. Post-Retirement Benefits (continued)**

**Key assumptions**

The major assumptions, included on a weighted average basis across the defined benefit schemes (UK, Holland, Norway and Indonesia), used to calculate the defined benefit scheme liabilities were:

	<b>December 31,</b>
	<b>2018</b>
	<b>%</b>
Discount rate	2.8
Expected return on scheme assets	3.9
Expected rate of salary increases	0.1
Allowance for pension payment increases	2.9

The mortality assumptions adopted imply the following remaining life expectancies:

	<b>December 31,</b>
<b>Remaining years</b>	<b>2018</b>
Males currently aged 40	45
Females currently aged 40	47
Males currently aged 65	21
Females currently aged 65	23

The discount rate has been calculated with reference to AA rated corporate bonds of a suitable maturity. Expected rates of salary increases have been estimated by management following a review of the participant data. Within the UK schemes pensionable salary was frozen in 2012 resulting in the reduction in the weighted average assumption for salary increases disclosed above. Assumptions for pension increases are linked to expectations of future rates of inflation.

The expected long-term return on cash is based on cash deposit rates available at the reporting date. The expected return on bonds is determined by reference to UK long term government bonds and bond yields at the reporting date. The expected rates of return on equities and property have been determined by setting an appropriate risk premium above government bond yields having regard to market conditions at the reporting date.

**Expro Group Holdings International Limited**  
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**23. Post-Retirement Benefits (continued)**

**Net periodic benefit cost**

Amounts recognized in the statement of operations and in the statement of comprehensive loss in respect of the defined benefit schemes were as follows: (U.S. \$ in thousands).

	<b>Predecessor</b>	<b>Successor</b>
	<b>Period January 01, 2018 through January 31, 2018</b>	<b>Period February 01, 2018 through December 31, 2018</b>
Current service cost	(93)	(1,072)
Interest cost	(510)	(5,607)
Expected return on scheme assets	625	6,662
Plan amendment events recognized in statement of operations	-	(40)
Reclassified net rereasurement gains (losses)	(214)	-
<b>Statement of operations</b>	<b>(192)</b>	<b>(57)</b>
Remeasurement gains (losses)	30	6,743
Reclassified net rereasurement (gains) losses	214	-
<b>Other comprehensive income</b>	<b>244</b>	<b>6,743</b>
<b>Total comprehensive income</b>	<b>52</b>	<b>6,686</b>

The service costs have primarily been included in cost of sales. Interest cost and expected return on scheme assets have been recorded in selling, general and administrative expenses. Remeasurement gains and losses have been reported in the statement of comprehensive income (loss).

The rereasurement gain is derived from the components shown in the table below: (U.S. \$ in thousands).

	<b>Predecessor</b>	<b>Successor</b>
	<b>Period January 01, 2018 through January 31, 2018</b>	<b>Period February 01, 2018 through December 31, 2018</b>
Remeasurement loss on assets	(4,316)	(10,680)
Remeasurement gain on liabilities	4,346	17,423
<b>Remeasurement gain on defined benefit schemes</b>	<b>30</b>	<b>6,743</b>

The amount of employer contributions expected to be paid to our defined benefit schemes during the years to December 31, 2028 is set out below: (U.S. \$ thousands).

<b>Year to December 31:</b>	
2019	3,908
2020	4,018
2021	4,135
2022	4,327
2023	4,380
<b>5 years to December 31, 2028</b>	<b>23,726</b>

**Expro Group Holdings International Limited**  
**Notes to the Consolidated Financial Statements**  
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**23. Post-Retirement Benefits (continued)**

**Statement of financial position**

The amount included in the statement of financial position arising from our obligations in respect of defined retirement benefit schemes and post-employment benefits was as follows: (U.S. \$ in thousands).

	<b>December 31, 2018</b>
Present value of defined benefit obligations	(223,910)
Fair value of scheme assets	166,663
<b>Deficit recognized under non-current liabilities</b>	<b>(57,247)</b>

Changes in the present value of defined benefit obligations were as follows: (U.S. \$ in thousands).

	<b>Successor Period February 01, 2018 through December 31, 2018</b>
As at February 01	(270,612)
Service cost	(1,072)
Interest cost	(5,607)
Contributions from scheme members	(114)
Remeasurement gains	17,423
Plan amendments	(40)
Exchange differences	26,326
Benefits paid	9,768
Payroll tax of employer contributions	18
<b>As at December 31</b>	<b>(223,910)</b>

The accumulated benefit obligation was \$222.9 million at December 31, 2018.

Movements in fair value of scheme assets were as follows: (U.S. \$ in thousands)

	<b>Successor Period February 01, 2018 through December 31, 2018</b>
As at February 01	196,586
Actual return on scheme assets	(4,018)
Exchange differences	(18,977)
Plan amendments	-
Contributions from the sponsoring companies	2,746
Contributions from scheme members	112
Benefits paid	(9,768)
Payroll tax of employer contributions	(18)
<b>As at December 31</b>	<b>166,663</b>

The actual return on scheme assets consists of the following: (U.S. \$ in thousands).

