

Company number: 06520356

# EXPRO INTERNATIONAL GROUP HOLDINGS LIMITED

Report and Financial Statements

Year to 31 March 2017

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## Financial Summary

Full year performance compared to prior year	Year to 31 March 2017 \$'000	Year to 31 March 2016 \$'000	Change
Revenue	678,625	914,526	(25.8%)
Adjusted operating profit <sup>1</sup>	130,644	228,315	(42.8%)
Adjusted operating margin <sup>2</sup>	19.3%	25.0%	(5.7pts)
Operating loss <sup>3</sup>	(777,055)	(532,151)	46.0%
Financial position, liquidity and capital resource	31 March 2017 \$'000	31 March 2016 \$'000	Change
Cash	73,812	78,238	(4,426)
Working capital percentage <sup>4</sup>	20.5%	20.7%	(0.2 pts)
Net debt <sup>4</sup>	1,268,052	1,991,881	(723,829)
LTM leverage <sup>4</sup>	9.7 x	8.9 x	1.0 x
Liquidity headroom <sup>4</sup>	155,011	156,055	(1,044)

<sup>1</sup> "Adjusted operating profit" is defined as operating profit excluding depreciation and amortisation and other similar non-cash items, together with other items that either distort the underlying trends of the business or are not considered by management to be part of the core operations of the Group. Further details are set out in Note 3.

<sup>2</sup> "Adjusted operating margin" is the ratio of adjusted operating profit over revenue.

<sup>3</sup> "Operating loss" includes intangible asset impairment charges of \$ 257.3m, goodwill impairment charges of \$362.2m and JV impairment charges of \$3.0m (2016: \$8.8m, \$450.0m and \$Nil respectively).

<sup>4</sup> "Working capital percentage", "Net debt", "LTM (last twelve months) leverage" and "Liquidity headroom" are defined within the strategic report.

## Strategic report (continued)

Year Ended 31 March 2017

### Expro's business

#### Overview

We<sup>5</sup> are a market-leading global oil and gas services provider, specialising in well flow management services to the oil and gas industry, with a specific focus on offshore, deepwater and other technically challenging environments. With over 40-years of experience, Expro has grown to become one of the largest global service providers in the market for well flow management.

We provide a range of well flow management products and services that measure, improve, control and process flow from high value oil and gas wells, across three key areas:

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

Our technical capabilities span the full life of oil and gas fields, from exploration and appraisal through development to production and abandonment. We have built market leading positions in the provision of these core services by:

- Using highly specialised and proprietary technology that is engineered to allow us to service highly complex wells and reservoirs;
- Developing our reputation as a trusted and reliable service provider that seeks to maintain the highest standards of safety, quality and customer service; and
- Investing in and providing specially-trained employees to operate our equipment at customer facilities.

During the exploration, appraisal and development phases of the oil or gas field, our services are critical to the accurate quantification of reserves and the safe and efficient completion of development wells. During the production life of a field our services enable our customers to manage and optimise production, and therefore cash flow from their assets.

Our principal customers are the major international oil companies ("IOC"), key national oil companies ("NOC") and independent exploration and production ("E&P") companies located throughout the world. We are active in all major offshore oil and gas markets globally and have, as at 31 March 2017, 4,100 employees working from over 100 locations in approximately 50 countries.

#### Well test and appraisal services

Well test services constituted 44% of our revenues for the year ended 31 March 2017. This includes services to provide:

- The safe production, measurement and analysis of hydrocarbons from a new well during the appraisal testing;
- The flowback and clean-up of a new well prior to production; and
- In-line testing of a well during its production life.

#### Appraisal testing

Appraisal testing typically involves the measurement of production rates, the recording of transient pressure data from the reservoir and the sampling of reservoir fluids. By analysing this information it is possible for the operator to estimate hydrocarbon reserves and determine rock properties, reservoir size and connectivity. We can provide our appraisal testing services on land or offshore, in shallow or deepwater environments, including for critical, high rate, sour or high pressure high temperature ("HPHT") wells. As an integrated services provider we offer our customers customised appraisal testing packages that include surface well testing services, exploration and appraisal ("E&A") subsea landing strings, drill stem testing ("DST") services, fluid sampling and analysis services, wireless well solutions ("WWS") and Expro PowerChoke™ services.

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<sup>5</sup> "We", "Expro" or "the Group" refers to the Company and its consolidated subsidiaries.

## Strategic report (continued)

Year Ended 31 March 2017

### *Flowback and clean-up*

For well flowback and clean-up applications we provide a range of bespoke onshore or offshore customised frac flowback and well clean-up packages. We have a particular focus on the safe provision of high rate gas well clean-up and flow measurement services. Flowback packages can include Expro PowerChoke™ manifolds, hydraulic control systems and portable flare stack services. Our clean-up packages incorporate surface production and pre-production equipment, high rate gas flow rate measurement, water handling and treatment and solids handling systems.

### *In-line testing*

Some of our customers require surface well testing services to measure production rates from wells during the production phase of the field. This is common in old fields where there may not be a test separator or existing means of measuring flow rates from the well. Production testing usually comprises a surface well testing package only, as the well has already been completed, with fluid sampling and potentially well intervention services. Production data obtained from our in-line testing services is typically used to identify underperforming wells and potential production enhancement or optimisation opportunities.

Within our Well Test and Appraisal Services segment we provide the following products and services:

### *Surface well testing*

Our surface well testing packages include all equipment, sensors and measurement devices to safely receive, control, process and measure production from the well. Included within the well testing package will be surface test trees and choke manifolds, pipework, sand management systems, heaters, production separators, multiphase flow meters and other ancillaries such as tanks, pumps, burner booms and flares.

### *E&A subsea landing strings*

As part of our appraisal package for deepwater reservoirs we can provide a range of direct hydraulic or electro-hydraulic, subsea test trees for standard, high debris and high pressure applications up to 15K psi. These systems facilitate the control and isolation of the subsea well in the event that it needs to be secured for the emergency disconnect of the drilling rig during the appraisal test. Since 1984 our E&A subsea landing strings have been deployed on over 1,000 appraisal well tests.

### *Drill Stem Testing*

For exploration and appraisal testing, we can provide a range of DST tools to control flow from the well during the testing programme. Our core highly specified DST tools are respected across the industry and have a proven track record of almost 30 years. We have vast operational experience both onshore and offshore, used by over 60 clients, with around 600 DST jobs successfully completed in more than 20 countries worldwide.

### *Fluid sampling, metering and analysis services*

Our well site and laboratory fluid sampling, metering and analysis services are critical for effective appraisal of a field and can be used as part of an appraisal testing programme or to support open hole logging operations. We seek to address the challenges in reservoir engineering and pressure, volume, temperature ("PVT") analysis techniques with a complete range of sampling services. These services include tubing conveyed bottom hole sampling, wireline, wellhead, separator sampling and also sample transfer systems. Our analysis services provide complex analysis of produced hydrocarbons, water and solids, alongside specialist analysis services including mercury speciation.

### *Wireless Well Solutions*

Our CaTS™ wireless well systems use electromagnetic ("EM") data communications technology to transmit low frequency EM signals from downhole to surface, or surface to downhole, using the well's tubing or casing as the transmission medium. Our CaTS Exchange™ wireless surface readout ("SRO") system is run with the DST string and provides real time bottom hole pressure and temperature data on demand throughout the appraisal test. Having access to this data provides confidence in data quality and quantity and facilitates early decision making and real-time optimisation of the appraisal testing programme. The same CaTS technology can be used to instrument abandoned wells for post-abandonment reservoir monitoring. Our CaTS gauges can also be used for advanced reservoir testing ("ART") during field appraisal, where the customer is looking for communication between offset wells.

**Strategic report (continued)**

Year Ended 31 March 2017

*PowerChokes*

Our Expro PowerChokes™ product line designs and manufactures automated chokes, relief valves, drilling rig controls and multiple other products for drilling, well test, flowback and production applications. With advanced material, design and engineering technology, we have become the industry leader for reliable severe service choke applications.

**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. Intervention services are used to subsequently service and monitor the performance of the well. Our subsea, completion and intervention services segment accounted for approximately 44% of our revenues in the year to 31 March 2017.

Within our subsea, completion and intervention services segment we provide the following products and services:

*Subsea Completion Landing Strings*

Expro's subsea landing strings and control systems deliver critical well control functions in challenging completion and intervention operations. Our subsea safety systems (ELSA) and subsea control systems (EXPRESS) are specifically designed to minimise risk in subsea completion and intervention operations and to achieve secure well status in the event of an emergency. These completion and intervention solutions can be used with both horizontal and vertical tree systems and we can provide a number of specialist large bore, high pressure, high debris and coiled tubing cutting capabilities.

Our subsea systems have unique functional and technical advantages. Our dual redundant control technology has been specifically designed for completions where safety and reliability is the highest priority. Our systems have been successfully deployed on over 900 subsea completion operations since 1998 allowing us to build a depth of experience unique in this market segment. Given the technical challenges of most subsea wells, we have built a strong team with an exemplary track record of delivering complex projects.

*Well Integrity and Intervention Services*

We support our customers in delivering hydrocarbons safely throughout the life of their wells through our range of well integrity and intervention services. We are the world's largest independent wireline service company, performing around 6,000 wireline runs every month. Our experience, technical excellence and innovation allow us to deliver tailor-made solutions to meet our customers' well data needs. We can provide multi-functional deployment equipment suitable for rapid deployment on land, platform and deepwater subsea conditions globally.

Our most common intervention service is slickline. We provide every slickline capability from basic completion intervention applications to advanced services with highly trained competent experts. In addition to slickline we can provide a braided line service for both heavy duty wireline fishing, electric line and fibre optic services that allow our customers to understand and optimise their well and reservoir production on a real-time basis.

*Perforating Services*

Expro is one of the largest global providers of perforating services; providing slickline, electric line and tubing conveyed explosives services, for production and injection wells and well abandonments, employing an operational workforce of highly trained and qualified personnel across our global bases for field operations and onshore support. We provide a wide range of in-house designed and engineered firing heads, which maintained a historical success rate of greater than 98%, and offer a wide selection of gun sizes, charge types, explosive types, shot densities and phasing, and system configurations.

**Production services**

We offer our customers a range of production services that allow them to accelerate first oil, optimise production from existing fields and enhance production from mature, declining fields. Our Production Services segment accounted for approximately 11% of our revenue in the year to 31 March 2017.

## Strategic report (continued)

Year Ended 31 March 2017

Within our Production Services segment we provide the following products and services:

### *Production Systems*

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 re-injection 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 separated, treated as necessary, and pumped to storage facilities or an export pipeline.

Our production systems are designed bespoke to our customers' requirements and include early production facilities, production enhancement packages and well unloading units, mobile offshore production units, permanent production systems, water handling and treatment plants, seawater injection packages and gas compression and injection packages.

Our solutions provide our customers with the ability to bring new developments on stream quickly, ahead of permanent facilities being installed, and thus offer compelling financial and operational benefits. In addition, our early production facility solutions can be used for small reserves that would otherwise not meet acceptable risk criteria or would be uneconomic to produce with a permanent facility; thereby our early production facility in effect becomes the permanent "life of field" solution.

Through the experience of our team, we have an established track record for delivery of early production facility projects in timescales that are unrivalled. Expro achieve this by constructing our early production facilities around modular, prefabricated equipment with reconfiguration flexibility for production optimisation. In the field our systems are operated by experienced personnel, with state-of-the-art control and safety systems, including real-time monitoring and data acquisition services.

The Production Systems business also utilises their facilities project management skillset to design, build and sell a range of well test equipment and burner boom systems that meet the highest industry standards. Within our burner boom product line we offer king posts, horizontal and vertical burner booms and head configurations that incorporate our "clean burner technology".

### *Metering*

Expro is the only company to provide clamp-on sonar measurement products that provide non-intrusive, real-time surveillance of flow on production and injection wells or flow lines. These surveillance services are used to help optimise our customer's injection, artificial lift and production systems with the end result of increasing production rates, increasing reservoir recovery and reducing production costs.

### **Market overview**

We operate in the global well test, subsea completion, well intervention and production systems market.

The market dynamics that affect our business are driven by the following underlying factors:

- **Global demand for oil and gas.** The primary driver of our business is our customers' capital and operating expenditures dedicated to oil and gas exploration, field development, production and abandonment. Therefore, our activity and revenues are closely tied to the global demand for oil and gas which in turn drives industry appraisal, field development and production expenditures. Whilst the current market cycle has resulted in significant reductions in E&P expenditure, the market is showing signs of rebalancing in 2017. In line with the long term oil and gas industry we will continue to benefit from increased consumption and need for hydrocarbons;
- **Reserve replacement.** Without exploration and appraisal activity the reserve base that facilitates current production levels will decrease. To counter the production decline of existing fields and provide for future growth it is therefore essential that IOCs, NOCs and independent E&P companies replace reserves through the continued discovery and development of new fields and reservoirs. The current market cycle has changed the risk profile of our customers exploration and appraisal investments leading to reduced frontier programmes, however there will always be a longer term need to explore for new reserves to meet future production demands;

## Strategic report (continued)

Year Ended 31 March 2017

- **Long-term deepwater development activity.** Deepwater development projects require significant investment and low oil prices have resulted in delays to some final investment decisions. However following significant industry efforts to reduce the break-even cost per barrel by nearly 50%, previously deferred projects are now progressing. We continue to remain very positive about the sector as IOC companies, in particular, will have no alternative but to target deepwater for production and reserve growth. Hence, we believe that both the subsea equipment and subsea services market segments will continue to be strong, long-term growth segments in the oilfield services industry;
- **Demand for early production and production enhancement solutions.** In the current market cycle IOCs, NOCs and independent E&P companies are focusing on ways of accelerating production from recent discoveries and enhancing production from existing fields whilst optimizing cash expenditure.

### Business strategy

We strive to be the market leader in well flow management and deliver the highest standards of safety, quality and personalised customer service. Our business strategy comprises the following objectives:

- **To extend and enhance our reputation as a trusted service provider.** We are focused on delivering the highest standards of safety, quality and service to our customers. We focus on structured investments in people, equipment, technology, infrastructure and our robust performance management system to create a continuous improvement culture to deliver to these high standards. We seek to adopt a partnership approach to working with our customers by carefully understanding their requirements so that we may adapt our services and technologies to satisfy them.
- **To focus on our core markets and competencies.** We continue to focus our capital and resources on projects where we believe our capabilities, technology and quality of service will make a difference to our customers and shareholders. We have avoided expanding into market segments that do not contribute to our core business or that dilute our competitive advantage. We focus on high growth market segments where technical demands present high barriers to entry. We believe our ability and track record of providing reliable, time sensitive services in these challenging environments differentiates us from many of our competitors.
- **To maintain and strengthen our leadership positions in well testing, intervention and subsea landing string markets.** We are the leading provider of large bore subsea completion landing strings and associated services in the deepwater development market sector. We are also a market leader in the provision of offshore well test and wireline intervention services. We intend to maintain and strengthen these positions through continued operational excellence, deeper customer partnerships and technological advances that further improve the functionality, technical limits and reliability of our offering. We intend to build on our successes in these markets by offering customers complementary services and technologies and continuing to focus on quality, service and safety.
- **To generate profitable growth.** While maintaining our disciplined approach to operational planning and execution, we intend to profitably expand our business by:
  - Increasing our geographic presence through the selective expansion of our business into new markets where we are currently either not present or currently operating on a smaller scale;
  - Increasing customer penetration by expanding the number of high value-added services used by our key customers and enhancing our status as a preferred supplier among our customers;
  - Continuing to develop new markets for our proprietary new technologies; and
  - Identifying complementary acquisitions that are consistent with our general strategy.

In the current market conditions, we have proactively managed our strategy to focus on managing the business through the downturn by implementing a broad suite of business initiatives including:

- Rigorously managing the cost base;
- Optimising revenue from the existing asset fleet;
- Managing customer relationships and long term contracts;
- Leveraging extensive global footprint; and
- Seeking new revenue generation opportunities.



## Strategic report (continued)

Year Ended 31 March 2017

### Business structure

We manage our operations on a geographical basis. These segments comprise the following regions: Europe CIS; Sub-Saharan Africa; Asia, Middle East and North Africa; and North and Latin America. We operate in both onshore and offshore environments in each of our regions, with a particular focus in the offshore and deepwater markets where we hold market leading positions. These operating regions are supported by a product line organisation, which is primarily responsible for allocating and building capacity on a global basis and identifying and developing new products and services.

#### *Europe CIS*

Activity in Europe CIS is focused primarily in the United Kingdom and Norwegian sectors of the North Sea, Continental Europe, Kazakhstan and the Mediterranean. Our business in this segment is predominantly offshore with a large proportion of this activity associated with subsea field development. We are the market leader in well testing and subsea completion landing strings in both the United Kingdom and Norway. We have a broad customer base in this segment, underpinned by long standing relationships with a number of major IOCs and NOCs with whom we have long-term contracts for our services.

As the UK and Norway are fairly mature markets, exploration and appraisal activity has been relatively low compared to other geographical areas. However it has experienced a range of significant asset transfers recently, which is forecast to rejuvenate the basin. This is supported by the UK Oil and Gas Authority's efforts to maximise the economic recovery from the oil and gas sector, including a continued focus on production optimisation and early-abandonment, which offers short and long term opportunities for Expro.

#### *Sub-Saharan Africa*

Within this region we serve a number of unique markets including Angola, Chad, Congo, East Africa, Gabon, Senegal, Mozambique, Ghana and Nigeria. Activity in this segment is in particular being driven by deepwater development activity in offshore Angola and Nigeria with demand for our large bore subsea completion landing strings and wellbore clean-up services, onshore early production systems, integrated exploration and appraisal packages and onshore intervention services.

Within Sub-Saharan Africa we have a large number of long-term deepwater development contracts for offshore projects in West Africa for well clean-up and subsea completion landing strings that typically require the supply of dedicated equipment packages on fixed monthly rates. These contracts provide us with stable revenue and long-term revenue visibility. We also hold a number of well intervention, early production and production enhancement contracts where we assist our customers in accelerating and optimizing production from their reservoirs.

#### *Asia, Middle East and North Africa*

In Asia, Middle East and North Africa we have a high proportion of NOC customers and we focus on our core markets of Algeria, Australia, Brunei, Egypt, India, Indonesia, Iraq, Malaysia, Saudi Arabia and Thailand.

Our Asia business is largely focused offshore, including the development of new deepwater fields or the production enhancement of existing brownfields. Our deepwater development activity, largely through long-term contracts held in India, Indonesia and Australia, typically comprises well clean-up packages, large bore subsea completion landing strings and well intervention services. A large number of these are gas fields and as a result we have developed a strong track record and recognized technical capability in the clean-up, fluid sampling and metering of high flow rate gas wells. Offshore production enhancement services include our well unloading units, water injection and gas compression facilities in the Gulf of Thailand and offshore Malaysia, including well intervention services and well surveillance services using our clamp-on sonar metering technology.

Our Middle East and North Africa activity is largely land based, including Algeria, Egypt, Iraq and Saudi Arabia. In Algeria and Saudi Arabia we have a strong rig-less land based well test and intervention business as a result of long-term NOC contractual relationships. In Iraq and Algeria we have strong metering business where there is a clear value proposition for non-intrusive, clamp-on metering services to optimise production. In Egypt, where our clients are typically land based IOC and independents, we offer a broader range of well test, intervention, fluid sampling and analysis and production system services.

Within Asia we have non-consolidated interests in two joint venture companies through partnerships with PV Drilling Expro International Company Limited in Vietnam and COSL – Expro Testing Services (Tianjin) Company Limited in China.

## Strategic report (continued)

Year Ended 31 March 2017

### North and Latin America

Our North and Latin America business is focused on core markets comprising Brazil, US Gulf of Mexico, US Land and Alaska. We also have a smaller presence in Mexico, Bolivia, Argentina and Canada.

Activity within Brazil comprises mainly well testing and clean-up services, well intervention and wireless reservoir monitoring contracts. This includes a combination of deepwater and land based work, the latter comprising appraisal and fiscal metering activities.

