

# Expro North Sea Limited

Report and Financial Statements

9 months to 31 December 2018



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## **Corporate Information**

### **Directors**

L J W McAlister  
I J Robb  
A G S Geddes  
N R Sims

### **Secretary**

C J O'Connell

### **Registered Office**

Third Floor  
14-16 Cross Street  
Reading  
Berkshire  
RG1 1SN

### **Bankers**

HSBC Bank plc  
Thames Valley Corporate Banking Centre  
Apex Plaza  
Reading  
RG1 1AX

### **Independent Auditor**

Ernst & Young LLP  
Blenheim House  
Fountainhall Road  
Aberdeen  
AB15 4DT

## Strategic report

9 months ended 31 December 2018

The directors present their Strategic report of Expro North Sea Limited (the "Company") for the 9 months ended 31 December 2018.

### The Company's business

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

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

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

The Company has branches operating in the Netherlands, Israel and Senegal, and a project office in India. It also sells subsea equipment to other group companies and third parties in various countries throughout the world and has an intervention contract in Brunei.

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

### Financial results and operating performance

#### i) Trading performance

The below table provides a summary of key Statement of profit or loss line items.

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000	Movement \$'000
<b>Selected Statement of profit or loss line items</b>			
Revenue	150,190	158,854	(8,664)
<b>Gross profit</b>	<b>28,232</b>	<b>14,472</b>	<b>13,760</b>
Administration and other expenses	(3,800)	(2,379)	(1,421)
Net finance income/(costs)	4,904	(13,241)	18,145
Tax expense	(1,952)	(312)	(1,640)
<b>Net profit/(loss)</b>	<b>27,186</b>	<b>(7,774)</b>	<b>34,960</b>

Revenue levels for the 9 months ended 31 December 2018 of \$150.2m on an annualised basis are higher than the previous year (2018 - \$158.9m). This increase is driven by increased activity across multiple product lines and locations.

Net finance income of \$4.9m was received in the 9 months ended 31 December 2018 compared to costs of \$13.2m the previous year. This shift was mainly due to favourable foreign exchange movements.

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

## Strategic report

9 months ended 31 December 2018

### Financial results and operating performance (continued)

#### ii) Financial position

The below table provides a summary of key balances.

	As at 31 December 2018	As at 31 March 2018	Movement
	\$'000	\$'000	\$'000
Intangible assets	41,992	39,069	2,923
Property, plant and equipment	107,058	99,263	7,795
Net working capital	6,840	11,323	(4,483)
Related party receivables	58,388	48,388	10,000
Related party payables	(3,950)	(4,450)	(500)
Cash	3,840	2,299	1,541
Tax receivables/(liabilities)	704	(144)	848
<b>Net assets</b>	<b>148,038</b>	<b>114,116</b>	<b>33,922</b>

The overall decrease in net working capital is due to the following: an increase in inventory (\$3.7m), higher trade and other receivables (\$9.0m) due timing of activity and larger projects, increase in trade and other payables (\$17.2m) due to timing of capital expenditure.

#### Principal risks and uncertainties

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

##### *Oil price*

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

##### *Political*

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 risk*

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

## Strategic report

9 months ended 31 December 2018

### *Brexit*

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

### *Foreign currency*

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. Exposure to foreign exchange risk is monitored on an ongoing basis through the analysis of the profile of our monetary assets and liabilities.

### *Credit risk*

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

### **Other matters**

Other matters pertinent to the Strategic report are set out below.

### **Health and safety**

The health and safety of our personnel remains our critical priority. Commitment from all levels of the business ensures we maintain industry leading standards and in 2018 we continued to outperform our peers. Driven through the Expro Group's Champion Safety initiative, the organisation continued to run a range of campaigns associated with hand, driving and process safety. Employees remain at the heart of these achievements and that is why this period the company conducted a global safety climate survey to gather feedback on culture and focus areas. This is being carefully analysed in order to target and enhance strategic improvements for the organisation in the year ahead, including a fresh approach to hand safety.

In the meantime, our long-term Excellence in Operations programme continues to drive safety and quality across the business through a range of targets from organisational objectives, key performance indicators and employee performance appraisals. Health and safety remains at the forefront of our business drivers.