	<b>Successor Period February 01, 2018 through December 31, 2018</b>
Expected return on scheme assets	6,662
Remeasurement gain (loss) on scheme assets	(10,680)
<b>Deficit recognized under non-current liabilities</b>	<b>(4,018)</b>

**Expro Group Holdings International Limited**  
**Notes to the Consolidated Financial Statements**  
Year Ended December 31, 2018

**23. Post-Retirement Benefits (continued)**

The investment strategy of the main UK scheme (“Plan”) is set by the trustees, and is based on advice received from an investment consultant. The primary investment objective for the Plan is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they become due. In doing so, the aim is to maximize returns at an acceptable level of risk taking into consideration the circumstances of the Plan.

The investment strategy has been determined after considering the Plan’s liability profile and requirements of the UK statutory funding objective, and an appropriate level of investment risk.

Taking all these factors into consideration, 70% of the assets are invested in a growth portfolio, comprising diversified growth funds (“DGFs”) and property, and 30% of the assets in a stabilizing portfolio, comprising corporate bonds and liability driven investments. DGFs are actively managed multi-asset funds. The managers of the DGFs aim to deliver equity like returns in the long term, with lower volatility. They seek to do this by investing in a wide range of assets and investment contracts in order to implement their market views.

The present value of the Plan’s future benefits payments to members is sensitive to changes in long term interest rates and long term inflation expectations. Liability driven investment (“LDI”) funds are more sensitive to changes in these factors and therefore provide more efficient hedging than traditional bonds. A small proportion of the assets have therefore been invested in LDI funds to help to reduce the volatility of the Plan's funding position. The hedging level is expected to be increased over time as the Plan’s funding position improves.

Assets of the other schemes are invested in a combination of equity, bonds, real estate and insurance contracts.

The analysis of the scheme assets and the expected rate of return at the reporting date were as follows: (U.S. \$ in thousands).

	December 31, 2018	
	Expected rate of return %	Fair value of asset
Mutual funds		
Equity funds	5.3	95,048
Liability driven investment funds	1.8	43,093
Bond funds	2.7	11,658
Property funds	4.3	3,408
Equities	2.3	199
Other assets	1.9	13,257
<b>Total</b>		<b>166,663</b>

**Expro Group Holdings International Limited**  
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**23. Post-Retirement Benefits (continued)**

The aggregated asset categorization for the schemes were as follows: (U.S. \$ in thousands).

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Mutual funds				
Equity funds	95,048	-	-	95,048
Liability driven investment funds	43,093	-	-	43,093
Bond funds	11,658	-	-	11,658
Property funds	3,408	-	-	3,408
Equities	199	-	-	199
Other assets	-	329	12,928	13,257
<b>Total</b>	<b>153,406</b>	<b>329</b>	<b>12,928</b>	<b>166,663</b>

Other assets primarily represent insurance contracts. The fair value is estimated, based on the underlying defined benefit obligation assumed by the insurers.

**24. Stockholders' Equity**

The following table summarizes total shares of common stock outstanding:

	Successor	
	December 31, 2018	
	Allotted, called up and fully paid number	Allotted, called up and fully paid value S'000
Ordinary shares of \$0.01 each, 1 vote per share	58,489,895	585

Upon Emergence EGHIL issued 41,199,908 shares with par value of \$0.01 to the registered holders of Term Loan and RCF for a total consideration of \$800.9 million and 17,289,987 shares with par value of \$0.01 per share as part of a rights issue for a total consideration of \$205.7 million.

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**25. Management Incentive Plan**

**Stock Based Compensation Plans**

During October 2018, our Board approved the Expro Group Holdings International Limited 2018 Management Incentive Plan which comprises the following stock based compensation plans (a) stock options to non-executive directors and key management personnel and (b) restricted stock units.

**Stock Options**

Our stock option plans provide for the issuance of stock options to non-executive directors and key management personnel, all of which become exercisable only on the occurrence of a Liquidity Event, as defined in the plan. The options for non-executive directors vest over three years and the options for management vest over four years, subject to the fulfilment of continued service. Additionally, a portion of the management options are subject to performance conditions (linked to changes in Internal Rate of Returns ('IRR')) in addition to the service condition.

The fair value of the stock options granted to non-executive directors was estimated at the grant date using the Black-Scholes model and for those awarded to the management was estimated using a Monte-Carlo Option valuation model. The grant-date fair value of the Company's shares is a key input in determination of the fair value of the awards. We estimated this to be \$20.69 per share, based on a valuation performed near the grant date.

The key assumptions used to estimate the fair value of the options are as follows:

	<u>December 31,</u> <u>2018</u>
Risk free interest rate	3.0%
Expected volatility *	40.0%
Dividend yield	0.0%
Expected term in years	9.3
Weighted average fair value of the options – directors	\$11.1
Weighted average fair value of the options – management	\$8.1

\* Assumed based on an analysis of comparable companies' equity volatility.