Our North America business is primarily driven by the US Gulf of Mexico market where we have continued demand for our subsea landing string and well testing services with major IOC and independents. In Alaska our activity is land based, comprising well testing and intervention services. Our United States land business is largely tied to unconventional tight oil and shale gas activity for which we provide a range of well clean-up, Expro PowerChoke™ and well testing services.

### Health and safety

The health and safety of our personnel remains of paramount importance to us. Commitment from all levels of the business ensures we deliver the highest standards of safety performance, demonstrated by a twelfth consecutive award from the Royal Society for the Prevention of Accidents (RoSPA). In 2016 Expro received the President's Award for its commitment to continuous improvement in health and safety management, as it continues to promote a culture of Champion Safety. The company achieved a number of LTI free milestones across the business, including two years for the ECIS region and six years for Asia. Expro is working on a range of campaigns to target key areas of safety, including the reduction of recordable vehicle incidents in MENA, which has fallen by nearly 70% in FY17 and is being rolled out globally. Process Safety is also a key campaign for next year, focused on preventing the loss of primary containment from any given process – a major priority for operators. This is supported by a range of ongoing occupational health and safety management, including systems, leadership and workforce engagement, which can be read about in the 2016 CSR report.

Underpinning our approach to achieving safety performance is our Excellence in Operations programme, a strategic focus to drive safety and quality across the business with three main themes: safety, service quality and customer care. This is embedded within the organisation through established objectives and targets; which, along with the Expro "House Rules" are the foundation for our working environment.

The chart below shows our lost time injury frequency ("LTIF"), or the number of lost-time injuries requiring more than one day away from work per million hours worked over a period of the preceding twelve months, as compared against our internal target and the International Oil and Gas Producers ("IOGP") average performance index.

	31 March 2017			31 March 2016		
	Actual	Target	IOGP average performance index	Actual	Target	IOGP average performance index
LTIF	0.34	0.5	0.55	0.3	0.5	<0.78

### Employees

We employ approximately 4,100 employees and 360 contractors. Of our employees, approximately 32% are employed in Europe CIS, approximately 10% in Sub Saharan Africa, approximately 18% in North and Latin America, and approximately 40% in Asia, Middle East and North Africa. We utilise contract personnel to maintain the necessary flexibility to address the requirements of specific project needs, such as a peak during a shutdown or turnaround, short-term project demands or gaps and the ability to realign our needs and customers' requirements during fluctuations in economic conditions.

This includes our response to the continued market downturn, which triggered a range of cost reduction measures, including a reduction of employee headcount. We continue to monitor market conditions and work closely with our employees and customers to manage the business through the environment.

## Strategic report (continued)

Year Ended 31 March 2017

We provide our services in industries with needs that are constantly evolving and place great importance on maintaining and developing the knowledge of our employees through training tools, competency processes, and structured development programmes. We manage competency frameworks for the vast majority of our operational employees. Training and on-the job development are the primary means through which we seek to adapt or enhance the competencies and expertise of our employees.

We have two key processes through which we promote a performance based culture. The Employee Development Plan (EDP) 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. Our Management Development Programme gives our managers and potential managers the necessary skills to grow and improve the business and drive Expro to greater success. We have a Graduate Development Programme that identifies and develops high-calibre graduates in our core product lines exposing them to the relevant training and experience to move them to a senior operational role at the end of the programme. We also have ADVANCE; a series of intensive accelerated learning programmes which are aimed at different levels of personnel. This 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.

One of Expro's strategic goals is to create a motivated and prepared workforce, which is proud to join and be part of Expro and to be the employer of choice in our sector. To achieve this we attract and develop talent that embraces Expro's values and ensure that we engage with our employees at all levels. The last employee survey results showed an increase in both participant levels and overall job satisfaction. In addition, employees confirmed that they are aware of our values and behaviours and they are well on the way to being embedded in the environment and culture at Expro. When recruiting, we believe that we benefit from our reputation both as a high quality service provider and a global employer, combining varied career opportunities with tailored training, development and competitive compensation. Our sourcing tools increase our global footprint in recruitment marketing activities, providing channels to place our vacancies across multiple sources such as the Expro website, job boards and social media, allowing us to build and maintain talent pools in key disciplines and thereby pro-actively respond to our recruiting needs.

A minority of our employees are subject to collective bargaining agreements and are unionised. We work closely, and maintain good relationships, with the unions in all locations and with any relevant Works Councils. Where we have collective labour agreements they are reviewed regularly with relevant parties. We have the standard representative bodies (union representatives, personnel representatives, employee committee, health, safety and working conditions committee) as required by local legislation.

### Reputation

The Expro Code of Conduct operates across the business to provide a framework for responsible, innovative and ethical yet commercial business practices. Structures for accountability through operating units to executive management to the Board of the Company are clearly defined. The proper operation of the supporting processes and controls are regularly reviewed.

Everyone who works for Expro is expected to comply with the Expro Code of Conduct. Relevant contractors and service providers are also expected to comply with those parts of the Expro Code that relate to them, or to have adopted similar codes of conduct. The Company's Board considers compliance to be at the forefront of the business's responsibilities and one of the cornerstones of delivering operational excellence. Expro's commitment to compliance is absolute. It maintains its reputation as a trustworthy and reliable organisation and protects the international operating reputations of its customers.

## **Strategic report (continued)**

Year Ended 31 March 2017

### **Social responsibility**

Expro strives to have a positive impact on the communities in which it operates and is committed to conducting its business with integrity at all times. The relationship with our employees and suppliers is key to this, as we position ourselves as the 'employer of choice' while maintaining a valued and supportive extended supply chain network.

Beyond these direct impacts, Expro remains committed to delivering a diverse and active community engagement programme. We have embraced our company values and behaviours to develop a framework of activity including charitable, sporting, environmental and community based events. Full details of this can be found in our CSR Report.

To continually meet the expectations of the communities in which we operate and to maintain our reputation as a trustworthy and reliable organisation, we aim to conduct our business as a responsible corporate member of the community. 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.

## Strategic report (continued)

Year Ended 31 March 2017

### Principal risks and uncertainties

#### Financial position

Expro has a highly leveraged capital structure and are subject to certain financial maintenance covenants which must be achieved to ensure ongoing compliance with the terms of our borrowing facilities. Key ratios are monitored on both historical and forward looking bases to ensure continued compliance with those covenants, and to ensure that we have adequate liquidity to meet our contractual obligations as they become due.

We regularly review our medium term financial projections to highlight potential shortfalls, in order to ensure mitigating actions could be taken if necessary. Our management of additional financial risks is set out in Note 26.

#### 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.

In the medium to long-term, reserve levels and views on alternative energy have an impact. While short-term price is important, it is the impact of that price on our customers which has a direct impact on activity levels in the upstream oil and gas sector. 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. Weather conditions can also affect supply and therefore price.

#### Political

We operate in a number of locations that are susceptible to political, social or economic instability. In such locations we may be exposed to increased risk of discriminatory adverse changes to relevant regulations or taxation policy and in some cases may not be able to effectively enforce our contractual rights through an independent legal system. In such locations we 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 our operations, security threats to our employees or expropriation of our assets. We seek to structure our operations and contractual arrangements to mitigate these risks where possible.

#### Regulatory

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.

#### Foreign currency

We transact in a number of different currencies and therefore our revenue, costs and cash flows are exposed to transactional foreign exchange risk. We are also exposed to translational risk from the revaluation of net monetary assets and liabilities.

Revenues earned during the year were 74.4% in US Dollar, 11.6% in Pound Sterling, 2.3% in Norwegian Kroner, 2.3% in Brazilian Real, 2.7% in Euros, and the balance of 6.7% was spread across a variety of other currencies. We present our results in US Dollar and therefore revenue will be subject to the relative strength or weakness of the US Dollar against prevailing foreign exchange rates.

#### Risk management

Disclosures in respect of financial risk management have been included in Note 26.

## Strategic report (continued)

Year Ended 31 March 2017

### Financial results and operating performance

#### Introduction

This business review presents the financial and operating results for Expro International Group Holdings Limited and its consolidated subsidiaries for the year ended 31 March 2017 compared to the year ended 31 March 2016.

#### Key points arising

In order to facilitate an understanding of our performance and progression over prior periods, segmental revenue and adjusted measures have been provided to identify key trends over the periods under review. We would like to highlight the following points in this report:

#### *Use of adjusted measures*

Adjusted items are items not considered by management to be part of our core operations. Full details are set out in Note 3.

#### *Market Conditions*

In the second half of 2014, the oil market experienced an excess of supply, most notably as a result of high domestic output in North America. This was combined with a slowdown in demand from key consumer regions such as Europe and parts of Asia and the position of the Organization of Petroleum Exporting Countries ("OPEC") to maintain production output levels. During 2015, additional economic and political events, such as a slowdown of growth in China, the resumption of Iranian exports and continued increase in Russian production, added to the negative sentiment weighing on the price of crude oil, causing prices to fall to a low of \$30 per barrel in January 2016.

In response to the lower oil price the industry has cut E&P spending, leading to a reduction in rig count associated with exploration activity and subsequently, a reduction in development activity. This excludes the Middle East, where rig count and activity levels have remained largely unchanged. Combined with unplanned production outages, Canadian wild fires, disruption in the Niger Delta and increasing oil imports to the US to replace declines from shale production, the oil price strengthened back to \$50 per barrel in October 2016. This subsequently stabilized at \$55 in late December/early January 2017, following OPEC's recent announcement to cut production by 1.2 million barrels per day, supplemented by non OPEC countries reducing their output by a further 600,000 barrels. Over the past six months, the oil price has remained stable around \$48 to \$53 per barrel.

While we are beginning to see increases in shale production, which may impact oil prices, 2017 still marks a clear turning point for the industry. We expect market conditions to remain challenging in the short-term and mid-term, in particular, a significant proportion of our business is driven by offshore field development activity which is a late cycle market and this area of our business remains highly challenging in the current environment. However, we are confident that in the longer term we will see strong demand for our services as oil and gas companies will need to maintain their reserve base and develop new fields in order to counter production decline from existing fields and provide for future growth. We will continue to monitor market conditions and work closely with our key stakeholders in order to manage the business through the industry downturn.

#### *Refinancing Agreements*

In July 2015, we completed an Amend and Extend transaction related to our Mezzanine loan facility, where we reached agreement with the majority of the Mezzanine lenders to amend the terms, and extend the maturity date of their outstanding portion of this loan facility. In addition, our shareholders successfully completed a rights issue, which raised \$333m of equity, of which \$283m was used to repay our Mezzanine loan facility (including some accrued interest).

On 26 February 2016, we reached agreement with our revolving credit facility lenders to amend certain financial and non-financial covenant terms of the facility. In addition, the facility size was reduced to \$175m.

In December 2016, we signed an amendment to the RCF, which among other things has ultimately extended the maturity of the facility to March 2021.

**Strategic report (continued)**

Year Ended 31 March 2017

**Financial results and operating performance (continued)**

During October 2016 our owners completed a debt for equity swap transaction related to our Shareholder Loan and Mezzanine Loan Facilities. On 6 October 2016 we issued 333,281,666 class A ordinary shares of \$0.01 to Umbrellastream Limited Partnership Incorporated ("ULPI"), our ultimate parent company and controlling party, in return for the settling of Shareholder Loans due from us to ULPI of \$7,396.2m. On 25 October 2016 we then issued 777,657,221 class B ordinary shares of \$0.01 to certain consenting lenders under our Mezzanine Loan Facility in return for the cancellation of \$784.3m of debt outstanding under this facility. As a result of this transaction all shareholder debt and 98% of Mezzanine Loan Facility debt was waived. Our net debt, excluding shareholder debt, was reduced by 38%.

On 6 October 2016, the 100,007 ordinary shares of £1 each that were in issue prior to this transaction were redenominated at a rate of US\$1.2958 to £1 (being the closing spot rate of exchange on 21 September 2016, as determined by the Bank of England), resulting in 100,007 ordinary shares of US\$1.2958 each. Immediately following this redenomination the 100,007 ordinary shares were consolidated in one ordinary share of US\$129,589.07. This one ordinary share was then immediately redesignated as one deferred share of US\$129,589.07.

The deferred share carries no right to vote or receive dividends and only a right to a nominal return in the event of a return of capital. The Class A and B ordinary shares that were issued under this transaction have equivalent rights to vote, receive dividends and participate in a winding up.

Following this transaction, all companies that existed above us in the structure, including ULPI, were collapsed such that we became the principal holding company of the Expro Group. We are currently owned by a private equity consortium including both former owners of ULPI and the former holders of the Mezzanine Loan facility debt that was converted into Class B Ordinary Shares. As affiliates of former owners of ULPI also had significant holdings of debt under our Mezzanine loan facility parties that previously owned ULPI before the transaction and their affiliates continue to own the majority of our shares.

On 28 December 2016, Expro International Group Holdings Limited issued redeemable preference shares of \$71.8m to certain investors, followed by an issue of \$6.9m on 10 January 2017 and \$21.3m on 24 February 2017 such that a total of \$100m preference shares have been issued. The preference shares do not carry any dividend or voting right.

For further details refer to Note 23 and 26 of the accompanying financial statements.

***Goodwill and Intangible Asset impairment***

As required by IAS 36, goodwill and intangible assets with indefinite lives are reviewed annually for impairment and whenever facts and circumstances indicate that their carrying amounts may not be recoverable. In light of changing market conditions in the oil and gas industry, we reviewed our goodwill and intangible assets for impairment as at 31 March 2017 and recorded impairment charges totalling \$619.5m. This included a goodwill impairment charge of \$362.2m, which arose in Europe CIS, (\$52.5m), in Sub-Saharan Africa (\$79.9m), Asia (\$75.5m) and North America (\$154.3m) and an intangible asset impairment charge of \$257.3m.

At 31 March 2016 we recorded a goodwill and intangible asset impairment charge of \$458.8m. This included a goodwill impairment charge of \$450.0m, which arose in Europe CIS, (\$133.1m), in Sub-Saharan Africa (\$236.m) and Latin America (\$80.4m) and an intangible asset impairment charge of \$8.8m which arose in Latin America.

***PPE impairment***

As required by IAS 36, assets are reviewed for impairment whenever facts and circumstances indicate carrying amounts may not be recoverable. As a result of unfavourable market conditions in the oil and gas industry, the Group tested the recoverability of its property, plant and equipment at 31 March 2017 and concluded that certain assets were no longer recoverable and certain assets were no longer utilized. As a result we recorded a PPE impairment charge of \$26.9m (31 March 2016:\$26.7m). See Notes 12 and 13 for further details.

**Strategic report (continued)**

Year Ended 31 March 2017

**Full Year performance compared to prior year**

	Year to 31 March 2017 \$'000	Year to 31 March 2016 \$'000	Change
Revenue	678,625	914,526	(25.8%)
Adjusted operating profit <sup>1</sup>	130,644	228,315	(42.8%)
Adjusted operating margin <sup>2</sup>	19.3%	25.0%	(5.7pts)
Operating loss <sup>3</sup>	(777,055)	(532,151)	46.0%

**Overall trading performance**

Revenue for the year to 31 March 2017 of \$678.6m was down 25.8% compared to the same period last year. This decrease resulted from the impact of reduced hydrocarbon prices which led to lower activity levels across each of our regions and major product and service offerings. In addition, the effect of foreign exchange fluctuations negatively impacted revenue.

Our adjusted operating margin was down on the prior year with the impact of lower revenue being substantially mitigated by lower adjusted operating expenses. The reduction in adjusted operating expenses resulted from lower personnel costs following the implementation of headcount reduction programmes, lower activity related expenditures for contractors, consultants, field bonuses and overtime and lower equipment and consumable costs.

**Segmental revenue**

	Year to 31 March 2017 \$'000	Year to 31 March 2016 \$'000	Change
Europe CIS	162,774	217,262	(25.1%)
Sub-Saharan Africa	129,665	182,708	(29.0%)
Asia, Middle East and North Africa	246,197	300,532	(18.1%)
North and Latin America	139,989	214,024	(34.6%)
<b>Revenue</b>	<b>678,625</b>	<b>914,526</b>	<b>(25.8%)</b>



**Strategic report (continued)**

Year Ended 31 March 2017

*Europe CIS*

Full year revenue for the period to 31 March 2017 was \$162.7m or 25.1% lower year-on-year due to low activity across the segment. Revenue was down across all major geographies in the segment and all major product and service offerings, with UK, Norway and Commonwealth of Independent States accounting for the majority of the decrease.

During fiscal year 2017, we continued to see low exploration and appraisal activity and the deferral of development projects and non-essential maintenance work in the North Sea markets of UK and Norway. The majority of contracts in these markets are long term, but are compensated through call out rates and as a result of continued lower activity levels revenue for our well test, subsea and wireline offerings declined. Revenue in the UK for the year ended 31 March 2017 was also impacted by the non-recurrence of work for an offshore gas development project in Ireland on which we generated strong revenues in the previous fiscal year.

We have seen robust performance in the Commonwealth of Independent States during fiscal year 2017, but the level of revenue generated was lower than for the same period last year, due to the client volume of activity in Kazakhstan.

Performance in Continental Europe during fiscal year 2017 was up compared to the same period last year, primarily on higher completion and intervention revenues in Israel.

*Sub-Saharan Africa*

Revenue was down in Sub-Saharan Africa, closing at \$129.6m, a decrease of 29.0% compared to the previous year. This decrease was primarily due to lower revenue related to all of our product and service offerings, with subsea, completion and intervention services accounting for the majority of decline in revenues.

The offshore development market was challenging during fiscal year 2017 and we have had several longer term subsea contracts in both Angola and Nigeria either complete or be suspended over the last twelve months. This has resulted in lower subsea revenues in both of those geographies.

Revenues for our subsea, completion and intervention service offering decreased during the fiscal year ended 31 March 2017 compared to the same period in the prior year primarily due to lower activity in Angola, Nigeria, Congo and the completion of a contract in Cameroon, partly offset by higher revenues in Gabon, Ghana and Mozambique. Well Test revenue during the fiscal year ended 31 March 2017 was lower compared to the prior year due to the non-repeat of certain contracts, partially offset by higher activity in Mozambique and Senegal. Revenue for our production services offering during the fiscal year ended 31 March 2017 decreased slightly compared to the same period in the prior year, partially offset by strong performance in Gabon and Angola.

*Asia, Middle East and North Africa*

There was an 18.1% decrease in revenue for the year to 31 March 2017 with revenue for the segment closing at \$246.1m. This decrease was primarily due to lower revenue from our PTI business and a decrease in several other markets in Asia, offset by growth in the Middle East and North Africa.

Revenue in Asia during the fiscal year to 31 March 2017 decreased compared to the same period in 2016 across all of our product and service offerings, with production service revenue in Malaysia, Thailand and Venezuela accounting for the majority of the decrease. This decrease was partly offset by increased well test and subsea and completion revenue in India and an increase in subsea and completion revenue in Thailand during the fiscal year ended 31 March 2017.

Revenue in the Middle East and North Africa during the fiscal year ended 31 March 2017 increased compared to the same period in 2016 due to higher well test and production services revenue in Algeria and higher subsea and completion revenue in Qatar as a result of a new wireline contract, partly offset by lower well test revenue in Saudi Arabia through a combination of lower activity and price concessions.

## Strategic report (continued)

Year Ended 31 March 2017

### *North and Latin America*

Revenue for the year was \$140.0m, down 34.6% compared to the previous year due to lower activity in the Gulf of Mexico, Alaska, Canada and Brazil, offset by increased subsea revenues in Trinidad.

Our business in the Gulf of Mexico is primarily driven by offshore field development activity where we provide subsea landing strings and well clean up services. We have a number of longer term contracts where we are primarily compensated through call out rates but have some contracts where we receive a fixed monthly retainer. Our revenue in the Gulf of Mexico during the fiscal year ended 31 March 2017 was significantly down compared to the same period in 2016 due to a particular development project on which we receive a fixed monthly retainer where we agreed a reduction in the scope of services we provide. This decrease has been partly offset by revenue growth for our well test and subsea and completion offering in this geography.

Revenue in Alaska during the fiscal year to 31 March 2017 compared to the same period in 2016 was down on lower exploration and appraisal activity.

Revenue in Canada during the fiscal year ended 31 March 2017 compared to the same period in 2016 decreased due to the non-recurrence of a major exploration and appraisal campaign on which we earned significant revenue during the last fiscal year. This was partly offset by new subsea work.