### **Employees**

We employ approximately 920 employees and second in employees from other group companies when required.

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. This includes ADVANCE; a series of intensive accelerated learning programmes which are aimed at different levels of personnel. It enables new and existing employees to develop, and add value to the business at a much quicker rate. We have also implemented a multi-skilling programme aimed at cross-training a number of our personnel to allow us to increase efficiency.

One of Expro's strategic goals is to create a motivated and prepared workforce, which is proud to join and be part of the Company 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. 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

## Strategic report

9 months ended 31 December 2018

### ***Employees (continued)***

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.

### ***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 Directors of the Group, 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 Board considers compliance to be at the forefront of the business' 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.

### ***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 Group values and behaviours to develop a framework of activity including charitable, sporting, environmental and community based events.

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.

### ***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 has the remit to review all major policy and control areas on a rolling audit cycle.

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

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

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

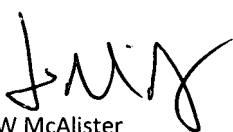
## Strategic report

9 months ended 31 December 2018

### ***Future developments***

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

By order of the board



L.J.W. McAlister  
Director

20 June 2019

Expro North Sea Limited  
Registered in England and Wales with number 01108011  
Third Floor  
14-16 Cross Street  
Reading  
Berkshire  
RG1 1SN



## Directors' report

9 months ended 31 December 2018

The directors present their annual report on the affairs of the Company for the 9 months ended 31 December 2018.

### Corporate structure and ultimate parent company

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

### Results and dividends

The Company's profit for the financial year is \$27.2m (2018 loss: \$7.8m). No dividends were paid or proposed during the period (March 2018: Nil).

### Business review and future developments

The information contained in the Strategic report constitutes the review of our business. It also contains details of expected future developments in our business and key performance indicators used by management.

### Going concern

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

### Directors

The directors who served during the period and to the date of signing these financial statements were as follows:

L J W McAlister  
I J Robb  
A G S Geddes  
N R Sims

### Share capital

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

### 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 company to accommodate such adjustments or to provide an alternative position.

## Directors' report

9 months ended 31 December 2018

### 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 have been appointed as auditor by resolution of the Company's sole shareholder and have expressed their willingness to continue in office as auditor.

### Directors' Responsibilities Statement

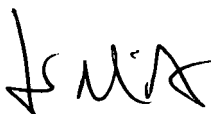
The directors are responsible for preparing the Strategic report, the Directors' report and financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to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

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

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

By order of the Board



L J W McAlister

Director

20 June 2019

Expro North Sea Limited

Registered in England and Wales with number 01108011

Third Floor, 14-16 Cross Street, Reading, RG1 1SN

## Independent auditor's report to the members of Expro North Sea Limited

We have audited the financial statements of Expro North Sea Limited for the 9 months ended 31 December 2018 which comprise the Statement of profit or loss, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 22 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

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

### Conclusions relating to going concern

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

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

### Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Independent auditor's report to the members of Expro North Sea Limited

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

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

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

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

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

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

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

### Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement as set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

## Independent auditor's report to the members of Expro North Sea Limited

### Use of our report

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



Kenneth MacLeod Hall (Senior statutory auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
Aberdeen, United Kingdom

21 JUNE 2019

**Statement of profit or loss**

9 months ended 31 December 2018

	Note	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
Revenue	3	150,190	158,854
Cost of sales		(121,958)	(144,382)
<b>Gross profit</b>		<b>28,232</b>	<b>14,472</b>
Administration and other expenses		(3,800)	(2,379)
Restructuring costs	6	(198)	(6,314)
<b>Operating profit</b>		<b>24,234</b>	<b>5,779</b>
Net finance income/(costs)	7	4,904	(13,241)
<b>Profit/(loss) before tax</b>		<b>29,138</b>	<b>(7,462)</b>
Tax	8	(1,952)	(312)
<b>Profit/(loss) for the period/year</b>		<b>27,186</b>	<b>(7,774)</b>

The profit for the financial period is attributable in full to the shareholder.