The following table presents the options activity during the period ended December 31, 2018.

	<u>December 31, 2018</u>	
	<u>Number of</u> <u>options</u>	<u>Weighted average</u> <u>Exercise price</u>
Outstanding at the beginning of the period	-	-
Granted during the period	5,790,152	\$20.69
Exercise during the period	-	\$20.69
Forfeited during the period	-	\$20.69
<b>Outstanding as of December 31, 2018</b>	<b>5,790,152</b>	<b>\$20.69</b>

Due to the nature of the performance and exercise conditions, recognition of compensation cost for the options have been deferred until the occurrence of a Liquidity Event, as defined in the plan rules.

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**25. Management Incentive Plan (continued)**

**Restricted Stock Units**

In addition to stock options, certain management personnel have been granted restricted stock units ("RSUs"), where each unit represents the right to receive, at the end of a stipulated period, one unrestricted share of stock with no exercise price. RSUs are subject to vesting over a three year period. RSUs are only exercisable on a Liquidity Event as defined in the plan rules.

The fair value of the RSUs were estimated using the Black-Scholes model. The key assumptions used to estimate the fair value of the RSUs are as follows:

	<b>December 31,</b>
	<b>2018</b>
Risk free interest rate	3.0%
Expected volatility*	40.0%
Dividend yield	0.0%
Expected term in years	6.3
Weighted average fair value of the RSUs	\$20.69

\* Assumed based on an analysis of comparable companies' equity volatility.

The following table presents the RSUs activity during the period ended December 31, 2018.

	<b>December 31,</b>
	<b>2018</b>
Granted	100,552
Vested	-
Exercised	-
<b>Outstanding balance as at December 31, 2018</b>	<b>100,552</b>

Due to the nature of the performance and exercise conditions, recognition of compensation cost for the RSUs has been deferred until the occurrence of a Liquidity Event, as defined in the plan rules.

As of December 31, 2018, the total compensation cost related to non-vested awards not yet recognized is \$50.4m which is expected to be recognized in the period when the occurrence of a Liquidity Event, as defined in the plan rules is deemed probable.

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**26. Accumulated other comprehensive Income**

Accumulated other comprehensive income consisted of the following: (U.S. \$ in thousands).

	<b>December 31,</b>
	<b>2018</b>
Defined benefit pension	6,695
<b>Total accumulated other comprehensive income</b>	<b>6,695</b>

**27. Earnings (Loss) Per Share**

Basic earnings (loss) per share attributable to the company stockholder is calculated by dividing net income (loss) attributable to company by the weighted-average number of common shares outstanding for the period. Diluted earnings (loss) per share attributable is computed giving effect to all potential dilutive common stock, unless there is a net loss for the period.

The calculation of basic and diluted earnings (loss) per share attributable to company stockholder for the Predecessor Period and Successor Period was as follows (U.S. \$ in thousands, except per share amounts):

	<b>Predecessor</b>	<b>Successor</b>
	<b>Period January 01, 2018 through January 31, 2018</b>	<b>Period February 01, 2018 through December 31, 2018</b>
<b>Net income (loss)</b>	542,937	(31,078)
Basic and diluted weighted average number of shares outstanding	333,282,666	58,489,895
<b>Total basic and diluted earnings (loss) per share (US\$)</b>	<b>1.63</b>	<b>(0.53)</b>

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**28. Related Party Disclosures**

During the Predecessor Period and Successor Period we entered into transactions with related parties as follows: (U.S. \$ in thousands)

**Trading transactions**

		Goods and services provided to related party	Amounts owed by / (to) related party
CETS	Joint venture	97	2,603
PVD-Expro	Joint venture	-	1,031
<b>Predecessor Period</b>		<b>97</b>	<b>3,634</b>

		Goods and services provided to related party	Amounts owed by / (to) related party
CETS	Joint venture	3,294	407
PVD-Expro	Joint venture	-	928
<b>Successor Period</b>		<b>3,294</b>	<b>1,335</b>

**Transactions with CETS and PVD-Expro**

At December 31, 2018, we held a 50% stake in a joint venture, COSL - Expro Testing Services (Tianjin) Co. Ltd ("CETS") and a 49% stake in a joint venture, PV Drilling Expro International Company Limited ("PVD-Expro"). The transactions in the table above arise from trading activities between us and the joint ventures.

**Financing and investing transactions**

The following table presents the financing and investing transactions for Successor Period: (U.S. \$ in thousands).

		Dividends received from joint venture
CETS	Joint venture	773
<b>Successor Period</b>		<b>773</b>

**29. Subsequent Events**

We have evaluated subsequent events through March 12, 2019, the date the consolidated financial statements were available for issuance and noted that there were no events between the reporting date and the date the financial statements were authorized for issue that require disclosure.