Revenue generated in Brazil during the fiscal year ended 31 March 2017 compared to the same period in 2016 decreased, primarily as a result of the completion of our main offshore well test contract, on which we continued to generate revenue until the third quarter of fiscal 2016. During fiscal 2017, we continued to generate revenue through our offshore subsea, completion and intervention services offering.

US Land revenue during the fiscal year ended 31 March 2017 compared to the same period in 2016 decreased primarily as a result of lower revenues for our well test and appraisal service offering. During fiscal 2017, we benefited from a new subsea contract in Trinidad.

## Strategic report (continued)

Year Ended 31 March 2017

### Foreign exchange rates

The following table sets out the foreign exchange rates used to translate monetary assets and liabilities held in foreign currencies in our closing balance sheet.

	31 March 2017	31 March 2016
	\$1 equals	\$1 equals
AUD (Australian Dollar)	1.3099	1.3063
BRL (Brazilian Real)	3.1684	3.6116
EUR (Euro)	0.9355	0.8839
GBP (Pound Sterling)	0.8000	0.6947
NOK (Norwegian Kroner)	8.5933	8.3472

The following table sets out the average foreign exchange rates used to translate foreign currency denominated transactions that occurred during the year.

### Average foreign exchange rates

	Year to 31 March 2017	Year to 31 March 2016
	\$1 equals	\$1 equals
AUD (Australian Dollar)	1.3319	1.3621
BRL (Brazilian Real)	3.3104	3.5924
EUR (Euro)	0.9108	0.9107
GBP (Pound Sterling)	0.7620	0.6644
NOK (Norwegian Kroner)	8.3543	8.2968

### Working capital

	31 March 2017	31 March 2016	Change
	\$'000	\$'000	\$'000
Revenue	678,625	914,526	(235,901)
Working capital <sup>6</sup>	124,527	132,416	(7,889)
Add back accrued interest (note 19)	18,858	57,327	(38,469)
Adjusted working capital	143,385	189,743	(46,358)
Working capital percentage <sup>7</sup>	21.1%	20.7%	(0.4 pts)

One of our key performance indicators is adjusted working capital as a percentage of annual actual sales. This measure has marginally decreased from 20.7% to 21.1%.

<sup>6</sup> "Working capital" is defined as Inventories, plus Trade and other receivables plus Other non-current assets, less Trade and other payables and Other non-current liabilities as set out within the consolidated statement of financial position.

<sup>7</sup> "Working capital percentage" is the ratio of adjusted working capital over last 12 month revenue.

**Strategic report (continued)**

Year Ended 31 March 2017

**Capital expenditure**

Capital expenditure for the fiscal years ended 31 March 2017 and 2016 was as follows.

	Year to 31 March 2017	Year to 31 March 2016	Change
	\$'000	\$'000	\$'000
Capital expenditure <sup>a</sup>	(38,715)	(90,226)	51,511

Year to date capital expenditure amounted to \$38.7m, a decrease of \$51.5m on the previous year. This decrease was due to tight spending controls put in place as a result of the current market conditions. The current year spend was primarily related to equipment required for new contract awards and was primarily focused on our large bore subsea landing string offering.

**Net debt**

At 31 March 2017 we held net debt of \$ 1,268.1m as set out below (31 March 2016 \$ 1,991.9m).

	31 March 2017	31 March 2016	Change
	\$'000	\$'000	\$'000
Finance leases	20,026	14,679	5,347
Term loans	1,241,332	1,249,266	(7,934)
Revolving Credit Facility	64,385	69,139	(4,754)
Mezzanine loan	16,121	737,035	(720,914)
Less: cash	(73,812)	(78,238)	4,426
<b>Total net debt</b>	<b>1,268,052</b>	<b>1,991,881</b>	<b>(723,829)</b>

The above reflects the position after the completion of our debt for equity swap transaction completed in October 2016, please refer to Note 9 for further information on this transaction.

**Leverage**

At 31 March 2017, our leverage ratio was 9.7x as set out below (31 March 2016: 8.7x).

	31 March 2017	31 March 2016	Change
	\$'000	\$'000	\$'000
Net debt	1,268,052	1,991,881	(723,829)
Adjusted operating profit	130,644	228,315	(97,671)
<b>LTM leverage</b>	<b>9.7 x</b>	<b>8.7x</b>	<b>1.0 x</b>

<sup>a</sup> "Capital expenditure" is the equivalent of cash outflow on the purchase of property, plant and equipment as set out within the cash flow statement.

**Strategic report (continued)**

Year Ended 31 March 2017

**Liquidity**

At 31 March 2017, we had total liquidity headroom of \$155m as set out below (31 March 2016: \$156.1m).

	31 March 2017	31 March 2016	Change
	\$'000	\$'000	\$'000
Cash	73,812	78,238	(4,426)
Undrawn loan facilities	84,730	79,730	5,000
Restricted cash	(3,531)	(1,913)	(1,618)
<b>Liquidity headroom</b>	<b>155,011</b>	<b>156,055</b>	<b>(1,044)</b>

**Covenants**

We are subject to financial and non-financial covenants on our term loan and revolving credit facility. During the period under review and at 31 March 2017, we were in compliance with all relevant covenants, and we continue to closely monitor these covenants against financial projections.

**Future developments**

Whilst current markets demonstrate volatility, we believe that the recent decline in oil prices to current levels, while creating certain challenges to our overall financial performance in the short-term and mid-term, will not affect the longer term demand for our services from our customers, especially with regards to the longer cycle deep water development projects that will be required to meet future production growth and reserve replacement needs. While the duration of the current market downturn is uncertain, we continue to focus on controlling our costs and have already restructured and resized our business to match the expected reduced activity levels. We will make further adjustments as required to adjust to market conditions.

Further, as discussed in the Director's report, Expro completed a group reorganisation on 5 February 2018, which eliminated the entire funded debt of Expro. As part of the restructuring, the shareholders of the Company transferred all of their interest in the group comprising Expro Holdings UK2 Limited and its subsidiaries, Expro UK DebtCo Limited and Expro Corporate Trustee Limited ("Expro Group") on a going concern basis to Expro Group Holdings International Limited ('EGHIL'), a company incorporated in the Cayman Islands, in exchange for share warrants in EGHIL.

By order of the Board


**Tim Campbell**

Director  
14-16 Cross Street  
Reading  
Berkshire  
RG1 1SN  
21 February 2018

Expro International Group Holdings Limited  
Registered in England & Wales with number 6520356  
Registered office: Third Floor, 14-16 Cross Street, Reading, Berkshire RG1 1SN.

## Directors' report (continued)

Year Ended 31 March 2017

The directors present their annual report on the affairs of Expro International Group Holdings Limited (the "Company") and its consolidated subsidiaries (the "Group") for the year ended 31 March 2017.

### Ultimate parent company

As at 31 March 2016, the Company's ultimate parent company and controlling party was Umbrellastream Limited Partnership Incorporated ("ULPI"), which was registered in Guernsey and owned by a private equity consortium led by Goldman Sachs Capital Partners and Arle Capital Partners. The same entity was the parent undertaking of the largest group for which consolidated financial statements were prepared which included the Company. The corporate structure that existed between the Company and ULPI took the form of a sequence of holding companies incorporated in Guernsey and Luxembourg.

On 25 October 2016 the Company's shareholders completed a debt for equity swap transaction related to its Shareholder Loan and Mezzanine Loan Facilities. As a result of this transaction all of the Company's shareholder debt and 98% of the Group's Mezzanine Loan Facility debt was waived in return for new equity issued by the Company. Following this transaction, all companies that existed above the Company in the structure, including ULPI, were collapsed such that the Company became the principal holding company of the Expro Group. From this point the Company was owned by a private equity consortium that included both former owners of ULPI and the former holders of the Mezzanine loan facility debt that was converted into new equity in the Company. As affiliates of former owners of ULPI also had significant holdings of debt under the Group's Mezzanine Loan Facility parties that previously owned ULPI before the transaction and their affiliates continue to own the majority of the Company's shares.

Subsequently, on 18 December 2017, the Group filed a pre-packaged plan of re-organisation under Chapter 11 of the United States Bankruptcy Code (which was approved by the Court on 25 January 2018). Under the plan, the Group's Term Loan, Revolving Credit Facility and Mezzanine lenders exchanged all of their outstanding principal and accrued interest for equity in the reorganised Group. As part of the restructuring, the shareholders of the Company transferred all of their interest in the group (comprising Expro Holdings UK2 Limited and its subsidiaries, Expro UK DebtCo Limited and Expro Corporate Trustee Limited ("Expro Group")) on a going concern basis to Expro Group Holdings International Limited ('EGHIL'), a company incorporated in the Cayman Islands, in exchange for share warrants in EGHIL, which are exercisable for a consideration, as agreed between the parties to the warrant agreement, on occurrence of certain specified events at EGHIL. The Expro Group emerged from Chapter 11 on 5 February 2018 at which point EGHIL became the Ultimate Parent Company of the Expro Group and also, the immediate parent company of EHUK2. Consequently, EGHIL, is no longer the ultimate parent company of Expro Group and has no interests in Expro Group as of the date of this report.

The Company's subsidiaries and associated undertakings are listed in Note 4 to the Company's financial statements.

### Results and dividend

The Group loss for the year, after taxation, amounted to \$1,090.7m (31 March 2016: loss of \$1,598.1m). The directors do not recommend payment of a final dividend.

### Business review and future developments

The information contained in the Strategic report constitutes the review of the Group's business. It also contains details of expected future developments in the business of the Group, information about expenditure, and key performance indicators used by management.

### Going concern

The directors have a reasonable expectation that 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. Accordingly, the directors have determined it is appropriate to prepare and issue these financial statements on a going concern basis. In making this assessment, the directors considered the Group's principal risks and uncertainties, the current market conditions and future expectations, including financial forecasts for the next twelve months. A key part of these considerations was the post balance sheet event being the sale of the Group subsidiaries, wherein, Expro International Group Holdings Ltd, transferred all of its interest in the Group on a going concern basis to Expro Group Holdings International Limited ('EGHIL'), a company incorporated in the Cayman Islands, in exchange for share warrants in EGHIL, which are exercisable for a consideration, as agreed between the parties to the warrant agreement, on occurrence of certain specified events at EGHIL.

## Directors' report (continued)

Year Ended 31 March 2017

Notwithstanding this and because the Group was transferred to the new equity holders as a going concern post year-end, 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 32.

### Directors

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

John Arney	(resigned 25 October 2016 and re-appointed 01 April 2017)
Tim Campbell	
Brian Dillard	(appointed 25 October 2016)
Alexandre Mignotte	(appointed 25 October 2016)
James Reynolds	(appointed 25 October 2016)
Richard Booth	(resigned 09 January 2017)
Matthieu Boulanger	(resigned 06 January 2017)
Sir George Buckley	(resigned 25 October 2016)
Scot French	(appointed 20 January 2017 and resigned 11 September 2017)
Mike Jardon	(resigned 25 October 2016)
John McAlister	(resigned 25 October 2016)
Ken Pontarelli	(resigned 25 October 2016)
Jean Vernet	(resigned 25 October 2016)
Don Dimitrievich	(appointed 11 September 2017 and resigned on 6 November 2017)
Michael Small	(appointed 25 October 2016 and resigned on 12 October 2017)

### Share capital

During October 2016 the Group completed a debt for equity swap transaction related to its Shareholder loan and Mezzanine loan facilities. On 6 October 2016 333,281,666 class A ordinary shares of \$0.01 were issued to Umbrellastream Limited Partnership Incorporated ("ULPI"), in return for the waiver of Shareholder loans due to ULPI of \$7,396.2m. On 25 October 2016 777,657,221 class B ordinary shares of \$0.01 were issued to certain consenting lenders under the Group's Mezzanine loan facility in return for the cancellation of \$784.3m of debt outstanding under this facility.

On 6 October 2016, the 100,007 ordinary shares of £1 each that were in issue prior to this transaction were redenominated at a rate of US\$1.2958 to £1 (being the closing spot rate of exchange on 21 September 2016, as determined by the Bank of England), resulting in 100,007 ordinary shares of US\$1.2958 each. Immediately following this redenomination the 100,007 ordinary shares were consolidated in one ordinary share of US\$129,589.07. This one ordinary share was then immediately redesignated as one deferred share of US\$129,589.07.

The deferred share carries no right to vote or receive dividends and only a right to a nominal return in the event of a return of capital. The Class A and B ordinary shares that were issued under this transaction have equivalent rights to vote, receive dividends and participate in a winding up.

On 28 December 2016, Expro International Group Holdings Limited issued redeemable preference shares of \$71.8m to certain investors, followed by an issue of \$6.9m on 10 January 2017 and \$21.3m on 24 February 2017 such that a total of \$100m preference shares have been issued. The preference shares do not carry any dividend or voting right. (Refer to note 24 for further details.)

## **Directors' report (continued)**

Year Ended 31 March 2017

### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the requirements of the position and the aptitudes of the applicant concerned. Opportunities are available to disabled employees for training, development and promotion. In the event of individuals becoming disabled while employed by the Group, every effort is made to ensure that their employment with the Group continues, either by the provision of reasonable adjustments to their role or provision of an alternative position and, where appropriate, the provision of training. There may, however, be circumstances in which it will not be reasonably practicable for the Group to accommodate such adjustments or to provide an alternative position.

### **Employment policies**

The Group's employment policies are regularly reviewed and updated to ensure that they remain effective. The policies are designed to promote a working environment which supports the recruitment and retention of effective employees, improves productivity and fosters relationships free of discrimination. Providing all employees with access to training remains a priority.

### **Employee consultation and communication**

Effective communication with employees is an important part of Expro's culture and employees are encouraged to become involved through a range of internal communication methods. Methods of employee communication are in place throughout Expro, including webcasts, one-to-one meetings, department meetings and team briefings, notice boards, e-mail, Expro intranet, Expressions magazine, business newsletters, employee forums and works councils.

### **Pensions**

Details about the Group's pension arrangements are contained in Note 29.

### **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 shareholder and has expressed its willingness to continue in office as auditor.



**Directors' report (continued)**

Year Ended 31 March 2017

**Directors' Responsibilities Statement**

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. The directors have chosen to prepare financial statements for the Group in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and for the Company in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice including FRS 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 Group and the Company and of the profit or loss of the Group for that period.

In the case of IFRS financial statements, IAS 1 requires that the directors prepare Group financial statements for each financial year, which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that year. In preparing the Group financial statements, the directors are required to:

- select suitable accounting policies in accordance with *IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors* and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures, when compliance with specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

In the case of UKGAAP financial statements, the directors are required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

**Tim Campbell**

Director

Third Floor,

14-16 Cross Street

Reading

Berkshire

RG1 1SN

21 February 2018

## Independent auditor's report

Year Ended 31 March 2017

### Independent auditor's report to the Members of Expro International Group Holdings Limited

We have audited the financial statements of Expro International Group Holdings Limited for the year ended 31<sup>st</sup> March 2017 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company's Balance Sheet and the related notes 1 to 32 for the Group accounts and notes 1 to 10 for the Company accounts. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework").

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.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic and Directors' Reports to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

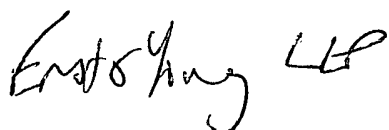
## Independent auditor's report (continued)

Year Ended 31 March 2017

### 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.



*David Hales (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Reading  
21 February 2018*

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<sup>1</sup> The maintenance and integrity of the Expro International Group Holdings Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

<sup>2</sup> Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Consolidated statement of profit or loss**

Year Ended 31 March 2017

		Year to 31 March 2017	Year to 31 March 2017	Year to 31 March 2017	Year to 31 March 2016	Year to 31 March 2016	Year to 31 March 2016
	Notes	Adjusted \$'000	Adjustments <sup>a</sup> \$'000	Total \$'000	Adjusted \$'000	Adjustments <sup>a</sup> \$'000	Total \$'000
<b>Operations</b>							
Revenue	4	678,625	-	678,625	914,526	-	914,526
Cost of sales		(521,566)	(235,832)	(757,398)	(654,531)	(249,511)	(904,042)
Intangible asset impairment	13	-	(257,347)	(257,347)	-	(8,837)	(8,837)
<b>Gross (loss) profit</b>		<b>157,059</b>	<b>(493,179)</b>	<b>(336,120)</b>	<b>259,995</b>	<b>(258,348)</b>	<b>1,647</b>
Impairment of investment in joint venture	8	-	(3,009)	(3,009)	-	-	-
Goodwill impairment	12	-	(362,200)	(362,200)	-	(450,022)	(450,022)
Administration and other expenses		(27,925)	(49,311)	(77,236)	(37,359)	(52,096)	(89,455)
Post tax share of results from joint ventures	8	1,510	-	1,510	5,679	-	5,679
<b>Operating (loss) profit</b>	<b>3</b>	<b>130,644</b>	<b>(907,699)</b>	<b>(777,055)</b>	<b>228,315</b>	<b>(760,466)</b>	<b>(532,151)</b>
Gain on restructuring and extinguishment of debt	9			291,088			-
Net finance costs	10			(632,102)			(1,061,033)
<b>Loss before tax</b>				<b>(1,118,069)</b>			<b>(1,593,184)</b>
Tax credit (expense)	11			27,385			(4,919)
<b>Loss for the year</b>				<b>(1,090,684)</b>			<b>(1,598,103)</b>

<sup>a</sup>Details of adjustments are included in Note 3.