**Statement of comprehensive income**

9 months ended 31 December 2018

		<b>9 months ended 31 December 2018 \$'000</b>	<b>Year ended 31 March 2018 \$'000</b>
	<b>Note</b>		
<b>Profit/(loss) for the period/year</b>		27,186	(7,774)
<b>Other comprehensive income</b>			
Re-measurement gain on defined benefit pension scheme	19	6,736	4,831
<b>Total comprehensive profit/(loss) for the period/year, net of tax</b>		<b>33,922</b>	<b>(2,943)</b>

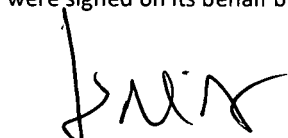
**Statement of financial position**

31 December 2018

	Note	31 December 2018 \$'000	31 March 2018 \$'000
<b>Non-current assets</b>			
Intangible assets	9	41,992	39,069
Property, plant and equipment	10	107,058	99,263
		<b>149,050</b>	<b>138,332</b>
<b>Current assets</b>			
Inventories	11	22,306	18,622
Trade and other receivables	12	36,633	27,618
Amounts due from related parties	14	58,388	48,388
Tax receivables		704	-
Cash		3,840	2,299
		<b>121,871</b>	<b>96,927</b>
<b>Current liabilities</b>			
Trade and other payables	13	(52,099)	(34,917)
Amounts due to related parties	14	(3,950)	(4,450)
Finance leases	15	(632)	(519)
Tax liabilities		-	(144)
Provisions	17	(976)	(1,317)
		<b>(57,657)</b>	<b>(41,347)</b>
<b>Non-current liabilities</b>			
Finance leases	15	(9,008)	(10,529)
Provisions	17	(790)	(867)
Pension deficit	19	(55,428)	(68,400)
		<b>(65,226)</b>	<b>(79,796)</b>
<b>Total assets less total liabilities</b>		<b>148,038</b>	<b>114,116</b>
<b>Equity</b>			
Share capital	18	231	231
Capital contribution		7,989	7,989
Equity reserve		3,154	3,154
Accumulated profit		136,664	102,742
<b>Total equity</b>		<b>148,038</b>	<b>114,116</b>

The financial statements were approved by the board of directors and authorised for issue on  
 were signed on its behalf by:

*20 June* 2019. They



L J W McAlister  
 Director



**Statement of changes in equity**

9 months ended 31 December 2018

<b>9 months ended 31 December 2018</b>	<b>Share capital \$'000</b>	<b>Capital contribution \$'000</b>	<b>Equity reserve \$'000</b>	<b>Accumulated profit \$'000</b>	<b>Total \$'000</b>
At 1 April 2018	231	7,989	3,154	102,742	114,116
Profit for the period	-	-	-	27,186	27,186
Re-measurement gain on defined benefit pension scheme	-	-	-	6,736	6,736
<b>At 31 December 2018</b>	<b>231</b>	<b>7,989</b>	<b>3,154</b>	<b>136,664</b>	<b>148,038</b>

<b>Year ended 31 March 2018</b>	<b>Share capital \$'000</b>	<b>Capital contribution \$'000</b>	<b>Equity reserve \$'000</b>	<b>Accumulated profit \$'000</b>	<b>Total \$'000</b>
At 1 April 2017	231	7,989	3,154	105,685	117,059
Loss for the year	-	-	-	(7,774)	(7,774)
Re-measurement gain on defined benefit pension scheme	-	-	-	4,831	4,831
<b>At 31 March 2018</b>	<b>231</b>	<b>7,989</b>	<b>3,154</b>	<b>102,742</b>	<b>114,116</b>

The capital contribution and equity reserve both relate to historical share based payments.

## Notes to the financial statements

9 months ended 31 December 2018

### 1. Corporate information

The financial statements of the Company for the 9 months ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 20 June 2019.

The Company 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.

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

The Company's immediate parent company at the period ended 31 December 2018 is Exploration and Production Services (Holdings) Limited.

The Company is a private limited company, limited by shares, incorporated in Great Britain with its registered office situated in England and Wales. The registered office is Third Floor, 14-16 Cross Street, Reading, Berkshire, RG1 1SN, United Kingdom. The principal place of business is Lion House, Dyce Avenue, Aberdeen, AB21 0LQ, United Kingdom.