**Consolidated statement of comprehensive income**

Year Ended 31 March 2017

		Year to 31 March 2017	Year to 31 March 2016
	Notes	\$'000	\$'000
Loss for the year		(1,090,684)	(1,598,103)
Items that will not be reclassified to profit or loss		-	-
Re-measurement loss on defined benefit pension	29	(25,986)	(2,790)
Income taxes on pension re-measurement loss	11	4,154	(299)
		<b>(21,832)</b>	<b>(3,089)</b>
Total comprehensive loss for the year, net of tax		<b>(1,112,516)</b>	<b>(1,601,192)</b>

**Consolidated statement of financial position**

Year Ended 31 March 2017

		31 March 2017	31 March 2016
	Notes	\$'000	\$'000
<b>Non-current assets</b>			
Goodwill	12	138,508	500,708
Intangible assets	13	160,299	502,959
Property, plant and equipment	14	364,075	465,830
Interest in joint ventures	8	34,947	39,344
Deferred tax assets	25	30,746	54,709
Other non-current assets	15	5,613	7,565
		<b>734,188</b>	<b>1,571,115</b>
<b>Current assets</b>			
Inventories	16	66,307	66,294
Trade and other receivables	17	224,835	286,337
Tax receivables		29,861	23,999
Cash	18	73,812	78,238
Other assets	14	7,230	463
		<b>402,045</b>	<b>455,331</b>
<b>Current liabilities</b>			
Trade and other payables	19	164,927	221,656
Finance leases	20	281	1,900
Tax liabilities		52,274	53,809
Provisions	22	9,869	8,210
		<b>227,351</b>	<b>285,575</b>
<b>Non-current liabilities</b>			
Finance leases	20	19,745	12,779
Term loan	23	1,241,332	1,249,266
Mezzanine loans	23	16,121	737,035
Revolving credit facility	23	64,385	69,139
Provisions	22	1,892	1,920
Deferred tax	25	36,841	109,633
Pension deficit	29	66,544	47,805
Other non-current liabilities	27	7,301	6,124
Shareholder loan		-	6,903,139
		<b>1,454,161</b>	<b>9,136,840</b>
<b>Total assets less total liabilities</b>		<b>(545,279)</b>	<b>(7,395,969)</b>
<b>Total assets less total liabilities excluding shareholder loan<sup>10</sup></b>		<b>(545,279)</b>	<b>(492,830)</b>
<b>Equity</b>			
Share capital	28	11,240	200
Share premium		8,120,799	268,633
Other Equity	24	100,000	-
Other reserves		(48,218)	(48,218)
Accumulated loss		(8,729,100)	(7,616,854)
<b>Total deficit</b>		<b>(545,279)</b>	<b>(7,395,969)</b>

The financial statements were approved by the board of directors and authorised for issue on 21 February 2018. They were signed on its behalf by:

  
**Tim Campbell**  
 Director

<sup>10</sup> Non-statutory measure in line with management's view of the capital structure of the group to aid the use of financial statements

**Consolidated cash flow statement**

Year Ended 31 March 2017

		Year to 31 March 2017 \$'000	Year to 31 March 2016 \$'000
Notes			
	3	(777,055)	(532,151)
Operating (loss)			
Non cash items before movements in working capital	30	861,076	710,331
		<b>84,021</b>	<b>178,180</b>
Operating cash flow before movements in working capital			
Changes in inventories		(13)	12,501
Changes in receivables		32,469	89,896
Changes in payables		(7,541)	(90,379)
Changes in provisions, and defined benefit contributions		1,199	(2,685)
		<b>110,135</b>	<b>187,513</b>
Cash generated by operations			
Income taxes paid		(24,686)	(32,604)
Interest paid		(116,626)	(99,576)
		<b>(31,117)</b>	<b>55,333</b>
Net cash flow from operating activities			
Investing activities			
Interest received		298	65
Purchase of property, plant and equipment		(39,624)	(90,226)
Proceeds on disposal of intangibles and property, plant and equipment		270	1,337
Purchase of intangible assets		(5,301)	(10,321)
Payment of deferred consideration	22	(30)	(90)
Dividend received from joint ventures		2,667	5,295
		<b>(41,720)</b>	<b>(93,940)</b>
Net cash flow from investing activities			
Financing activities			
Drawing of revolving credit facility		50,000	55,000
Repayment of revolving credit facility		(55,000)	(145,000)
Repayment of mezzanine loan		(220)	(282,621)
Issue of redeemable preference shares		100,000	-
Repayment of term loan		(13,000)	(13,000)
Payment of loan issue costs		(7,904)	(6,790)
Repayment of finance leases		(3,731)	(2,765)
Issue of share capital		-	333,281
		<b>70,145</b>	<b>(61,895)</b>
Net cash flow from financing activities			
Net cash flow		(2,751)	(100,502)
Cash at beginning of year		78,238	183,136
Effect of foreign exchange		(1,674)	(4,396)
		<b>73,812</b>	<b>78,238</b>
Cash at end of year			

**Consolidated statement of changes in equity**

Year Ended 31 March 2017

Year Ended 31 March 2017	Share capital \$'000	Share premium \$'000	Other Equity \$'000	Translati reserve <sup>11</sup> \$'000	Hedging reserve \$'000	Equity reserve <sup>12</sup> \$'000	Accumulated loss \$'000	Total deficit \$'000
At 1 April 2016	200	268,633	-	(53,404)	(6)	5,192	(7,616,584)	(7,395,969)
Loss on redenomination of ordinary shares	(70)	70	-	-	-	-	-	-
Share capital issued – Class A shares	3,333	200,212	-	-	-	-	-	203,545
Share capital issued – Class B shares	7,777	467,161	-	-	-	-	-	474,938
Redeemable preference shares issued during the year	-	-	100,000	-	-	-	-	100,000
Loss during the year	-	-	-	-	-	-	(1,090,684)	(1,090,684)
Other comprehensive loss	-	-	-	-	-	-	(21,832)	(21,832)
Shareholder's loan cancellation	-	7,184,723	-	-	-	-	-	7,184,723
<b>At 31 March 2017</b>	<b>11,240</b>	<b>8,120,799</b>	<b>100,000</b>	<b>(53,404)</b>	<b>(6)</b>	<b>5,192</b>	<b>(8,729,100)</b>	<b>(545,279)</b>
<b>Year Ended 31 March 2016</b>	<b>Share capital \$'000</b>	<b>Share premium \$'000</b>	<b>Other Equity \$'000</b>	<b>Translati reserve<sup>10</sup> \$'000</b>	<b>Hedging reserve \$'000</b>	<b>Equity reserve<sup>11</sup> \$'000</b>	<b>Accumulated profit (loss) \$'000</b>	<b>Total deficit \$'000</b>
At 1 April 2015	200	268,633	-	(53,404)	(6)	5,192	(6,015,392)	(5,794,777)
Loss during the year	-	-	-	-	-	-	(1,598,103)	(1,598,103)
Other comprehensive loss	-	-	-	-	-	-	(3,089)	(3,089)
<b>At 31 March 2016</b>	<b>200</b>	<b>268,633</b>	<b>-</b>	<b>(53,404)</b>	<b>(6)</b>	<b>5,192</b>	<b>(7,616,584)</b>	<b>(7,395,969)</b>

<sup>11</sup> The translation reserve arose prior to the Group redenominating all entities' functional currency to US Dollar. On consolidation, the assets and liabilities of each individual entity were translated into US Dollar at the rate of exchange ruling at the balance sheet date. Income and expenses were translated at monthly average rates. The resulting exchange differences were taken directly to the translation reserve as a separate component of equity.

<sup>12</sup> Where a share-based payment charge is incurred in relation to an equity settled scheme, the corresponding credit is recognised within the equity reserve.



## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 1. Corporate information

The consolidated financial statements of the Group which comprise Expro International Group Holdings Limited (the "Company"), as the parent company, and its subsidiaries (the "Group") for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the directors on 21 February 2018.

The Group provides 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.

Until October 25, 2016 the Company's ultimate parent company was Umbrellastream Limited Partnership Incorporated ("ULPI"), which was registered in Guernsey and owned by a private consortium led by Goldman Sachs Capital Partners, Arle Capital Partners and certain members of management and other investors.

On 25 October 2016 the Company's shareholders completed a debt for equity swap transaction related to its Shareholder loan and Mezzanine loan facilities. As a result of this transaction all of the Company's shareholder debt and 98% of the Group's Mezzanine loan facility debt was waived in return for new equity issued by the Company. Following this transaction, all companies that existed above the Company in the structure, including ULPI, were collapsed such that the Company became the principal holding company of the Expro Group. From this point the Company was owned by a private equity consortium that included both former owners of ULPI and the former holders of the Mezzanine loan facility debt that was converted into new equity in the Company. As affiliates of former owners of ULPI also had significant holdings of debt under the Group's Mezzanine Loan Facility parties that previously owned ULPI before the transaction and their affiliates continue to own the majority of the Company's shares.

Subsequently, on 18 December 2017, the Group filed a pre-packaged plan of re-organisation under Chapter 11 of the United States Bankruptcy Code (which was approved by the Court on 25 January 2018). Under the plan, the Group's Term Loan, Revolving Credit Facility and Mezzanine lenders exchanged all of their outstanding principal and accrued interest for equity in the reorganised Group. As part of the restructuring, the shareholders of the Company transferred all of their interest in the group (comprising Expro Holdings UK2 Limited and its subsidiaries, Expro UK DebtCo Limited and Expro Corporate Trustee Limited ("Expro Group")) on a going concern basis to Expro Group Holdings International Limited ('EGHIL'), a company incorporated in the Cayman Islands, in exchange for share warrants in EGHIL, which are exercisable for a consideration, as agreed between the parties to the warrant agreement, on occurrence of certain specified events at EGHIL. As part of the restructuring, the Company transferred all of its interest in the Group to Expro Group Holdings International Limited ('EGHIL'), a company incorporated in the Cayman Islands, in exchange for share warrants in EGHIL. The Expro Group emerged from Chapter 11 on 5 February 2018 at which point EGHIL became the Ultimate Parent Company of the Expro Group and also, the immediate parent company of EHUK2. Consequently, EGHIL, is no longer the ultimate parent company of Expro Group and has no interests in Expro Group as of the date of this report.

A list of the Group's investments in subsidiaries, including the name, country of incorporation and proportion of ownership, is given in Note 4 to the Company's financial statements. 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.

### 2. Basis of preparation and accounting policies

#### 2.1 Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 March 2017 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements. The Group's financial statements have been prepared on a historical cost basis, except for derivative financial instruments, defined benefit pension plan assets and share based payments which have been measured at fair value. The Group's financial statements are presented in US Dollars and all values are rounded to the nearest thousand US Dollars (\$'000) except where otherwise indicated.

## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 2.1 Basis of preparation (continued)

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial period. The directors have a reasonable expectation that 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. Accordingly, the directors have determined it is appropriate to prepare and issue these financial statements on a going concern basis. In making this assessment, the directors considered the Group's principal risks and uncertainties, the current market conditions and future expectations, including financial forecasts for the next twelve months. A key part of these considerations was the post balance sheet event being the sale of the Group subsidiaries, wherein, Expro International Group Holdings Ltd, transferred all of its interest in the Group on a going concern basis to Expro Group Holdings International Limited ('EGHIL'), a company incorporated in the Cayman Islands, in exchange for share warrants in EGHIL, which are exercisable for a consideration, as agreed between the parties to the warrant agreement, on occurrence of certain specified events at EGHIL.

Notwithstanding this and because the Group was transferred to the new equity holders as a going concern post year-end, the Directors have determined it is appropriate to prepare and issue these financial statements on a going concern basis.

Gain on debt extinguishment represents a gain recorded as a result of a capital restructuring where the Group's shareholders and lenders representing approximately 98% of the borrowings under the Mezzanine loan facility ("Consenting Lenders") reached agreement to effect a capital restructuring. Consenting lenders exchanged their entire outstanding principal and accrued PIK interest related to the Mezzanine loan facility for equity in the Company. As a result, \$784.3m of debt (inclusive of \$27.7m of accrued PIK interest) was cancelled in return for equity in the Company. The transaction resulted in a net gain on the restructuring of debt of \$291.1m included in Gain on restructuring and extinguishment of debt in our Consolidated Statements of Operations.

### 2.2 Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and its subsidiaries drawn up to 31 March each year. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities, and is achieved through direct or indirect ownership of voting rights, currently exercisable or convertible potential voting rights, or by way of contractual agreement.

The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the Company and are based on consistent accounting policies. All intragroup balances and transactions, including unrealised profits arising from them, are eliminated.

The Group recognises its interest in the assets and liabilities of joint ventures using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value of individual investments. The Group's income statement reflects the share of the jointly controlled entity's results after tax.

The goodwill arising on the acquisition of the jointly controlled entity, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the entity's identifiable net assets, is included in the carrying amount of the jointly controlled entity and is not amortised.

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

## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 2.3 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date of the consolidated financial statements, and the amounts reported for revenues and expenses during the year.

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.

#### *Revenue recognition*

The Group enters into contracts to design and build equipment on behalf of our customers. Revenue on such contracts is recognised by reference to the stage of completion of the contract. In applying the percentage-of-completion method, stage of completion is estimated using an appropriate measure according to the nature of the contract, such as the achievement of contract milestones. The percentage-of-completion method also requires estimation of costs to complete.

Where contractual arrangements contain multiple deliverables, the customer consideration is allocated to each unit of accounting based on relative fair value principles. Determining the fair value of each deliverable can require complex estimates. The Group generally determines the fair value of individual elements based on the relative selling price at which the deliverable would be sold on a standalone basis.

#### *Impairment assessment and testing*

IFRS requires management to perform impairment tests annually for indefinite lived assets and, for finite lived assets, if events or changes in circumstances indicate that their carrying amounts may not be recoverable. Such impairment tests include, but are not limited to goodwill, intangible assets and property, plant and equipment. 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 Group's impairment evaluations and therefore reported assets and financial results.

For example, determining whether or not goodwill is impaired requires an estimation of the recoverable amount of the cash generating units ("CGUs") to which goodwill has been allocated. The recoverable amount calculation requires management to estimate future cash flows from the CGU and a suitable discount rate to calculate the present value. The carrying value of goodwill, intangible assets and property, plant and equipment and the further details of the calculations are provided in Notes 12, 13 and 14.

#### *Pensions*

The pension deficit for the Group's defined benefit schemes is determined using the projected unit method and requires assumptions to be made around future mortality rates, rates of inflation and discount rates. Key estimates in calculating the Group's pension deficit are further described in Note 29.

#### *Provisions*

Provisions primarily comprise management's best estimate of the potential costs that could be incurred in the event of adverse outcomes of various unfavourable (non-income) tax assessments in both the UK and foreign jurisdictions, deferred contingent consideration and restructuring.

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**2.3 Significant accounting judgments, estimates and assumptions (continued)***Functional currency*

In determining the functional currency for certain Group entities, 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 all Group entities.

*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 Group's income tax expense (benefit) is calculated based on management's interpretation of the tax laws in various jurisdictions where the Group 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 11 for further information regarding the Group's income taxes.

The Group operates worldwide in approximately 50 countries. In some of the jurisdictions tax is assessed using a measure not directly linked to accounting profit. In such cases, management accounts for these as income tax if these are primarily income tax in nature.

*Gain on debt extinguishment*

IFRS states that a gain on debt extinguishment be calculated as the difference between the carrying amount of the debt, and the fair value of the equity consideration paid. The fair value of the equity consideration is calculated as the net present value of future cash flows of the group, less the fair value of debt at the date of the transaction.

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 fair value of the equity granted and therefore reported gain on debt extinguishment.

The fair value of debt is determined with reference to a level 2 observable input, other than a quoted price in an active market.

*Foreign currency translation*

The reporting currency of the Group is the US Dollar. All Group entities are assessed to have a functional currency of the US Dollar, being the currency of the primary economic environment in which they operate. Prior to 2008, some Group entities had a functional currency other than the US Dollar. Therefore, a translation reserve was recorded during consolidation of these entities; this was recorded as separate component of equity. At the point the Group disposes of one or more of these entities, the corresponding component of the translation reserve will be reclassified to the consolidated statement of profit or loss.

At the individual entity level, transactions in foreign currencies are initially recorded in that entity's 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.

## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 2.4 Summary of significant accounting policies

#### Business combinations and goodwill

When a business combination occurs, the fair values of the identifiable assets and liabilities assumed, including intangible assets, are recognised. Intangible assets are recorded at fair value based on estimates as of the date of the acquisition. Contingent consideration, which represents an obligation of the acquirer to transfer additional assets or equity interests to the former owner as part of the exchange if specified future events occur or conditions are met, is accounted for at fair value on the acquisition date either as a liability or as equity depending on the terms of the acquisition agreement. Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net assets of the acquiree.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is not amortised and where the recoverable amount of a CGU is less than its carrying amount, including goodwill, an impairment loss is recognised in the statement of profit or loss. For the purpose of impairment testing, goodwill is allocated to the related CGU monitored by management. The carrying amount of goodwill allocated to a CGU is taken into account when determining the gain or loss on disposal of a unit, or of an operation within it.

#### Provisions

The Group recognises provisions when it has a present obligation (legal or constructive) as a result of a past event where it is probable that the Group will be required to settle and a reliable estimate can be made of the amount of the obligation. Provisions are based on management's best estimate of the expenditure required to settle the obligation at the reporting date.

#### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Where intangible assets are acquired through a business combination and no active market for the asset exists, the fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on research activities is recognised in the income statement as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in the income statement as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised on a straight-line basis over their estimated useful life. Useful life depends on management's estimate of the period over which economic benefit will be derived from the asset. Useful lives are periodically reviewed to ensure that they remain appropriate. Useful lives for intangible assets are as follows:

Software	-	between 3 and 5 years
Trademarks	-	between 10 and 19 years
Customer relationships and contracts	-	between 10 and 15 years
Technology and know-how	-	between 5 and 15 years

## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 2.4 Summary of significant accounting policies (continued)

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided once an asset is placed into operational service and, other than land, is on a straight-line basis over its expected useful life. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively. Useful economic lives are as follows:

Owned property	40 years
Leased property	over the lesser of the remaining useful life or period of the lease
Plant and equipment	3 to 12 years.

Costs related to the routine repair and maintenance of property, plant and equipment are expensed as incurred. Costs incurred as part of a major refurbishment of an asset are capitalised where the refurbishment either significantly prolongs the useful economic life of the asset or upgrades it for an enhanced use. The costs of replacing significant components are capitalised and depreciated over the useful economic life of the replaced component.

#### Impairment of non-financial assets

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units (CGUs). If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversible in subsequent periods. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment, investments in joint ventures and finite lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and an impairment loss is recognised immediately in the income statement.

#### Inventories

The Group's inventories primarily include low value items used to maintain its equipment. Inventories are recorded at cost less provision for obsolescence.

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, these are calculated using the average cost method. The Group regularly reviews the available quantity and aging of its inventories and where an item is found to be either excess or obsolete its carrying value is written down accordingly.

#### 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 year. The Group'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 Group 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.

## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 2.4 Summary of significant accounting policies (continued)

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.

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 Group 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 Group 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.

#### Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets and liabilities on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. All financial assets and liabilities are recognised at fair value at the trade date and for financial assets and liabilities with short maturity periods, their fair value or amortised cost approximates to book value.

#### Cash

Cash comprises cash at bank, cash in hand and short term deposits with an original maturity date of three months or less.

#### Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently carried at the lower of their original invoiced value and recoverable amount, which due to the short maturity period of trade receivables approximates to amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

#### Trade 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.

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**2.4 Summary of significant accounting policies (continued)****Interest bearing loans**

Interest bearing loans are measured at initial recognition at fair value, net of direct issue costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest method ("EIR"). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Costs incurred that are directly related to the raising of finance, together with any original issue discount or premium, are recognised over the term of the loan or facility, using the EIR. All other borrowing costs are expensed in the period they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use, are capitalised as part of the asset cost.

**Leases**

Assets held under finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the commencement of the lease, with a corresponding liability being recognised 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 income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance 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 income statement on a straight line basis over the lease term.

**Equity instruments**

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

**Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into. Changes in fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment of a forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

**Pensions and other post-retirement benefits**

The Group operates both defined benefit and defined contribution pension arrangements as set out in Note 29 to the accounts.

**Defined Benefit Plans**

The present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, is determined separately for each plan using an actuarial technique, the projected unit credit method.

Current and prior period service costs are recognised in profit or loss as they arise.



**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**2.4 Summary of significant accounting policies (continued)**

The net interest cost is determined by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. The net interest cost is recognised in the income statement as either finance income or finance cost. Re-measurement gains and losses are recognised in full in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the statement of financial position 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*

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

**Management incentive plans**

The Group is establishing a series of management incentive schemes that allow participating employees to receive a payment on the occasion of certain liquidity events. There are two main types of plans in which employees will participate.

The first is an equity plan. This allows participating employees to purchase shares in the Company. These shares will provide a return, subject to satisfying certain financial hurdles, on the occasion of certain liquidity events.

The second plan, which had been finalised at the year-end date, allows participating employees to become eligible for a cash bonus, subject to certain financial hurdles being met, following the same liquidity events.

Both plans are accounted for as profit sharing arrangements with an expense recorded when payments from the schemes is considered probable and the amount can be reliably estimated. No liability or charge has been recorded in respect of the scheme for the year ended 31 March 2017.

**Revenue recognition**

Revenue is recognised 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.

## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 2.4 Summary of significant accounting policies (continued)

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

The Group also enters into contracts to design and build equipment on behalf of its customers. Revenue on such contracts is recognised by reference to the stage of completion of the contract. Stage of completion is measured by reference to an assessment of the effort expended by the Group against the various components that comprise the equipment being built. Typically components would comprise design, engineering, procurement, assembly, testing and delivery. Contract costs are recognised 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 recognised immediately as an expense.

Where contractual arrangements contain multiple deliverables, an analysis of each performance obligation within the sales arrangement is performed to ensure the Group adheres to the separation guidelines for multiple-elements arrangements. Revenue for any transaction involving multiple elements is allocated to each unit of accounting based on its relative selling price and the Group recognises revenue when all revenue recognition criteria for a unit of accounting have been met.

#### Fair value measurement

The Group measures derivatives at fair value at each balance sheet date and, for the purposes of impairment testing, uses fair value less costs of disposal to determine the recoverable amount of some of its non-financial assets. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 26.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal accessible market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

Group management determines 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, Group management analyse the movements in the values of assets and liabilities which are required to be re-measured or reassessed as per the Group's accounting policies.

For the purpose of fair value disclosures, the Group has 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.

## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 2.4 Summary of significant accounting policies (continued)

#### Current versus non-current classification

The Group 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 Group classifies all other liabilities as non-current.

## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 2.5 New and amended standards and interpretations

Where they are relevant, the Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2017.