## Notes to the financial statements

9 months ended 31 December 2018

### 2. Basis of preparation and accounting policies

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

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and in accordance with applicable accounting standards and the Companies Act 2006.

The financial statements have also been prepared on a going concern and historical cost basis (except for defined benefit pension plan assets and liabilities which have been measured at fair value). The financial statements 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 IFRS 7 *Financial Instruments: Disclosures*
- the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
  - paragraph 118(e) of IAS 38 *Intangible Assets*; and
- the requirements of paragraphs 10(d), 10(f), 38(a)-38(d), 40(a)-40(d) and 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ;
- the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- 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 ; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*

The accounting policies adopted in the preparation of the consolidated 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 financial statements

9 months ended 31 December 2018

### 2. Basis of preparation and accounting policies (continued)

#### 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 on-going 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*

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to contracts that are not completed at this date.

The management reviewed and assessed the Company's existing contracts with the customers open at the date of transition, in accordance with the guidance included above and concluded that there is no material impact on the revenue recognition of the Company.

##### *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 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 Company's impairment evaluations and therefore reported assets and financial results.

The carrying value of intangible assets and property, plant and equipment and further details of the calculations are provided in Notes 9 and 10.

##### *Pensions*

The pension deficit for the Company'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 Company's pension deficit are further described in Note 19.

##### *Provisions*

Provisions primarily comprise management's best estimate of the potential dilapidation costs of leased buildings and restructuring costs.

## Notes to the financial statements

9 months ended 31 December 2018

### 2. Basis of preparation and accounting policies (continued)

#### 2.2 Significant accounting judgments, estimates and assumptions (continued)

##### *Functional currency*

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

##### *Income taxation*

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

Changes in the underlying assumptions regarding the reversal of these differences, or in the tax regime where the differences arise, could result in significant changes in the carrying value of tax assets or liabilities. Refer to Note 8 for further information regarding the Company's income taxes.

#### 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 Statement of profit and loss. 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.

##### **Business combinations**

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.

##### **Provisions**

The Company recognises provisions when it has a present obligation (legal or constructive) as a result of a past event where it is probable that the Company 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.

## Notes to the financial statements

9 months ended 31 December 2018

### 2. Basis of preparation and accounting policies (continued)

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

##### 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 Statement of profit and loss 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 Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in the Statement of profit and loss 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
Patents	-	between 10 and 15 years
Technology	-	between 5 and 15 years

##### 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	-	50 years
Leased property	-	over the lesser of the remaining useful life or period of the lease
Plant or 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

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent Cash Generating Units (CGUs). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

## Notes to the financial statements

9 months ended 31 December 2018

### 2. Basis of preparation and accounting policies (continued)

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

##### Inventories

The Company's inventories primarily include repair parts 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 Company 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 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.

## Notes to the financial statements

9 months ended 31 December 2018

### 2. Basis of preparation and accounting policies (continued)

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

##### Research and development government credits

The group claims research and development government credits in the UK. These credits are similar in nature to grants and are offset against the related expenditure category in the Statement of profit and loss. The credits are recognised when there is reasonable assurance that they will be received, which in some cases can be some time after the original expense is incurred.

##### Financial instruments

Financial assets and financial liabilities are recognised in the Company's Statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company 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 Company 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.

##### Leases

###### *Company as the lessee*

Assets held under capital leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception 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 capital leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

###### *Company as the lessor*

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

##### Equity instruments

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



## Notes to the financial statements

9 months ended 31 December 2018

### 2. Basis of preparation and accounting policies (continued)

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

##### **Pensions and other post-retirement benefits**

The Company operates both defined benefit and defined contribution pension arrangements as set out in Note 19 to the accounts.

##### *Defined Benefit Plans*

The present value of the Company'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.

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 Statement of profit and loss in the period in which they become payable.

##### **Revenue recognition**

The Company recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

- Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the Company satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- a) The Company's performance does not create an asset with an alternate use to the Company and the Company has an enforceable right to payment for performance completed to date.
- b) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c) The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised goods or services it creates a contract based asset (trade receivables and accrued income) on the amount of consideration earned by the performance. Where the amount of

## Notes to the financial statements

9 months ended 31 December 2018

### 2. Basis of preparation and accounting policies (continued)

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

consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability (deferred income).