#### *IAS 16 and IAS 38: Property, Plant and Equipment and Intangible Assets (Amendment)*

IAS 16 and IAS 38 states that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. This amendment does not have any impact on the Group's consolidated financial statements

#### *Amendments to IAS 27: Equity Method in Separate Financial Statements*

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

*Amendments to IAS 1 Disclosure Initiative* amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 2.6 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. These are the changes that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards and interpretations, if applicable, when they become effective. The Group is in the process of assessing the impact of these new standards.

#### *IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2*

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

#### *IFRS 15 Revenue from Contracts with Customers*

The IASB issued IFRS 15 "Revenue from Contracts with Customers". The standard is a result of a convergence project between the IASB and the FASB. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

The core principle of the guidance is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018. We have started determining the impact of this new standard on our contract portfolio. Our approach includes performing a detailed review of key contracts representative of our different businesses and comparing historical accounting policies and practices to the new standard. Because the standard will impact our business processes, systems and controls, we are also developing a comprehensive change management project plan to guide the implementation. As of date of issuance of these financial statements, we have not reviewed all relevant customer contracts to determine the impact this new standard might have, if any. We currently intend to adopt the new standard on 1 April 2018, the beginning of our next fiscal year utilizing the modified retrospective method that will result in a cumulative effect adjustment.

#### *IFRS 9 Financial Instruments*

The IASB has issued the final version of IFRS 9 *Financial Instrument*. The standard brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the standard on the required effective date. The Group has not yet determined the effect of the standard on its ongoing financial reporting and results.

#### *IFRS 16 Leases*

The IASB has issued IFRS 16 Leases. The standard specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual reporting periods beginning after 1 January 2019 with earlier adoption permitted. IFRS 16 must be adopted using a modified retrospective approach for all leases existing at, or entered into after the date of initial adoption. We are currently evaluating the impact of this new standard.

## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 3. Adjustments

#### Adjusted operating profit

Adjusted operating profit is defined as operating profit excluding impairment, depreciation, amortisation and other similar non-cash items, together with other items that either distort the underlying trends of the business or are not considered by management to be part of the core operations of the Group.

	Year to 31 March 2017	Year to 31 March 2016
	\$'000	\$'000
<b>Operating Loss</b>	<b>(777,055)</b>	<b>(532,151)</b>
Intangible asset impairment	257,347	8,837
Amortisation of intangible assets (Note 13)	91,904	89,991
Depreciation on assets (Note 14)	117,430	130,324
(Gain) / Loss on disposal of intangibles and property, plant and equipment	(468)	2,480
Impairment of property, plant and equipment	26,966	26,716
<b>Adjustments to gross profit</b>	<b>493,179</b>	<b>258,348</b>
Goodwill impairment (Note 12)	362,200	450,022
Impairment of investment in joint ventures	3,009	-
Depreciation on corporate assets (Note 14)	3,525	2,271
Business rationalisation	15,759	23,129
Business improvement initiatives	1,129	670
Shareholder expenses	8,398	15,218
Bad debts	17,900	-
Other costs	2,600	10,808
<b>Adjustments to administration and other expenses</b>	<b>414,520</b>	<b>502,118</b>
<b>Adjusted operating profit</b>	<b>130,644</b>	<b>228,315</b>

#### Business rationalisation

Business rationalisation costs for the Year to 31 March 2017 and 2016 include severance costs incurred as a result of a headcount reduction programme, exit costs including lease termination and relocation costs due to the closure of certain operations and the relocation of our headquarter office and impairment charges related to the decision to close the part of our well test and appraisal product line that focused on the sale of well test equipment to other service or oil rig construction companies.

#### Business improvement initiatives

Costs for the Year to 31 March 2017 and 2016 are primarily related to business advisory services and third party consulting fees incurred outside the normal course of business.

#### Shareholder expenses

Shareholder expenses for the Year to 31 March 2017 and 2016 relate to discretionary bonuses that became payable to the senior management team following the amend and extend of our Mezzanine loan facility in July 2015 and the capital restructuring that was effective in October 2016, where consenting lenders of the mezzanine loan facility have exchanged their outstanding principal and accrued PIK interest for equity in EIGHL. These operating costs are one-time and non-recurring in nature.

#### Other costs

Other Costs for the Year to 31 March 2017 and 2016 include legal and professional fees outside of the normal course of business, costs incurred with the amendment of our defined benefit pension plan and one-time, non-recurring costs associated with executive management.

#### Bad debts

Bad debts relate mainly to a provision recorded in the year in relation to a receivable in Venezuela. Refer to Note 17 for further information.

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**4. Revenue**

An analysis of the Group's revenue is provided below:

	Year to 31 March 2017	Year to 31 March 2016
	\$'000	\$'000
Rendering of services	640,270	833,619
Sale of goods	16,104	42,722
Construction contracts	22,251	38,185
	<u>678,625</u>	<u>914,526</u>

**5. Construction contracts**

The following table provides an analysis of revenue accrued by the Group under construction contracts at 31 March 2017 and 31 March 2016.

	Year to 31 March 2017	Year to 31 March 2016
	\$'000	\$'000
Accrued income related to construction contracts (presented as an asset)	11,821	11,557
Deferred income related to construction contracts (presented as a liability)	(1)	(2,711)
	<u>11,820</u>	<u>8,846</u>
Cumulative revenue recognised in respect of in-progress construction contracts	37,378	179,618
Less progress billings	<u>(25,558)</u>	<u>(170,772)</u>
	<u>11,820</u>	<u>8,846</u>

Customer retentions related to construction contracts were \$0.8m at 31 March 2017 (31 March 2016: \$0.8m).

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**6. Staff costs**

The average monthly number of Group employees, including the Company's directors, was:

	Year to 31 March 2017	Year to 31 March 2016
	\$'000	\$'000
Operational	3,946	4,610
Administrative	202	186
	<u>4,148</u>	<u>4,796</u>

Group employees' aggregate remuneration comprised:

	Year to 31 March 2017	Year to 31 March 2016
	\$'000	\$'000
Wages and salaries	272,877	334,500
Social security costs	17,911	22,629
Pension costs	12,355	18,379
	<u>303,143</u>	<u>375,508</u>

The remuneration of the Company's directors, who are also the Group's key management, is set out below in aggregate:

	Year to 31 March 2017	Year to 31 March 2016
	\$'000	\$'000
Short-term employment benefits	15,657	16,090
Post-employment benefits (defined contribution scheme)	-	13
	<u>15,657</u>	<u>16,103</u>

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

	Year to 31 March 2017	Year to 31 March 2016
	\$'000	\$'000
Short-term employment benefits	5,315	5,308
	<u>5,315</u>	<u>5,308</u>



**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**7. Auditor remuneration**

Amounts payable to Ernst & Young and their associates by the Company and its subsidiary undertakings in respect of non-audit services were \$1.0m (31 March 2016: \$1.1m).

A more detailed analysis of auditor's remuneration is provided below:

	Year to 31 March 2017	Year to 31 March 2016
	\$'000	\$'000
Audit of the Group's annual financial statements	1,253	1,991
Audit of the Company's subsidiaries' financial statements pursuant to legislation	371	592
Audit related assurance services	100	166
Tax compliance services	230	564
Tax advisory services	622	306
Other services relating to corporate finance transactions	163	200
	<b>2,739</b>	<b>3,819</b>

**8. Interests in joint ventures**

The Group has equity accounted interests in two joint venture companies through partnerships with PV Drilling Expro International Company Limited ("PVD-Expro") in Vietnam and COSL-Expro Testing Services (Tianjin) Co. Ltd ("CETS"), in China. Both of these joint venture companies are strategic to the Group's activities as they provide the Group access to the Asian markets that otherwise would be challenging to penetrate and develop effectively.

During the year, the Group 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.

The stake held by the Group, during the year, in CETS amounted to a 50% holding. 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.

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**8. Interests in joint ventures (continued)**

The following is an analysis of the Group's carrying value of the investment and a summarised statement of the profit and loss of the joint ventures:

	At 31 March 2017 \$'000	At 31 March 2016 \$'000
COSL - Expro Testing Services (Tianjin) Co. Ltd ("CETS")	26,383	26,725
PV Drilling Expro International Company Limited ("PVD-Expro")	8,564	12,619
	<b>34,947</b>	<b>39,344</b>

**CETS**

	At 31 March 2017 \$'000	At 31 March 2016 \$'000
Non-current assets	23,134	29,503
Current assets, including cash and cash equivalents \$11.2m (2016: \$11.8m)	28,787	25,825
Current liabilities	(6,364)	(5,287)
<b>Equity</b>	<b>45,557</b>	<b>50,041</b>
Proportion of the Group's ownership	50%	50%
Group's share of JV's equity	22,779	25,020
Goodwill on investment	3,510	3,510
Elimination of intra-group profits	(2,466)	(2,766)
Foreign exchange on net assets in local currency	2,560	961
<b>Carrying amount of the investment</b>	<b>26,383</b>	<b>26,725</b>

**Summarised statement of profit or loss of CETS**

	Year to At 31 March 2017 \$'000	Year to At 31 March 2016 \$'000
Revenue	30,888	41,289
Cost of sales, including depreciation \$4.1m (2016: \$4.1m)	(23,330)	(27,058)
Administrative expenses	(2,646)	(1,947)
Interest income	72	74
<b>Profit before tax</b>	<b>4,984</b>	<b>12,358</b>
Income tax expense	(872)	(2,774)
<b>Profit for the year</b>	<b>4,112</b>	<b>9,584</b>
<b>Group's share of profit for the year</b>	<b>2,056</b>	<b>4,792</b>

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**8. Interests in joint ventures (continued)****PVD-Expro**

	At 31 March 2017 \$'000	At 31 March 2016 \$'000
Non-current assets	2,550	3,307
Current assets, including cash and cash equivalents \$2.4m (2016: \$2.4m)	2,939	5,499
Current liabilities	(929)	(1,434)
<b>Equity</b>	<b>4,560</b>	<b>7,372</b>
Proportion of the Group's ownership	49%	49%
Group's share of JV's equity	2,235	3,612
Goodwill on investment	8,676	8,676
Impairment of investment in a JV relating to Goodwill	(3,009)	-
Foreign exchange on net assets in local currency	662	331
<b>Carrying amount of the investment</b>	<b>8,564</b>	<b>12,619</b>

**Summarised statement of profit or loss of PVD-Expro:**

	Year to 31 March 2017 \$'000	Year to 31 March 2016 \$'000
Revenue	666	6,492
Cost of sales, including depreciation \$0.5m (2016: \$0.7m)	(1,144)	(3,537)
Administrative expenses	(783)	(628)
Interest income (expense)	129	(1)
<b>(Loss) Profit before tax</b>	<b>(1,132)</b>	<b>2,326</b>
Income tax expense	17	(516)
<b>(Loss) Profit for the year</b>	<b>(1,115)</b>	<b>1,810</b>
<b>Group's share of (loss)profit for the year</b>	<b>(546)</b>	<b>887</b>

The Group had no capital commitments or contingent liabilities in respect of the joint ventures. Expro recognised dividends from CETS and PVD-Expro gross of withholding taxes of \$2.2m and \$0.5m respectively during the current financial year (31 March 2016: \$2.9m and \$2.4m, respectively).

**Impairment testing approach**

The recoverable amount of PVD-Expro was assessed based on fair value less cost of disposal. This method of valuation is categorised as level 3 on the fair value hierarchy.

For the purposes of impairment testing, the fair value of PVD-Expro 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 approved by the executive management team. 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.

In order to calculate fair value less cost of disposal for PVD-Expro a cost to sell assumption was applied. This was estimated to be 2% of fair value based on management's assessment of costs to be incurred in relation to the sale of a business.

## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 8. Interests in joint ventures (continued)

#### Key assumptions

The key assumptions and facts inherent in the budgeted after-tax cash flows are that (i) PetroVietnam group has started construction of a \$260m Oil & Gas terminal on a supply base off Vietnam's southern coast. (ii) PVD-Expro is a subsidiary company of PetroVietnam and will be invited to supply technical and commercial offerings for surface Welltest and Sub-sea equipment aspects of the well preparation prior to being hooked up to the production facilities, (iii) the blocks have a reserve of 170 billion cubic meters (bcm) of gas and (iv) other opportunities will come as the oil price stabilises at current levels in the short-term before recovering in the later years of the plan.

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 PVD-Expro. Long-term growth rate assumptions reflect management's estimate of the long-run growth potential of the market relevant to the PVD Expro.

As at 31 March 2017, PVD-Expro incurred a loss of \$0.5m, which formed a basis for an assessment for impairment in the carrying value of investment in joint ventures. Based on such assessment, impairment loss amounting to \$3.0m was recorded as impairment during 2017(2016: \$Nil).

### 9. Gain on Restructuring and Extinguishment of Debt

A reconciliation of the net gain on restructuring and extinguishment of debt recorded is as follows during the fiscal years ended 31 March 2017 and 2016.

	Year to 31 March 2017	Year to 31 March 2016
Carrying value of consenting mezzanine loans	778,526	-
Fair value of equity issued to consenting mezzanine loan holders	(474,938)	-
Transaction costs	(12,500)	-
Net gain on restructuring and extinguishment of debt	<u>291,088</u>	<u>-</u>

The gain on debt extinguishment represents the difference between the fair value of the new equity issued to consenting Mezzanine lenders and the carrying value of the Mezzanine loan. Transaction costs are accounted as a deduction of the gain. The fair value of the equity issued to consenting Mezzanine lenders was considered to be approximately 70% of the fair value of the total equity of the Group following de-recognition of the Mezzanine loan liabilities held by consenting lenders. The Group assumed that the fair value of the total equity of the Group would be the Enterprise value of the Group less the fair value of net debt and debt like items (refer note 23 and 26 for further details).

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**10. Net finance cost**

Net finance costs consisted of the following during the fiscal years ended 31 March 2017 and 2016.

	Year to 31 March 2017	Year to 31 March 2016
	\$'000	\$'000
<b>Finance Income:</b>		
Bank interest receivable	(298)	(65)
Other interest income	-	(178)
<b>Total finance income</b>	<b>(298)</b>	<b>(243)</b>
<b>Finance Costs:</b>		
Term loan interest	74,365	75,331
Revolving credit facility interest	3,690	3,896
Mezzanine loan cash settled interest	22,993	39,290
Mezzanine loan payment in kind interest	33,462	59,198
Shareholder loan interest	495,679	870,032
Amortisation of financing costs	6,402	7,076
Commitment fees	296	396
Finance leases	1,601	1,018
Interest on pension deficit	1,538	1,390
Other finance costs	1,350	6,896
Foreign exchange gain	(8,976)	(3,247)
<b>Total finance costs</b>	<b>632,400</b>	<b>1,061,276</b>
<b>Net finance costs</b>	<b>632,102</b>	<b>1,061,033</b>

For the year ended 31 March 2017, other finance costs included \$1.2m (31 March 2016: \$6.8m) of legal and advisory fees that were incurred in connection with a refinancing transaction to amend the terms and extend the maturity of our mezzanine loan and revolving credit facilities (refer to Note 23 for further details).

Amortisation of financing costs of \$6.4m includes amortisation of arrangement fees on the Mezzanine loan, up to the date of the refinancing transaction. The arrangement fees remaining unamortised at the date of the refinancing transaction of \$4m were fully amortised as part of the transaction and have reduced the gain on debt extinguishment.

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**11. Tax**

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

	Year to 31 March 2017	Year to 31 March 2016
Income tax:	\$'000	\$'000
Foreign tax	26,823	33,043
Adjustments in respect of prior periods	(9,377)	(13,461)
<b>Current tax expense</b>	<b>17,446</b>	<b>19,582</b>
Deferred tax:		
Relating to origination and reversal of timing differences	(44,831)	(14,663)
<b>Deferred tax credit</b>	<b>(44,831)</b>	<b>(14,663)</b>
<b>Net income tax (credit) expense</b>	<b>(27,385)</b>	<b>4,919</b>
<b>Consolidated statement of comprehensive income</b>	<b>Year to 31 March 2017</b>	<b>Year to 31 March 2016</b>
	\$'000	\$'000
Net (gain) loss on retirement benefit obligations	(4,154)	299
<b>Income tax charged directly to equity</b>	<b>(4,154)</b>	<b>299</b>

Net income tax (credit) expense for the year can be reconciled to the loss per the income statement as follows:

	Year to 31 March 2017	Year to 31 March 2016
	\$'000	\$'000
Loss before tax	(1,118,069)	(1,593,184)
Less: Post tax profit from joint-ventures (see note 8)	(1,510)	(5,679)
	<b>(1,119,579)</b>	<b>(1,598,863)</b>
Tax at the UK corporation tax rate of 20% (31 March 2016: 20%)	(223,916)	(319,773)
Expenses not deductible in determining taxable profit	93,228	147,226
Goodwill and Investments impairment	73,043	91,772
Non-taxable gain on debt transaction	(60,718)	-
-Tax attributes on which no deferred tax asset is recognised	122,564	95,169
Effect of overseas tax rates	(4774)	1,084
Deferred tax arising on functional currency differences	(17,056)	-
Withholding taxes on dividend income received	217	822
Withholding taxes on intercompany transactions	622	1,489
Tax adjustments in respect of prior period	(9,377)	(15,235)
Foreign exchange movements on tax balances	(1,218)	2,365
<b>Tax (credit) expense from continuing operations at the effective tax rate of 2.4% (31 March 2016: -0.7%)</b>	<b>(27,385)</b>	<b>4,919</b>

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**12. Goodwill**

<b>Cost</b>	<b>\$'000</b>
At 1 April 2015, 1 April 2016 and 31 March 2017	2,434,259
<b>Cumulative impairment</b>	
At 1 April 2015	1,483,529
Impairment Charge	450,022
At 31 March 2016	1,933,551
Impairment Charge	362,200
At 31 March 2017	2,295,751
<b>Net book value</b>	
At 31 March 2016	500,708
At 31 March 2017	138,508

Goodwill is monitored at CGU level. The Group's CGUs are either its operating segments or components of operating segments depending on the level at which segment management oversees the business and whether the assets or group of assets generate cash flows independently of the assets or group of assets.

The carrying amount of goodwill by CGU at 31 March is as follows:

	As at 31 March 2017 \$'000	As at 31 March 2016 \$'000
Europe CIS	-	52,483
Sub-Saharan Africa	-	79,966
Asia	66,307	141,788
North America	-	154,270
CGUs with individually significant goodwill	66,307	428,507
Other CGUs	72,201	72,201
	138,508	500,708

For the year ended March 31, 2017 we recorded a goodwill impairment charge of \$362.2m as shown in the above table. For the year ended March 31, 2016 we recorded a goodwill impairment charge of \$450.0m.

**Impairment testing approach**

The recoverable amount of each CGU was assessed based on fair value less cost of disposal. This method of valuation is categorised as level 3 on the fair value hierarchy.

For the purposes of impairment testing, the fair value of each CGU 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 approved by the executive management team. 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.

In order to calculate fair value less cost of disposal for each CGU a cost to sell assumption was applied. This was estimated to be 2% of fair value based on management's assessment of costs to be incurred in relation to the sale of a business.

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**12. Goodwill (continued)****Key assumptions**

The key assumptions inherent in the budgeted after-tax cash flows are 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 towards the end of 2018 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.

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 comparator companies. Long-term growth rate assumptions reflect management's estimate of the long-run growth potential of the market relevant to the CGU.

The CGUs with individually significant goodwill compared to goodwill as a whole are Europe CIS, Sub-Saharan Africa and North America Offshore. The values for the key assumptions used in the estimation of the recoverable amount for each of these CGUs at 31 March 2017 are set out below:

	Budgeted EBITDA CAGR <sup>(13)</sup> %	Long Term growth rate %	Post-tax discount rate %
Europe CIS	12.4	2.5	10.0
Sub-Saharan Africa	11.0	3.0	11.8
Asia	20.6	3.0	11.1
North America	20.3	2.5	10.1
Other CGU's	7.3-33.8	2.5-3.0	10.6-12.0

**Sensitivity analysis**

The following table sets out the additional impairment charge that would have been recorded for Asia if the impairment analysis had been performed using (i) a 1% point lower budgeted EBITDA CAGR<sup>13</sup>, (ii) a 0.5% lower long-term growth rate or (iii) a 0.5% higher discount rate:

	Impact of 1.0% point decrease to EBITDA CAGR <sup>13</sup> \$'000	Impact of 0.5% point decrease to long term growth rate \$'000	Impact of 0.5% point increase to discount rate \$'000
Asia	14,609	10,807	12,417
	<b>14,609</b>	<b>10,807</b>	<b>12,417</b>

For other CGU's with individually significant goodwill (Middle East and North Africa), there are no reasonably possible changes in key assumptions that would cause the aggregated carrying value to be higher than their aggregated recoverable amount.

<sup>13</sup> EBITDA CAGR is the average budgeted growth rate over the period covered by the five year plan.



**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**13. Intangible assets**

The following table summarises the Group's intangible assets as at 31 March 2017 and 2016.

	Customer relationship and contracts \$'000	Trademarks \$'000	Technology \$'000	Software \$'000	Total \$'000
<b>Cost</b>					
At 1 April 2015	959,764	43,851	227,847	15,232	1,246,694
Additions	-	-	10,321	-	10,321
Disposal	-	-	(2,872)	(3,121)	(5,993)
Reclassification from PPE	-	-	260	14,530	14,790
At 1 April 2016	959,764	43,851	235,556	26,641	1,265,812
Additions	-	-	5,302	-	5,302
Disposal	-	-	-	(295)	(295)
Reclassification from PPE	-	-	-	1,331	1,331
At 31 March 2017	959,764	43,851	240,858	27,677	1,272,150
<b>Amortisation and impairment</b>					
At 1 April 2015	(504,602)	(25,736)	(115,149)	(13,153)	(658,640)
Charge for the year	(73,372)	(2,247)	(13,427)	(945)	(89,991)
Impairment	(8,837)	-	-	-	(8,837)
Reclassification from PPE	-	-	(22)	(11,100)	(11,122)
Disposal	-	-	2,616	3,121	5,737
At 1 April 2016	(586,811)	(27,983)	(125,982)	(22,077)	(762,853)
Charge for the year	(72,150)	(2,248)	(15,755)	(1,751)	(91,904)
Impairment	(185,038)	(8,500)	(61,898)	(1,911)	(257,347)
Disposal	-	-	-	253	253
At 31 March 2017	(843,999)	(38,731)	(203,635)	(25,486)	(1,111,851)
<b>Carrying amount</b>					
At 31 March 2016	372,953	15,868	109,574	4,564	502,959
At 31 March 2017	115,765	5,120	37,223	2,191	160,299

Internally generated intangibles capitalised as technology for the year ended 31 March 2017 amounted to \$5.3m (31 March 2016: \$10.3m).

Amortisation for the year of \$ 91.9m (31 March 2016: \$90.0m) has been included in cost of sales.

Intangible assets are reviewed for impairment whenever facts and circumstances indicate that their carrying amounts may not be recoverable. The Group reviewed the carrying value of its intangibles and as a result of this review an impairment charge of \$257.3m relating to intangibles in Europe CIS, Sub-Saharan Africa, North America and Latin America was recognised as at 31 March 2017.

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**14. Property, plant and equipment**

The following table summarises the Group's property plant and equipment as at 31 March 2017 and 2016.

	Land and buildings	Plant and equipment	Total
Cost	\$'000	\$'000	\$'000
At 1 April 2015	42,218	945,316	987,534
Additions	-	64,354	64,354
Disposals	(1,787)	(52,518)	(54,305)
Transfers between categories	433	(433)	-
Reclassification to intangibles	-	(14,790)	(14,790)
Reclassification from inventory	-	33,112	33,112
At 1 April 2016	40,864	975,041	1,015,905
Additions	20,095	47,069	67,164
Disposals	(27,197)	(33,975)	(61,172)
Transfers between categories	1,571	(1,571)	-
Reclassification to intangibles	-	(1,331)	(1,331)
Reclassification to other current assets	-	(31,714)	(31,714)
At 31 March 2017	35,333	953,519	988,852
<b>Accumulated depreciation and impairment</b>			
At 1 April 2015	(15,986)	(436,595)	(452,581)
Charge for the year	(1,802)	(130,793)	(132,595)
Impairment	-	(26,716)	(26,716)
Disposals	1,518	49,177	50,695
Reclassification to intangibles	-	11,122	11,122
At 1 April 2016	(16,270)	(533,805)	(550,075)
Charge for the year	(4,276)	(116,679)	(120,955)
Impairment	-	(26,966)	(26,966)
Disposals	12,683	35,589	48,272
Reclassification to other current assets	-	24,947	24,947
At 31 March 2017	(7,863)	(616,914)	(624,777)
<b>Carrying amount</b>			
At 31 March 2016	24,594	441,236	465,830
At 31 March 2017	27,470	336,605	364,075

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**14. Property, plant and equipment (continued)**

The carrying amount of plant and equipment as at 31 March 2017 includes \$32.9m of assets under construction (31 March 2016: \$35.1m).

Reclassification to other current assets relates to operating lease assets with a net book value of \$6.7m that are contractually committed to be sold. The sale was finalised on 4 April 2017.

The carrying amount of the Group's land and buildings and plant and equipment in respect of assets held under finance leases is as follows:

	At 31 March 2017 \$'000	At 31 March 2016 \$'000
Land and buildings	21,726	12,711
Plant and equipment	469	478
	<u>22,195</u>	<u>13,189</u>

The Group had entered into contractual commitments for the acquisition of property, plant and equipment which have an expected capitalised value of \$17.3m (31 March 2016: \$19.8m).

The Group is required to assess the recoverability of the carrying value of property, plant and equipment when an indicator of impairment has been identified. 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 in the Group's consolidated statement of profit and loss. During the year ended 31 March 2017, the Group recognised an impairment loss of \$26.9m (31 March 2016: \$26.7m).

**15. Other non-current assets**

Other non-current assets consisted of the following at 31 March 2017 and 2016.

	At 31st March 2017 \$'000	At 31st March 2016 \$'000
Prepayments	1,907	3,541
Other receivables	3,706	4,024
<b>Total other non-current assets</b>	<u>5,613</u>	<u>7,565</u>

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**16. Inventories**

Inventories consisted of the following at 31 March 2017 and 2016.

	At 31 March 2017 \$'000	At 31 March 2016 \$'000
Raw materials	603	660
Equipment, spares and consumables	60,585	62,575
Work in progress	5,119	3,059
	<u>66,307</u>	<u>66,294</u>
Cost of sold equipment, inventories, materials and consumables	53,485	(75,196)
Net increase (release) of inventory impairment provisions	(580)	(1,924)

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**17. Trade and other receivables**

Trade and other receivables consisted of the following at 31 March 2017 and 2016.

	At 31 March 2017 \$'000	At 31 March 2016 \$'000
Trade receivables	182,961	195,671
Impairment provision	(41,734)	(18,720)
	<u>141,227</u>	<u>176,951</u>
Accrued income	59,499	69,345
Prepayments	15,530	18,956
Other receivables	8,579	21,085
	<u>224,835</u>	<u>286,337</u>

The movement in provision for impairment against trade receivables is as follows:

	At 31 March 2017 \$'000	At 31 March 2016 \$'000
At 1 April	18,720	11,066
Provided during the year	27,916	9,815
Recovered against debts, previously provided for	(3,687)	(918)
Written off, previously provided for	(1,250)	(1,297)
Foreign exchange movements	35	54
At 31 March	<u>41,734</u>	<u>18,720</u>

The provision for impairment primarily relates to a long overdue debt arising from a production services contract in Venezuela. The impairment resulted from operational issues on the field development which led to the customer becoming financially distressed. In addition to this debt, there are several specific debts against customers in Egypt and Vietnam as well as a number of other debts where recovery has been deemed unlikely.

The ageing analysis of trade receivables is as follows:

	At 31 March 2017 \$'000	At 31 March 2016 \$'000
Not past due	48,885	66,280
Less than 90 days past due	46,846	73,130
91 -180 days past due	9,513	14,467
181-360 days past due	18,936	21,339
Over 360 days past due	58,781	20,455
	<u>182,961</u>	<u>195,671</u>

Our accounts receivable balances at March 31, 2016 and 2017 include \$47.4m and \$49.3m, respectively, for construction contracts for the provision of early production facilities for use in Venezuela, where we have experienced delays in collecting payment. At March 31, 2016 our reserve for doubtful accounts receivable for these receivable balances was \$3.3m. During fiscal 2017 overall economic and political conditions in Venezuela further deteriorated. As of March 31, 2017, our reserve for these doubtful accounts receivable was \$28.3m, which fully reserves our exposure. Our reserve takes into account recognized accrued income and the recoverability of certain equipment. With the exception of these receivables, concentration of credit risk with respect to trade receivables is limited and our customer base is large and unrelated.

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**18. Restricted cash**

Restricted cash consisted of the following at 31 March 2017 and 2016.

	At 31 March 2017 \$'000	At 31 March 2016 \$'000
Cash held for contractual commitments	3,531	1,913
<b>Total</b>	<b>3,531</b>	<b>1,913</b>

The Group held bank deposits which have been pledged as cash collateral for performance and bid bonds and guarantees issued by various banks. The Group also held minimum cash balances which must be maintained in accordance with contractual arrangements. As at 31 March 2017 cash held for these types of contractual commitments was \$3.5m (31 March 2016: \$1.9m).

**19. Trade and other payables**

Trade and other payables consisted of the following at 31 March 2017 and 2016.

	At 31 March 2017 \$'000	At 31 March 2016 \$'000
Trade payables	45,819	55,693
Accrued interest	18,858	57,327
Other accruals	63,420	64,057
Deferred income	11,725	16,346
Other tax and social security	10,799	12,901
Other payables	14,306	15,332
	<b>164,927</b>	<b>221,656</b>

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**20. Finance leases**

The Group has finance leases and hire purchase contracts for various items of plant and machinery, office equipment and office and manufacturing buildings. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts together with the future finance charge and the present value of the net minimum lease payments were as follows:

	Minimum lease payments	Future finance charges	Present value of lease payments	Minimum lease payments	Future finance charges	Present value of lease payments
	31 March 2017	31 March 2017	31 March 2017	31 March 2016	31 March 2016	31 March 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Leases expiring						
Within one year	2,530	(2,249)	281	2,570	(670)	1,900
In the second to fifth years inclusive	13,377	(8,228)	5,149	8,079	(1,996)	6,083
After five years	27,043	(12,447)	14,596	8,363	(1,667)	6,696
	<u>42,950</u>	<u>(22,924)</u>	<u>20,026</u>	<u>19,012</u>	<u>(4,333)</u>	<u>14,679</u>
Included in current liabilities			281			1,900
Included in non-current liabilities			19,745			12,779
			<u>20,026</u>			<u>14,679</u>

**21. Operating lease arrangements**

The Group has entered into operating leases on certain motor vehicles, office and manufacturing buildings and items of plant and machinery with lease terms between one and ninety two years.

	Year to 31 March 2017	Year to 31 March 2016
	\$'000	\$'000
Minimum operating lease payments recognised as an expense	<u>58,030</u>	<u>70,990</u>

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which become due as follows:

	At 31 March 2017	At 31 March 2016
	\$'000	\$'000
Within one year	16,082	13,830
In the second to fifth years inclusive	34,678	27,493
After five years	29,338	20,815
	<u>80,098</u>	<u>62,138</u>

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**22. Provisions**

Provisions consisted of the following at 31 March 2017 and 2016.

	Deferred and contingent consideration	Restructuring provision	Taxation related provisions <sup>(14)</sup>	Legal and other provisions	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2015	425	2,926	9,007	-	12,358
Increase	-	19,089	1,427	2,784	23,300
Payments or amounts utilised	(90)	(18,515)	(1,958)	(1,779)	(22,342)
Release	(68)	(209)	(2,933)	-	(3,210)
Foreign exchange difference	(1)	66	73	(114)	24
At 31 March 2016	266	3,357	5,616	891	10,130
Increase	166	16,719	936	1,006	18,827
Payments or amounts utilised	(305)	(12,964)	(2,041)	(915)	(16,225)
Release	(4)	-	(48)	-	(52)
Foreign exchange difference	(13)	(5)	(699)	(202)	(919)
At 31 March 2017	110	7,107	3,764	780	11,761
Included in current liabilities	61	5,264	3,764	780	9,869
Included in non-current liabilities	49	1,843	-	-	1,892
	110	7,107	3,764	780	11,761

There is no significant difference between provision included above and the value of the undiscounted cash flow.

The Group had no material contingent liabilities as at 31 March 2017 (31 March 2016: none).

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and reliable estimate can be made of the amount of the obligation. Provisions are based on management's best estimate of the expenditure required to settle the obligation at the reporting date.

**Restructuring**

Restructuring provisions relate to exit and disposal activities intended to accelerate operating cost reductions and improve overall operating efficiency and are expected to be settled in 31 March 2017 and 31 March 2018. The provision as at 31 March 2017 and costs incurred during the period primarily relates to severance obligations as a result of the Group's head count reduction programme

**Taxation related provisions**

Taxation related provisions consist of various non current tax exposures across multiple jurisdictions.

**Legal and other**

The legal and other provision at 31 March 2017 relates to a dilapidations liability for a leased facility.

<sup>14</sup> Does not include liabilities recorded in respect of uncertain current tax positions, which are classified as tax liabilities.



**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**23. Interest bearing loans**

Our long-term debt consisted of the following at 31 March 2017 and 2016.

	Effective interest rate %	Full Maturity date	At 31 March 2017 \$'000	At 31 March 2016 \$'000
<b>Term loan</b>				
Principal	USD LIBOR + 4.75%	2-Sep-2021	1,267,501	1,280,500
Original issue discount			(13,273)	(15,868)
Transaction costs			(12,896)	(15,366)
<b>Total Term loan facility</b>			<b>1,241,332</b>	<b>1,249,266</b>
<b>Mezzanine loans</b>				
Mezzanine loan Class A			-	397,910
Mezzanine loan Class B	USD LIBOR + 12.75%	14-Dec-21	16,284	346,270
Transaction costs			(163)	(7,145)
<b>Total Mezzanine loan facility</b>			<b>16,121</b>	<b>737,035</b>
<b>Shareholder loan</b>				
Shareholder loan	14%		-	6,119,609
Shareholder loan	25%		-	419,115
Shareholder loan	14%		-	364,415
<b>Total Shareholder loan</b>			<b>-</b>	<b>6,903,139</b>
<b>Revolving credit facility</b>				
Revolving credit facility	USD LIBOR + 3.0%	31-Mar-21	65,000	70,000
Transaction costs			(615)	(861)
<b>Total Revolving credit facility</b>			<b>64,385</b>	<b>69,139</b>
<b>Total interest bearing loans</b>			<b>1,321,838</b>	<b>8,958,579</b>

**Term loan**

On September 2, 2014, we raised \$1,281m (total loan amount \$1,300m before an issue discount) via a Senior Secured Term loan ("Term loan"). The maturity of the Term loan is linked to events within the company's control.

The Term loan bears interest at a rate of USD LIBOR plus 4.75% per annum and is subject to a LIBOR floor of 1%. The proceeds of this new facility were used to fully repay the Senior Secured Notes issued during 2009 and 2013 and to make a \$115.8m partial repayment of the Mezzanine loan facility.

The Term loan contains certain financial and non-financial covenants. We were in compliance with these covenants at 31 March 2017.

**Mezzanine loan**

In July 2008, we entered into a syndicated Mezzanine loan facility in the amount of \$725m maturing in July 2018. The loan bore a cash interest rate of USD LIBOR plus 4.25% per annum and 6.5% interest, prior to the amend and extension agreement, which accrued to the principal ("PIK"). The facility was partially repaid in September 2014 using proceeds of the Term loan as described above.

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**23. Interest Bearing Loans (continued)**

In July 2015, we successfully completed an Amend and Extend transaction related to our Mezzanine loan facility, where we reached agreement with the majority of the mezzanine lenders to amend the terms, and extend the maturity date of their outstanding portion of this loan facility. In addition, our shareholders successfully completed a rights issue, which raised \$333m of equity, of which \$283m was used to partly repay our Mezzanine loan facility (including \$4.6m of accrued interest).

In October 2016, the Company's shareholders and lenders representing approximately 98% of the borrowings under the Mezzanine loan facility ("Consenting Lenders") reached agreement to effect a capital restructuring. Consenting lenders exchanged their entire outstanding principal and accrued PIK interest related to the Mezzanine loan facility for equity in the Company. As a result, \$784.3m of debt (inclusive of \$27.7m of accrued PIK interest) was cancelled in return for equity in the Company. The transaction resulted in a net gain on the restructuring of debt of \$291.1m included in Gain on restructuring and extinguishment of debt in our Consolidated Statements of Operations.

The Mezzanine facility remains in place for lenders who have not agreed to the exchange. Consenting Lenders have amended the Mezzanine Facility Agreement effective from closing of the exchange by, among other things, the deletion of all financial maintenance covenants, representations, information undertakings and events of default. In addition, on the request of the company, they have agreed to release all Transaction Security under the Mezzanine Facility Agreement.

**Shareholder loan**

During October 2016 the Company's shareholders completed a debt for equity swap transaction related to the Shareholder loan. On 6 October 2016 the Company issued 333,281,666 class A ordinary shares of \$0.01 to Umbrellastream Limited Partnership Incorporated ("ULPI"), in return for the waiver of Shareholder loans due to ULPI of \$7,396.2m. In addition, loan receivables of \$8m that arose due to funding arrangements with Umbrellastream companies and management incentive plan arrangement, was written off. The transaction resulted in net gain of \$7,184.7m which has been recorded as capital contribution.

## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 23. Interest Bearing Loans (continued)

#### Revolving credit facility

On September 2, 2014, we entered into a Revolving Credit Facility ("RCF") with an overall commitment of \$250m, which is available in multiple currencies as approved by the lenders. The RCF bears interest at USD LIBOR plus 3% and is guaranteed in full by our consolidated subsidiaries.

In February 2016, we reached agreement with our RCF lenders to amend certain financial and non-financial covenant terms of the facility. In addition, the facility size was reduced to \$175m.

As of March 31, 2017, an engagement line of \$25.3m related to bonds and guarantees was carved out of the lenders \$175.0m commitment.

The RCF contains certain financial and non-financial covenants. We were in compliance with these covenants at March 31, 2017. As of March 31, 2017, amounts drawn under this facility were \$65.0m with \$84.7m still available for future drawings, some of which are subject to potential limitations, financial covenants and cross-default clauses with other debt.

In December 2016, we signed an amendment to the RCF, which among other things will ultimately extend the maturity of the facility to March 2021, if certain conditions within the control of the company are met.

#### Maturity Dates for Interest Bearing Loans

The maturity dates for our interest bearing loans are as follows:

<u>Loan</u>	<u>Earliest Maturity Date</u>	<u>Full Maturity Date</u>
Term loan	June 14, 2021 <sup>15</sup>	September 2, 2021
Mezzanine Class B	December 14, 2021	December 14, 2021
Revolving credit facility	March 2, 2020 <sup>16</sup>	March 31, 2021

#### Collateral

Substantially all of the assets in which we hold an ownership interest are encumbered or have been pledged as collateral for our existing indebtedness.

As discussed in Note 1, on 18 December 2017, the Group filed a pre-packaged plan of re-organisation under Chapter 11 of the United States Bankruptcy Code (which was subsequently approved by the Court on January 25, 2018). Under the plan, the Group's Term Loan, Revolving Credit Facility and Mezzanine lenders exchanged all of their outstanding principal and accrued interest for equity in the reorganised Group.

<sup>15</sup> The maturity of the Term loan is June 14, 2021 unless the Company elects to satisfy certain conditions precedent (which are within its control) in which case the maturity date is September 2, 2021.

<sup>16</sup> The maturity of the RCF is March 2, 2020 unless the Company elects to satisfy certain conditions precedent (which are within its control) in which case the maturity date is March 31, 2021.

## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 24. Other Equity

On 28 December 2016, Expro International Group Holdings Limited issued redeemable preference shares of \$71.8m to certain investors, followed by an issue of \$6.9m on 10 January 2017 and \$21.3m on 24 February 2017 such that a total of \$100m preference shares have been issued. The preference shares do not carry any dividend or voting right. They are redeemable at the higher of 1.5 times the preference shares paid-up amount or the sum of the preference share paid-up amount added to the preference share accrual at 20% per annum.