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

#### *Rendering of services:*

The majority of the Company'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 at a point of time when the performance obligation is satisfied, being the rendering of the services as per the contracts with the customers.

#### *Sale of goods:*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

#### *Design and build equipment (Construction contracts):*

The Company also enters into contracts to design and build equipment on behalf of its customers. The contracts are assessed to determine, if the performance obligation is satisfied over a period of time. If it's determined that the performance obligation is satisfied over a period of time, 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 (input method) expended by the Company 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.

Further, a small number of our multiple element arrangements contain penalty provisions for late delivery and installation of equipment, downtime or other equipment functionality. These penalties are typically percentage reductions in the total arrangement consideration, capped at a certain amount, or a reduction in the on-going service fee. These penalty provisions are evaluated to determine whether they impact the amount of consideration allocable to the delivered item.

## Notes to the financial statements

9 months ended 31 December 2018

### 2. Basis of preparation and accounting policies (continued)

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

##### Fair value measurement

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.

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

For the purpose of fair value disclosures, the Company 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.

##### Current versus non-current classification

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

An asset is current when it is either:

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

All other assets are classified as non-current.

A liability is current when either:

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

The Company classifies all other liabilities as non-current.

## Notes to the financial statements

9 months ended 31 December 2018

### 2. Basis of preparation and accounting policies (continued)

#### 2.4 New and amended standards and interpretations

Where they are relevant, the Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2018.

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

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to contracts that are not completed at this date.

The management reviewed and assessed the Company's existing contracts with the customers in accordance with the guidance included above and concluded that there is no material impact on the revenue recognition of the Company.

##### *IFRS 9 Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

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

##### **Classification and measurement**

There was no impact to the Statement of financial position resulting from the Company applying the classification and measurement requirements of IFRS 9.

##### **Impairment**

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to measure and recognise expected credit losses on all applicable financial assets and contract assets arising from IFRS 15 'Revenue from Contracts with Customers' e.g. trade receivables, contract assets, amount due from related parties and bank balances, either on a 12-month or lifetime expected loss basis. The Company has applied the simplified approach and recorded lifetime expected losses on all trade receivables, contract assets, amounts due from related parties and bank balances.

The management reviewed and assessed the Company's existing financial assets in accordance with the guidance included above and concluded that there is no material impact on the impairment provision of the Company.

## Notes to the financial statements

9 months ended 31 December 2018

### 2. Basis of preparation and accounting policies (continued)

#### 2.5 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 Company's financial statements are disclosed below. These are the changes that the Company reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards and interpretations, if applicable, when they become effective. The Company is in the process of assessing the impact of these new standards.

##### *IFRS 16 Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. We are currently evaluating the impact of this new standard on our financial position, results of operation, cash flows and related disclosures and expect that a large portion of our current operating lease commitments will be subject to new standard resulting in an increase in total assets and liabilities.

## Notes to the financial statements

9 months ended 31 December 2018

### 3. Revenue

The following table provides an analysis of the Company's revenue for the 9 months ended 31 December 2018 and year ended 31 March 2018.

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
Rendering of services	108,730	114,193
Sale of goods	8,809	4,959
Rental income	32,651	39,702
	<u>150,190</u>	<u>158,854</u>

The following table shows the geographical split of the Company's revenue for the 9 months ended 31 December 2018 and year ended 31 March 2018.

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
UK	80,539	90,406
Europe	29,539	23,527
Rest of World	40,112	44,922
	<u>150,190</u>	<u>158,854</u>

## Notes to the financial statements

9 months ended 31 December 2018

### 4. Staff costs and directors' remuneration

#### (a) Staff costs

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

	9 months ended 31 December 2018	Year ended 31 March 2018
Operational	583	645
Administrative	339	298
	<u>922</u>	<u>943</u>

Their aggregate remuneration comprised:

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
Wages and salaries	56,641	66,551
Social security costs	6,570	8,152
Pension costs : defined contribution	2,967	3,530
Pension costs : defined benefit (Note 19)	647	857
	<u>66,825</u>	<u>79,090</u>

#### (b) Directors' remuneration

Directors' remuneration is disclosed for those directors who were not also directors of Expro Holdings UK 2 Limited (the Company's intermediate parent), being I J Robb, A G S Geddes and N R Sims:

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
Short-term employment benefits	1,688	1,275
Post-employment benefits	10	13
	<u>1,698</u>	<u>1,288</u>

During the year, post-employment benefits accrued to one (March 2018 – one) director of Expro North Sea Limited who was not also a director of Expro Holdings UK 2 Limited.

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

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
Short-term employment benefits	<u>1,042</u>	<u>625</u>

## Notes to the financial statements

9 months ended 31 December 2018

### 5. Auditor remuneration

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
Auditor remuneration: audit services	139	137

### 6. Restructuring costs

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
Restructuring costs	198	6,314

During the period the Company incurred costs of \$0.2m (31 March 2018: \$6.3m) in respect of restructuring costs. As a result of the challenging business environment we have restructured and resized the business to prepare it for the future. These costs are deemed to be exceptional as they do not relate to current operations.

### 7. Net finance income

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
<b>Finance income:</b>		
Foreign exchange gain on pension and finance lease liabilities	7,223	-
<b>Finance costs:</b>		
Foreign exchange loss on pension and finance lease liabilities	-	9,045
Finance charges payable under finance leases	1,049	1,236
Net interest on defined benefit plan obligation (Note 19)	1,196	1,720
Interest payable on amounts due to related parties	33	48
Other	41	1,192
	2,319	13,241
<b>Net finance income/(costs)</b>	<b>4,904</b>	<b>(13,241)</b>



## Notes to the financial statements

9 months ended 31 December 2018

### 8. Tax

The major components of income tax expense were:

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
<b>United Kingdom</b>		
Corporation tax	720	-
Adjustments in respect of prior periods	-	-
	<u>720</u>	<u>-</u>
<b>Foreign tax</b>		
Corporation tax	1,177	345
Adjustments in respect of prior periods	55	(33)
<b>Current tax expense</b>	<u>1,232</u>	<u>312</u>
<b>Total</b>	<u>1,952</u>	<u>312</u>

The charge for the period can be reconciled to the profit per the Statement of profit or loss as follows:

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
Profit/(loss) before tax	<u>29,138</u>	<u>(7,462)</u>
Tax at the UK corporation tax rate of 19% (31 March 2018: 19%)	5,536	(1,418)
Expenses not deductible in determining taxable profit/(loss):		
Permanent differences	1,107	4,454
Adjustment in respect of prior periods	55	(33)
Effect of changes in tax rates	(430)	(187)
Change in unrecognised deferred tax assets	(3,652)	(1,596)
Losses surrendered by fellow subsidiaries	(1,602)	(1,253)
Non-creditable overseas tax	938	345
<b>Tax expense at the effective tax rate of 6.7% (31 March 2018: -4%)</b>	<u>1,952</u>	<u>312</u>

There is an unrecognised deferred tax asset of \$30.4m (March 2018 - \$33.9m) which is made up as follows:

	31 December 2018 \$'000	31 March 2018 \$'000
Fixed asset timing differences	20,962	21,899
Other timing differences	313	331
Retirement obligations	9,139	11,628
	<u>30,414</u>	<u>33,858</u>

In his budget of 16 March 2016 the Chancellor announced a reduction in the UK corporation tax rate from 19% to 17% effective from 1 April 2020 which was substantively enacted on 6 September 2016. The Company will only recognise the impact of the rate change which is substantively enacted at that time in its financial statements.

As the company recognises no deferred tax arising from timing differences subject to UK taxation, there will be no measureable impact of the reduction in the tax rate on the Company's deferred tax.