The redeemable preference shares have been recorded as an equity. Accrual for the redemption liability would be made when the redemption event is considered probable and the amount payable on redemption can be reliably estimated.

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**25. Deferred tax**

The following are the major deferred assets and liabilities recognised by the Group and movement thereon during the current and previous years:

	Accelerated tax depreciation	Tax losses	Retirement benefit obligations	Intangible arising on business combinations	Other temporary differences	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 April 2015</b>	<b>7,041</b>	<b>68,848</b>	<b>8,952</b>	<b>(136,127)</b>	<b>(17,907)</b>	<b>(69,193)</b>
Credit (charge) to income statement – current year	(3,147)	(8,061)	115	26,614	(809)	14,712
Credit to other comprehensive income	-	-	(299)	-	-	(299)
Transfer from current tax	-	-	-	-	(145)	(145)
Foreign exchange differences	72	(4)	(55)	-	(12)	1
<b>At 31 March 2016</b>	<b>3,966</b>	<b>60,783</b>	<b>8,713</b>	<b>(109,513)</b>	<b>(18,873)</b>	<b>(54,924)</b>
Re-allocation of opening balances						
Credit (charge) to income statement – current year	(4,974)	(39,926)	(1,352)	75,536	15,411	44,695
Credit to other comprehensive income	-	-	4,155	-	-	4,155
Transfer from current tax	-	-	-	-	119	119
Foreign exchange differences	(136)	(12)	(4)	-	12	(140)
<b>At 31 March 2017</b>	<b>(1,144)</b>	<b>20,845</b>	<b>11,512</b>	<b>(33,977)</b>	<b>(3,331)</b>	<b>(6,095)</b>

Where assets and liabilities meet the criteria for offset, the deferred tax above is disclosed net.

	At 31 March 2017 \$'000	At 31 March 2016 \$'000
Deferred tax assets	30,746	54,709
Deferred tax liabilities	(36,841)	(109,633)
	<b>(6,095)</b>	<b>(54,924)</b>

At the reporting date, the Group has unused tax losses of \$2,746.2m (31 March 2016: \$2,491.5m) available for offset against future profits. A deferred tax asset has not been recognised in respect of losses of \$2,665.5m (31 March 2016: \$2,276.1m) due to the unpredictability of future profit streams. Of these losses, \$2,194.1m (31 March 2016: \$1,933.5m) are UK losses and have no expiry date.

Included within the business combinations total of \$33.9m above is an amount of \$30.9m (31 March 2016: \$105.4m) relating to the deferred tax arising on the fair value adjustment following the acquisition of Expro International Group PLC and also \$3.1m (31 March 2016: \$4.1m) arising from the acquisition of the PTI business.

We have not provided for UK income taxes and foreign withholding taxes on the undistributed earnings of foreign subsidiaries as of 31 March 2017 because we intend to permanently reinvest such earnings outside the UK. If these foreign earnings were to be repatriated in the future, the related UK tax liability would not be reduced by any foreign income taxes previously paid on these earnings. As of 31 March 2017 the cumulative amount of earnings upon which UK income taxes have not been provided is approximately \$393.7m (31 March 2016: \$537.5m).

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**26. Financial instruments****Fair value**

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short term deposits, trade and other receivables, trade and other payables and provisions approximate to their carrying values largely due to the short term maturities of these instruments.
- The fair value of obligations under finance leases is the present value of the minimum contractual payments over the life of the commitment.
- The fair values of the Group's term loan and mezzanine loan are based on the most recently observed market price at the reporting date.
- The revolving credit facility is a first lien debt with the shortest maturity and so the fair value is considered to be equal to the principal amount drawn down on the borrowing facility.

Excluding cash, all other items discussed above are classified as level 2.

The Group had the following financial instruments measured at fair value:

	Carrying amount At 31 March 2017 \$'000	Carrying amount At 31 March 2016 \$'000	Fair value At 31 March 2017 \$'000	Fair value At 31 March 2016 \$'000
<b>Financial assets</b>				
Trade and other receivables *	213,010	271,480	213,010	271,480
Cash and short term deposits	73,812	78,238	73,812	78,238
	<b>286,822</b>	<b>349,718</b>	<b>286,822</b>	<b>349,718</b>
<b>Financial liabilities</b>				
Obligations under finance leases	20,026	14,679	20,026	14,679
Term Loan	1,241,332	1,249,266	1,014,000	787,508
Mezzanine loans	16,121	737,035	8,061	409,300
Revolving credit facility	64,385	69,139	65,000	70,000
Trade and other payables **	149,704	198,608	149,704	198,608
Provisions	11,761	10,130	11,761	10,130
	<b>1,503,329</b>	<b>2,278,857</b>	<b>1,268,552</b>	<b>1,490,225</b>

\* Excludes prepayments

\* Excludes prepayments

\*\* The trade and other payable balance excludes deferred income and taxes payable. 31 March 2017 includes \$Nil m (shown within other receivables) of currency swaps held at fair value (2016: \$0.1m).

The table above excludes shareholder loans and Redeemable preference shares with a carrying value of \$Nil and \$100m respectively at 31 March 2017 (31 March 2016: \$6,903m and \$Nil respectively). The fair value of the shareholders loans have not been disclosed since the loans are closely held by the shareholders and therefore no active market exists for the loans.

**Financial risk factors**

The Group's operations expose it to several financial risks, principally market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 26. Financial instruments (continued)

#### Foreign currency risk

The Group faces exposure to transactional foreign currency risk as a result of sales and operating costs by operating units in currencies other than its functional currency, and translational foreign currency risk on the revaluation of net monetary assets and liabilities, including working capital balances. The Group monitors its exposure to foreign exchange risk on an on going basis, through the analysis of the profile of its monetary assets and liabilities.

#### Sensitivity analysis – foreign currency risk

The table below shows the impact on the Company's financial assets and liabilities that would result from a 7% change in the US Dollar to the Brazilian Real (BRL), Euro (EUR) and British Pound (GBP) exchange rate with all other variables being held constant. This represents management's assessment of the reasonable possible change in exchange rate over the next financial year and is the basis for reporting internally to management. There is no impact on equity.

	Year to 31 March 2017	Year to 31 March 2016
	\$'000	\$'000
Change in BRL by 7.00%	(516)	(524)
Change in EUR by 7.00%	(1,494)	(888)
Change in GBP by 7.00%	609	1,132
	<u>(1,501)</u>	<u>(280)</u>

#### Interest rate risk

Our Term Loan, Mezzanine Loan facility and Revolving Credit facility have variable interest rates exposing us to variability in interest expense and cash flows. Any change in the U.S. Dollar Libor Rate would impact our cost of borrowing under these facilities. Each 100 basis point rise in the U.S. Dollar Libor interest rate in which we had borrowings at 31 March 2017, would have increased our interest expense by approximately \$13.5m (31 March 2016 \$16.2m). Each 100 basis point fall in the U.S. Dollar Libor interest rate in which we had borrowings at 31 March 2017, would have decreased our interest expense by approximately \$0.82m (31 March 2016 \$5.1m). Our Term Loan is subject to a Libor Floor of 1%. At current market rates, the effect of this floor reduces sensitivity of rises in Libor rates up to 1%. We would not obtain any benefit from reductions in Libor below 1%.

#### Credit risk

The Group's exposure to credit risk is primarily through cash and short term deposits, restricted cash and trade and other receivables. The Group's 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 counterparties for these investments are large international financial institutions.

The Group has an extensive global customer base comprising of a large number of blue chip 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 the Group's accounts receivable are due for maturity within less than 90 days and largely comprise amounts receivable from large international oil companies (IOC) and national oil companies (NOC). Accounts are monitored by management and provisions for bad and doubtful debts raised where it is deemed appropriate.

Our accounts receivable balances at March 31, 2016 and 2017 include \$47.4m and \$49.3m, respectively, for construction contracts for the provision of early production facilities for use in Venezuela, where we have experienced delays in collecting payment. At March 31, 2016 our reserve for doubtful accounts receivable for these receivable balances was \$3.3m. During fiscal year 2017 overall economic and political conditions in Venezuela further deteriorated. As of March 31, 2017, our reserve for these doubtful accounts receivable was \$28.3m, which fully reserves our exposure. Our reserve takes into account recognized accrued income and the recoverability of certain equipment. With the exception of these receivables, concentration of credit risk with respect to trade receivables is limited and our customer base is large and unrelated.

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**26. Financial instruments (continued)****Capital risk management**

The Group's objective when managing its capital structure is to minimise the cost of capital while maintaining adequate capital to protect against volatility in earnings and net asset values. The strategy is designed to maximise shareholder return over the long-term.

**Liquidity risk**

The Group's loans are sufficient to meet projected borrowing requirements, with sufficient headroom to protect against variability of cash flows. Key ratios are monitored on a historical and forward looking basis, to ensure both continued compliance with covenants included in the borrowing facility agreement and that the Group has adequate liquidity to meet its contractual obligations as they fall due. There were no breaches of covenants during either the current or comparative period. Cash balances are held in a number of currencies, in order to meet the Group's immediate operating and administrative expenses and to comply with local currency regulations.

**Liquidity risk – contractual undiscounted cash flows**

The table below summarises the maturity profile of the Group's financial liabilities as at 31 March 2017 based on contractual undiscounted payments. Three month US Dollar LIBOR forward interest rates prevailing at the reporting date have been used as the basis for calculating the contractual undiscounted payments on floating rate debt.

	Within 1 year \$'000	1 to 5 years \$'000	>5 years \$'000	Total \$'000
Term loan principal	13,000	1,254,501	-	1,267,501
Mezzanine loan class B principal	-	16,284	-	16,284
Revolving credit facility	-	65,000	-	65,000
Interest on loans	89,800	302,619	-	392,419
Trade, other payables	142,403	7,301	-	149,704
Provisions	9,869	1,892	-	11,761
Finance leases	2,530	13,378	27,043	42,951
<b>At 31 March 2017</b>	<b>257,602</b>	<b>1,660,975</b>	<b>27,043</b>	<b>1,945,620</b>
Term loan principal	13,000	52,000	1,215,500	1,280,500
Mezzanine loan class A principal	-	468,057	-	468,057
Mezzanine loan class B principal	-	-	570,149	570,149
Revolving credit facility	-	70,000	-	70,000
Interest on loans	115,764	448,180	100,517	664,461
Trade, other payables	192,408	6,124	-	198,532
Provisions	8,210	1,920	-	10,130
Finance leases	2,570	8,079	8,363	19,012
<b>At 31 March 2016</b>	<b>331,952</b>	<b>1,054,360</b>	<b>1,894,529</b>	<b>3,280,841</b>

The table above excludes shareholder loans and Redeemable preference shares capital with a carrying value of \$Nil and \$100m respectively at 31 March 2017 (31 March 2016 \$6,903m and \$Nil respectively). The interest bearing loans repayment includes payment in kind interest on the Mezzanine loan facility.

**Future principal payments**

The maturity dates for the term loan and RCF borrowings are linked to the repayment of the Mezzanine loan such that the maturity of the loans are due in full six or nine months, respectively, before maturity date of our mezzanine loan (14 December 2021) or any loan used to refinance the Mezzanine loan if this date is prior to the extended contracted maturity date of the TLB (2 September 2021) or RCF (2 March 2021).



**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**26. Financial instruments (continued)****Financial risk management**

The Group have developed a comprehensive set of policies and procedures to cover major risk areas, including, but not limited to, finance, operations, human resources, health and safety. These policies and procedures are subject to periodic review. The internal audit function (which reports functionally to the Audit and Ethics Committee of the Board of EIGHL) has the remit to review all major policy and control areas on a rolling audit cycle.

For key financial controls, the Group also operate a self-certification process which requires regional management to confirm compliance with key financial policies. This certification process is completed quarterly.

**27. Other non-current liabilities**

Other non-current liabilities consisted of the following at 31 March 2017 and 2016.

	At 31st March 2017 \$'000	At 31st March 2016 \$'000
Other payables	7,301	6,124
<b>Total other non-current liabilities</b>	<b>7,301</b>	<b>6,124</b>

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**28. Share capital**

The following table summarises total shares and share capital outstanding.

	At 31 March 2017		At 31 March 2016	
	Allotted, called up and fully paid number	Allotted, called up and fully paid value \$'000	Allotted, called up and fully paid number	Allotted, called up and fully paid value \$'000
Ordinary shares of £1 each, 1 vote per share	-	-	100,007	200
Deferred share of \$129,589.07 each	1	130	-	-
Share capital issued – Class A ordinary shares	333,281,666	3,333	-	-
Share capital issued – Class B ordinary shares	777,657,221	7,777	-	-
	<b>1,110,938,888</b>	<b>11,240</b>	<b>100,007</b>	<b>200</b>

During October 2016 the Group completed a debt for equity swap transaction related to its Shareholder loan and Mezzanine loan facilities. On 6 October 2016 333,281,666 class A ordinary shares of \$0.01 were issued to Umbrellastream Limited Partnership Incorporated ("ULPI"), in return for the waiver of Shareholder loans due to ULPI of \$7,396.2m. On 25 October 2016 777,657,221 class B ordinary shares of \$0.01 were issued to certain consenting lenders under the Group's Mezzanine loan facility in return for the cancellation of \$784.3m of debt outstanding under this facility.

On 6 October 2016, the 100,007 ordinary shares of £1 each in the capital of the Company were redenominated at a rate of US\$1.2958 to £1 (being the closing spot rate of exchange on 21 September 2016, as determined by the Bank of England), resulting in 100,007 ordinary shares of US\$1.2958 each. Immediately following this redenomination the 100,007 ordinary shares were consolidated in one ordinary share of US\$129,589.07. This one ordinary share was then immediately redesignated as one deferred share of US\$129,589.07.

The deferred share carries no right to vote or receive dividends and only a right to a nominal return in the event of a return of capital. The Class A and B ordinary shares that were issued under this transaction have equivalent rights to vote, receive dividends and participate in a winding up.

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**29. Pension arrangements**

The Group operates a number of pension schemes, primarily consisting of defined contribution plans for UK and non UK employees. The Group also sponsors a pension plan for certain UK, Holland, Norway and Indonesia employees. The majority of the pension costs relate to defined contribution plans. The assets of the various schemes are held separately from those of the Group. The Group's principal retirement savings plans and pension plans are discussed below.

*Defined Contribution Plans*

The Group offers 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, the Group offers 401k retirement savings plans for U.S. employees and other defined contribution schemes for employees in Canada.

The pension costs charge for the year of the Group's defined contribution schemes amounted to \$8.6m (31 March 2016: \$14.9m).

*Defined Benefit Plans*

The Group offers 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 existing defined contribution pension scheme ("DC scheme").

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

Further, the Group operates 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 a lump sum formula expressed in terms of a multiple of final wages depending on the years of service completed.

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**29. Pension arrangements (continued)****Assumptions**

The major assumptions included on a weighted average basis across the schemes, used to calculate the defined benefit scheme liabilities under *IAS 19 Employment Benefits* were:

	At 31 March 2017	At 31 March 2016
Discount rate	2.50%	3.40%
Expected rate of salary increases	0.10%	0.20%
Allowance for pension payment increases	2.70%	2.70%

The mortality assumptions adopted at 31 March 2017 imply the following life expectancies:

	At 31 March 2017 Remaining years	At 31 March 2016 Remaining years
Males currently aged 40	46	46
Females currently aged 40	48	48
Males currently aged 65	22	22
Females currently aged 65	23	24

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. Assumptions for pension increases are linked to expectations of future rates of inflation.

The assumptions with the most significant impact are the discount rate and the inflation rate. We estimate that a 0.1 percentage point decrease in the discount rate would lead to a \$5.0m increase in the gross pension liability and that a 0.1 percentage point increase in the inflation rate would lead to a \$2.9m increase in the gross pension liability.

The weighted average maturity of the pension liability is 20 years.

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**29. Pension arrangements (continued)****Net periodic benefit cost**

Amounts recognised in the income statement and in the comprehensive income in respect of the defined benefit schemes were as follows:

	Year to 31 March 2017	Year to 31 March 2016
	\$'000	\$'000
Current service cost	(1,475)	(3,520)
Interest on net liability	(1,538)	(1,389)
Plan amendments	113	(2,385)
<b>Income statement</b>	<b>(2,900)</b>	<b>(7,294)</b>
Re-measurement losses	(25,986)	(2,790)
<b>Other comprehensive loss</b>	<b>(25,986)</b>	<b>(2,790)</b>
<b>Total comprehensive loss</b>	<b>(28,886)</b>	<b>(10,084)</b>

The service costs have primarily been included in cost of sales, interest costs and plan amendments have been recorded in other expense. Settlement costs primarily relate to disability pension that is now covered by the Norway social security system. Remeasurement gains and losses have been reported in the statement of comprehensive loss.

The remeasurement loss is derived from the components shown in the table below:

	Year to 31 March 2017	Year to 31 March 2016
	\$'000	\$'000
Remeasurement gain (loss) on assets	17,192	(11,427)
Remeasurement gain (loss) on liabilities	(43,178)	8,637
<b>Remeasurement loss on defined benefit schemes</b>	<b>(25,986)</b>	<b>(2,790)</b>

Based on our current funding agreements, the amount of employer contributions expected to be paid to the Group's defined benefit schemes over the next five years are:

	\$'000
Year to 31 March 2018	2,667
Year to 31 March 2019	2,673
Year to 31 March 2020	2,679
Year to 31 March 2021	2,686
Year to 31 March 2022	2,692
5 years to 31 March 2027	13,569
	<b>26,966</b>

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**29. Pension arrangements (continued)****Statement of financial position**

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined retirement benefit schemes and post-employment benefits is as follows:

	At 31 March 2017 \$'000	At 31 March 2016 \$'000
Present value of defined benefit obligations	(241,665)	(233,903)
Fair value of scheme assets	175,121	186,098
Deficit recognised under non-current liabilities	<u>(66,544)</u>	<u>(47,805)</u>

Movements in the present value of defined benefit obligations were as follows:

	Year to 31 March 2017 \$'000	Year to 31 March 2016 \$'000
At 1 April 2016	(233,903)	(248,208)
Current service cost	(1,362)	(3,520)
Interest cost	(7,262)	(7,769)
Contributions from scheme members	(342)	(649)
Remeasurement gains (losses)	(43,178)	8,637
Exchange difference	31,198	6,473
Plan amendments	394	1,133
Benefits paid	12,790	10,000
At 31 March 2017	<u>(241,665)</u>	<u>(233,903)</u>

Movements in the fair value of scheme assets were as follows:

	Year to 31 March 2017 \$'000	Year to 31 March 2016 \$'000
At 1 April 2016	186,098	204,883
Interest on scheme assets	5,724	6,380
Remeasurement gains (losses)	17,192	(11,427)
Exchange difference	(23,863)	(4,734)
Contributions from the sponsoring companies	2,661	3,865
Contributions from scheme members	342	649
Plan amendments	(394)	(3,518)
Benefits paid	(12,639)	(10,000)
At 31 March 2017	<u>175,121</u>	<u>186,098</u>

The actual return on scheme assets consists of the following:

	Year to 31 March 2017 \$'000	Year to 31 March 2016 \$'000
Expected return on scheme assets	5,724	6,380
Remeasurement gain (loss) on scheme assets	17,193	(11,427)
Actual return on scheme assets	<u>22,917</u>	<u>(5,047)</u>

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**29. Pension arrangements (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 fall due. In doing so, the aim is to maximise 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 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 stabilising 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 has 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 at the reporting date were as follows:

\$'000	Fair value of assets at 31 March 2017			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Equity funds	98,726	-	-	98,726
Bond funds	12,652	-	-	12,652
Liability driven investment funds	43,442	-	-	43,442
Property funds	5,956	-	-	5,956
Equities	245	-	-	245
Bonds	-	-	-	-
Other assets	-	1,642	12,458	14,100
	161,021	1,642	12,458	175,121

\$'000	Fair value of assets at 31 March 2016			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Equity funds	105,746	-	-	105,746
Bond funds	27,910	-	-	27,910
Liability driven investment funds	26,498	-	-	26,498
Property funds	10,238	-	-	10,238
Equities	142	-	-	142
Bonds	1,861	-	-	1,861
Other assets	-	308	13,395	13,703
	172,395	308	13,395	186,098

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

**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**30. Non-cash items before movements in working capital**

Non-cash items before movements in working capital consisted of the following during the fiscal years ended 31 March 2017 and 2016.

	Year to 31 March 2017 \$'000	Year to 31 March 2016 \$'000
<b>Adjustments on continuing and discontinued operations:</b>		
Amortisation of intangible asset	91,904	89,991
Impairment of goodwill	362,200	450,022
Impairment of investment in joint ventures	3,009	-
Impairment of intangible assets	257,347	8,837
Depreciation of property, plant and equipment	120,955	132,595
Impairment of property, plant and equipment	26,966	26,716
(Gain) / Loss on disposal of intangibles and property, plant and equipment	(468)	2,480
Elimination of unrealised profit on sales to joint ventures	230	408
Post tax share of results from joint ventures	(1,510)	(5,679)
Unrealised foreign exchange	443	4,961
<b>Non-cash items</b>	<b>861,076</b>	<b>710,331</b>



**Notes to the consolidated financial statements (continued)**

Year Ended 31 March 2017

**31. Related party transactions**

Transactions between the Company and the Group's subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the year, the Group entered into the following transactions with related parties who were not members of the Group:

**Trading transactions**

		Goods and services provided to related party \$'000	Goods and services provided by related party \$'000	Interest charged to related party \$'000	Amounts owed by related party \$'000
The Investors	Ultimate owner	-	82	-	-
CETS	Joint venture	1,834	-	-	1,210
PVD-Expro	Joint venture	3	-	-	1,031
<b>31 March 2017</b>		<b>1,837</b>	<b>82</b>	<b>-</b>	<b>2,241</b>
The Investors	Ultimate owner	-	387	-	-
Umbrellastream Ltd Partnership Inc.	Ultimate parent company	-	-	229	2,402
CETS	Joint venture	3,167	-	-	217
PVD-Expro	Joint venture	1,142	-	-	1,186
Group directors	Group directors	-	-	-	107
<b>31 March 2016</b>		<b>4,309</b>	<b>387</b>	<b>229</b>	<b>3,912</b>

## Notes to the consolidated financial statements (continued)

Year Ended 31 March 2017

### 31. Related party transactions (continued)

#### Transactions with the Investors

The Investors is a consortium comprising of funds led by Goldman Sachs Capital Partners and Arle Capital Partners. The costs charged to the Group are the directors' fees of the Investor-nominated directors in accordance with the terms of the Consortium Deed between the Company's subsidiary Expro Holdings UK 4 Ltd and the Investors, originally dated 16 April 2008.

#### Transactions with Umbrellastream Ltd Partnership Inc ("ULPI")

ULPI was our ultimate parent company until October 2016. In October 2016 certain entities that existed above the Company in the structure including ULPI were wound up, such that Expro International Group Holdings Limited became the ultimate parent company of the Expro Group. The amounts owed by ULPI during the year ended March 31, 2016 relate to balances under loan agreements whereby the Group funded the administrative costs relating to the Partnership. These loans were settled in October 2016.

#### Transactions with CETS and PVD-Expro

At 31 March 2017, the Group 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 the Group and the joint ventures.

All of the amounts outstanding in the table above are unsecured and will be settled in cash. No guarantees have been given or received.

#### Financing and investing transactions

As detailed in Note 8, the Group received dividends from its two joint ventures during the years ended 31 March 2017 and 31 March 2016.

### 32. Subsequent events

On 18 December 2017, the Group filed a pre-packaged plan of re-organisation under Chapter 11 of the United States Bankruptcy Code (which was subsequently approved by the Court on 25 January 2018). Under the plan, the Group's Term Loan, Revolving Credit Facility and Mezzanine lenders exchanged all of their outstanding principal and accrued interest for equity in the reorganised Group. As part of the restructuring, the shareholders of the Company transferred all of their interest in the group (comprising Expro Holdings UK2 Limited and its subsidiaries, Expro UK DebtCo Limited and Expro Corporate Trustee Limited ("Expro Group")) on a going concern basis to Expro Group Holdings International Limited ("EGHIL"), a company incorporated in the Cayman Islands, in exchange for share warrants in EGHIL, which are exercisable for a consideration, as agreed between the parties to the warrant agreement, on occurrence of certain specified events at EGHIL. The Expro Group emerged from Chapter 11 on 5 February 2018 at which point EGHIL became the Ultimate Parent Company of the Expro Group and also, the immediate parent company of EHUK2. Consequently, EIGHIL, is no longer the ultimate parent company of Expro Group and has no interests in Expro Group as of the date of this report.

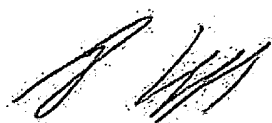
There were no other events between the reporting date and the date the financial statements were authorised for issue that require disclosure.

**Company's statement of financial position**

As at 31 March 2017

		31 March 2017	31 March 2016
	Note	\$'000	\$'000
<b>Non-current assets</b>			
Investments	4	-	-
		<u>-</u>	<u>-</u>
<b>Current assets</b>			
Other receivables	5	-	107
Cash		509	387
		<u>509</u>	<u>494</u>
<b>Current liabilities</b>			
Other payables	6	(66)	(74)
Amounts due to related parties	7	(5,388)	(2,663)
		<u>(5,454)</u>	<u>(2,737)</u>
<b>Total assets less current liabilities</b>		<u>(4,945)</u>	<u>(2,243)</u>
<b>Non current liabilities</b>			
Shareholder loan	8	-	(6,903,139)
		<u>-</u>	<u>(6,903,139)</u>
<b>Total assets less total liabilities</b>		<u>(4,945)</u>	<u>(6,905,382)</u>
<b>Equity</b>			
Share capital	10	11,240	200
Share premium		8,128,821	268,633
Other Equity	9	100,000	-
Equity reserve		2,038	2,038
Accumulated loss		(8,247,044)	(7,176,253)
<b>Total deficit</b>		<u>(4,945)</u>	<u>(6,905,382)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 21 February 2018. They were signed on behalf of the Board by:



**Tim Campbell**  
*Director*

**Company's statement of changes in equity**

Year Ended 31 March 2017

<b>Year Ended 31 March 2017</b>	<b>Share capital \$'000</b>	<b>Share premium \$'000</b>	<b>Other Equity \$'000</b>	<b>Equity reserve \$'000</b>	<b>Accumulated loss \$'000</b>	<b>Total \$'000</b>
At 1 April 2016	200	268,633	-	2,038	(7,176,253)	(6,905,382)
Loss on redenomination of ordinary shares	(70)	70	-	-	-	-
Share capital issued – Class A ordinary shares	3,333	200,212	-	-	-	203,545
Share capital issued – Class B ordinary shares	7,777	467,161	-	-	-	474,938
Redeemable preference shares issued during the year	-	-	100,000	-	-	100,000
Gain on extinguishment of Shareholder's loan	-	7,192,745	-	-	-	7,192,745
Loss for the year	-	-	-	-	(1,070,791)	(1,070,791)
<b>At 31 March 2017</b>	<b>11,240</b>	<b>8,128,821</b>	<b>100,000</b>	<b>2,038</b>	<b>(8,247,044)</b>	<b>(4,945)</b>

<b>Year Ended 31 March 2016</b>						
At 1 April 2015	200	268,633	-	2,038	(5,433,136)	(5,162,265)
Loss for the year	-	-	-	-	(1,743,117)	(1,743,117)
<b>At 31 March 2016</b>	<b>200</b>	<b>268,633</b>	<b>-</b>	<b>2,038</b>	<b>(7,176,253)</b>	<b>(6,905,382)</b>

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

Year Ended 31 March 2017

### 1. Corporate information

The Company's corporate information, including its immediate parent company and ultimate controlling party, is provided in Note 1 to the consolidated financial statements.

### 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 year ended 31 March 2017, and (ii) the Companies Act 2006.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period not less than twelve months from the date of signature of the accounts. In making this assessment, the directors considered the Company's financial position as at the date of approving these financial statements. Following the restructuring the Company hold a nominal level of cash and has a liability of \$4.9 million to a former subsidiary which will not be called for settlement by that subsidiary under the terms of the Group reorganisation. Accordingly, the directors have determined it is appropriate to prepare and issue these financial statements on a going concern basis.

The financial statements have also been prepared on a historical cost basis. 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 exemption 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 requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS1;
- 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 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

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

Year Ended 31 March 2017

**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 year.

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.

*Impairment assessment and testing*

FRS 101 requires management to perform impairment tests annually for indefinite lived assets and, for finite lived assets, if events or changes in circumstances indicate that their carrying amounts may not be recoverable. Such impairment tests include, but are not limited to investments. 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 investments and the further details of the calculations are provided in Note 4.

*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.

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

Year Ended 31 March 2017

### 2.3 Summary of significant accounting policies

#### Foreign currency translation

The 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 year. 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.

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.

#### Cash

Cash comprises cash at bank, cash in hand and short term deposits with an original maturity date of three months or less.

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

Year Ended 31 March 2017

**2.3 Summary of significant accounting policies (continued)****Receivables**

Receivables are measured at initial recognition at fair value and are subsequently carried at the lower of their original invoiced value and recoverable amount, which due to the short maturity period of receivables approximates to amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

**Payables**

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

**Investments**

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

**Related party transactions**

The Company has taken advantage of the exemptions conferred by *FRS 8 - Related Parties* not to disclose transactions with related parties outside of the Group, as the Company's financial statements are presented together with the consolidated financial statements.

**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.

**3. Loss for the year**

As permitted by the exemption in Section 408(2) of the Companies Act 2006, the Company has not presented its own statement of profit and loss account. The loss for the year was \$1,070.8m (31 March 2016: loss of \$1,743.1m). There is no difference between the loss for the year and the total comprehensive loss for the year.

The auditors' remuneration for audit services to the Company is borne by the Group. Please refer to Note 7 of the consolidated financial statements.



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

Year Ended 31 March 2017

**4. Investments**

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

	\$'000
<b>Cost</b>	
At 1 April 2015	4,411,293
Addition : 333.3m \$1 ordinary shares in Expro Holdings UK 2 Ltd	333,282
<b>At 1 April 2016</b>	<b>4,744,575</b>
Addition : Capital contribution made in Expro Holding UK 2 Ltd	574,938
<b>At 31 March 2017</b>	<b>5,319,513</b>
<b>Accumulated impairment</b>	
At 1 April 2015	(3,872,281)
Impairment : Expro Holdings UK 2 Ltd	(872,294)
<b>At 1 April 2016</b>	<b>(4,744,575)</b>
Impairment : Expro Holdings UK 2 Ltd	(574,938)
<b>At 31 March 2017</b>	<b>(5,319,513)</b>
<b>Carrying amount</b>	
At 31 March 2016	-
<b>At 31 March 2017</b>	<b>-</b>

During the year ended 31 March 2017, the Company made a capital contribution to Expro Holdings UK 2 Limited, one of its subsidiaries, increasing the Company's investments by \$574.9m.

Further, the Company carried out a review of its carrying value of its investment in EHUK2 as at 31 March 2017 which has resulted in an impairment charge of \$574.9m (31 March 2016: \$872.2m).

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

Year Ended 31 March 2017

**4. Investments (continued)**

A list of the Company's subsidiaries at 31 March 2017 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 The Arab Republic of Egypt
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	PO Box 25 Regency Court Gategny Esplanade St Peter Port GY1 3AP

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

Year Ended 31 March 2017

**4. Investments (continued)**

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
PT Expro Indonesia	Indonesia	The Garden Centre 5-19 Cilandak Commercial Estate Jl. Raya Cilandak KKO Jakarta 12560
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-ECOC JV LLP	Kazakhstan	Office 203 43 Dostyk Avenue 050010 Almaty
Expro Bondco SA	Luxembourg	46a Avenue J.F. Kennedy L-1855
Expro Finance Luxembourg SCA***	Luxembourg	46A Avenue John F Kennedy L-1855
Expro FinServices Sarl	Luxembourg	46A, Avenue John F. Kennedy L-1855
AS Petrotech Knowledge (Malaysia) Sdn Bhd	Malaysia	Level G2, Plaza Permata No.6 Jalan Kampar 50400 Kuala Lumpur
Expro Group Malaysia SDN BHD	Malaysia	Level 7 Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Damansara Heights 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 50490 Damansara Heights Wilayah Persekutuan
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

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

Year Ended 31 March 2017

**4. Investments (continued)**

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
Petrotech BV	Netherlands	Nijverheidsweg 4 1785 AA Den Helder
Ecodrill Nigeria Ltd	Nigeria	1A Elelenwo Road Rumukurusi Port-Harcourt
Exprotech Nigeria Ltd	Nigeria	188 Awolowo 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
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 Ltd	UK	Third Floor 14-16 Cross Street Reading Berkshire RG1 1SN
Expro Corporate Trustee 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)**

Year Ended 31 March 2017

**4. Investments (continued)**

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
Expro Holdings UK 2 Ltd**	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 North Sea 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 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 UK Debtco Ltd**	UK	Third Floor 14-16 Cross Street Reading Berkshire RG1 1SN
Expro Americas, LLC	USA	c/o Corporation Service Company 2711 Centerville Road Suite 400 Wilmington DE 19808
Expro Holdings US Inc	USA	c/o Corporation Service Company 2711 Centerville Road Suite 400 Wilmington DE 19808

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

Year Ended 31 March 2017

**4. Investments (continued)**

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
Expro Meters, Inc.	USA	c/o Corporation Service Company 2711 Centerville Road Suite 400 Wilmington DE 19808
Expro US Holdings, LLC	USA	c/o Corporation Service Company 2711 Centerville Road Suite 400 Wilmington 19808
Expro US Finco LLC	USA	c/o Corporation Service Company 2711 Centerville Road, Suite 400 Wilmington DE 19808

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

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

\*\*\* Consolidated in Group accounts in accordance with IFRS 10 – Consolidated Financial Statements and FRS 101.

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

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)**

Year Ended 31 March 2017

**5. Other receivables**

The following table is an analysis of the Company's other receivables as at 31 March 2017 and 31 March 2016.

	At 31 March 2017 \$'000	At 31 March 2016 \$'000
Other receivables	-	107
	<u>-</u>	<u>107</u>

**6. Other payables**

The following table is an analysis of the Company's other payables as at 31 March 2017 and 31 March 2016.

	At 31 March 2017 \$'000	At 31 March 2016 \$'000
Other payables	66	74
	<u>66</u>	<u>74</u>

**7. Amounts due to related parties**

The following table is an analysis of the Company's amounts due from related parties as at 31 March 2017 and 31 March 2016.

	At 31 March 2017 \$'000	At 31 March 2016 \$'000
Current account with EPSH	5,388	2,663
	<u>5,388</u>	<u>2,663</u>

All companies within the Group, including the Company have entered into an Intercompany Netting Agreement. This agreement gives the Company the legal right to settle its trading intercompany balances on a net basis with Exploration and Production Services (Holdings) Limited ("EPSH"), an indirect subsidiary, unless specific loan agreements are in place.

The current account balance due to EPSH results from trading and other current activities on which no interest is charged and is repayable on demand.

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

Year Ended 31 March 2017

**8. Shareholder Loans**

The Group's long-term debt consisted of the following at 31 March 2017 and 2016.

	Effective Interest rate %	Full Maturity date	At 31 March 2017 \$'000	At 31 March 2016 \$'000
Shareholder loan	14%	15-Jul-19	-	6,119,609
Shareholder loan	25%	15-Jul-19	-	419,115
Shareholder loan	14%	15-Jul-19	-	364,415
			-	<b>6,903,139</b>

On 6 October 2016, as part of the debt for equity exercise the full amount of the Shareholder loans outstanding (principal and payment in kind) were waived simultaneously in exchange for Class A ordinary shares. Refer to Note 23 of the consolidated financial statements for further details.

**9. Other Equity**

On 28 December 2016, Expro International Group Holdings Limited issued redeemable preference shares of \$71.8m to certain investors, followed by an issue of \$6.9m on 10 January 2017 and \$21.3m on 24 February 2017 such that a total of \$100m preference shares have been issued. The preference shares do not carry any dividend or voting right. They are redeemable at the higher of 1.5 times the preference shares paid-up amount or the sum of the preference share paid-up amount added to the preference share accrual at 20% per annum.

The redeemable preference shares has been recorded as an equity. Accrual for the redemption liability would be made when the redemption event is considered probable and the amount payable on redemption can be reliably estimated.



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

Year Ended 31 March 2017

**10. Share capital**

The following table is an analysis of the Company's share capital as at 31 March 2017 and 31 March 2016.

	At 31 March 2017	At 31 March 2016	At 31 March 2017 \$'000	At 31 March 2016 \$'000
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1 each	-	100,007	-	200
Deferred share of \$129,589.07 each	1	-	130	-
Share capital issued – Class A ordinary shares	333,281,666	-	3,333	-
Share capital issued – Class B ordinary shares	777,657,221	-	7,777	-
	<b>1,110,938,888</b>	<b>100,007</b>	<b>11,240</b>	<b>200</b>

All ordinary shares issued have the same rights.

During October 2016 the Company's shareholders completed a debt for equity swap transaction related to the Shareholder loan and Mezzanine loan facilities. On 6 October 2016 the Company issued 333,281,666 class A ordinary shares of \$0.01 to Umbrellastream Limited Partnership Incorporated ("ULPI"), the Company's ultimate parent company and controlling party, in return for the waiver of Shareholder loans due to ULPI of \$7,396.2m. On 25 October 2016 the Company then issued 777,657,221 class B ordinary shares of \$0.01 to certain consenting lenders under the Group's Mezzanine loan facility in return for the cancellation of \$784.3m of debt outstanding under this facility. As a result of this transaction all shareholder debt and 98% of Mezzanine loan facility debt was waived. The Group's net debt, excluding shareholder debt, was reduced by 38%.

On 6 October 2016, the 100,007 ordinary shares of £1 each in the capital of the Company were redenominated at a rate of US\$1.2958 to £1 (being the closing spot rate of exchange on 21 September 2016, as determined by the Bank of England), resulting in 100,007 ordinary shares of US\$1.2958 each. Immediately following this redenomination the 100,007 ordinary shares were consolidated in one ordinary share of US\$129,589.07. This one ordinary share was then immediately redesignated as one deferred share of US\$129,589.07.

The deferred share carries no right to vote or receive dividends and only a right to a nominal return in the event of a return of capital. The Class A and B ordinary shares that were issued under this transaction have equivalent rights to vote, receive dividends and participate in a winding up.

Following this transaction, all companies that existed above the Company in the structure, including ULPI, were collapsed such that the Company became the principal holding company of the Expro Group. From this point the Company was owned by a private equity consortium that included both former owners of ULPI and the former holders of the Mezzanine loan facility debt that was converted into new equity in the Company. As affiliates of former owners of ULPI also had significant holdings of debt under the Group's Mezzanine loan facility parties that previously owned ULPI before the transaction and their affiliates continue to own the majority of the Company's shares.

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

Year Ended 31 March 2017

**11. Subsequent events**

On 18 December 2017, the Group filed a pre-packaged plan of re-organisation under Chapter 11 of the United States Bankruptcy Code (which was subsequently approved by the Court on 25 January 2018). Under the plan, the Group's Term Loan, Revolving Credit Facility and Mezzanine lenders exchanged all of their outstanding principal and accrued interest for equity in the reorganised Group. As part of the restructuring, the shareholders of the Company transferred all of their interest in the group (comprising Expro Holdings UK2 Limited and its subsidiaries, Expro UK DebtCo Limited and Expro Corporate Trustee Limited ("Expro Group")) on a going concern basis to Expro Group Holdings International Limited ('EGHIL'), a company incorporated in the Cayman Islands, in exchange for share warrants in EGHIL, which are exercisable for a consideration, as agreed between the parties to the warrant agreement, on occurrence of certain specified events at EGHIL. The Expro Group emerged from Chapter 11 on 5 February 2018 at which point EGHIL became the Ultimate Parent Company of the Expro Group and also, the immediate parent company of EHUK2. Consequently, EGHIL is no longer the ultimate parent company of Expro Group and has no interests in Expro Group as of the date of this report.

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