## Notes to the financial statements

9 months ended 31 December 2018

### 9. Intangible assets

	Software \$'000	Patents \$'000	Technology \$'000	Total \$'000
<b>Cost</b>				
At 1 April 2018	4,674	500	59,660	64,834
Additions	-	-	7,371	7,371
<b>At 31 December 2018</b>	<b>4,674</b>	<b>500</b>	<b>67,031</b>	<b>72,205</b>
<b>Amortisation and impairment</b>				
At 1 April 2018	3,930	473	21,362	25,765
Charge for the year	303	27	3,177	3,507
Impairment	-	-	941	941
<b>At 31 December 2018</b>	<b>4,233</b>	<b>500</b>	<b>25,480</b>	<b>30,213</b>
<b>Carrying amount</b>				
<b>At 31 December 2018</b>	<b>441</b>	<b>-</b>	<b>41,551</b>	<b>41,992</b>
At 31 March 2018	744	27	38,298	39,069

The intangible asset balance classified as technology above primarily relates to our subsea landing string and drill stem testing technologies. These assets are amortised over a useful economic life of five years from the point the technology is commercialised and are on average approximately 20% through their useful economic lives.

Internally generated intangibles capitalised for the 9 months ended 31 December 2018 amounted to \$7.4m (Year ended 31 March 2018: \$6.5m).

Amortisation for the period of \$3.5m (Year ended 31 March 2018: \$4.7m) has been included in cost of sales.

The amount of research & development expenditure which was recognised as an expense in the period was \$1.5m (year ended 31 March 2018: \$2.2m).

The Company had entered into contractual commitments in respect of its development of technology assets and these are expected to have a capitalised value of \$1.9m (31 March 2018: \$1.7m).

Intangible assets are reviewed for impairment at the end of each reporting period to assess if there is any indication that an asset is impaired. This review led to an impairment of \$1.0m representing previously capitalised technology that is no longer considered commercially viable.

## Notes to the financial statements

9 months ended 31 December 2018

### 10. Property, plant and equipment

	Assets in course of construction	Land and buildings	Plant & Equipment	Total
	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>				
At 1 April 2018	20,288	12,263	339,539	372,090
Additions	35,882	-	363	36,245
Disposals	(2,152)	-	(9,458)	(11,610)
Transfer from related parties	-	-	91,388	91,388
Transfer to related parties	-	-	(83,255)	(83,255)
Transfers	(28,497)	-	28,497	-
<b>At 31 December 2018</b>	<b>25,521</b>	<b>12,263</b>	<b>367,074</b>	<b>404,858</b>
<b>Accumulated depreciation</b>				
At 1 April 2018	-	3,340	269,487	272,827
Charge for the year	-	669	19,609	20,278
Impairment	-	-	1,675	1,675
Disposals	-	-	(8,881)	(8,881)
Transfer from related parties	-	-	66,062	66,062
Transfer to related parties	-	-	(54,161)	(54,161)
<b>At 31 December 2018</b>	<b>-</b>	<b>4,009</b>	<b>293,791</b>	<b>297,800</b>
<b>Net book value</b>				
<b>At 31 December 2018</b>	<b>25,521</b>	<b>8,254</b>	<b>73,283</b>	<b>107,058</b>
At 31 March 2017	20,288	8,923	70,052	99,263

The Company 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 Company's Statement of profit or loss. During the 9 months ended 31 December 2018 the Company recognised an impairment loss of \$1.7m (Year ended 31 March 2018: \$6.9m), which is included within cost of sales.

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

	31 December 2018 \$'000	31 March 2018 \$'000
Land and buildings	8,254	8,923
Plant and equipment	322	321
	<b>8,576</b>	<b>9,244</b>

As at 31 December 2018 the Company had entered into contractual commitments for the acquisition of property, plant and equipment which have an expected capitalised value of \$8.5m (31 March 2018: \$4.7m).

## Notes to the financial statements

9 months ended 31 December 2018

### 11. Inventories

	31 December 2018 \$'000	31 March 2018 \$'000
Raw materials and consumables	16,157	16,105
Work in progress	6,149	2,517
	<b>22,306</b>	<b>18,622</b>
Cost of inventories recognised as an expense during the year	18,446	6,377
Net increase of inventory impairment provisions	603	4,911

### 12. Trade and other receivables

	31 December 2018 \$'000	31 March 2018 \$'000
Trade receivables	23,515	13,944
Impairment provision	(1,494)	(427)
	<b>22,021</b>	<b>13,517</b>
Accrued income	7,601	8,015
Prepayments	4,927	2,722
VAT receivable	1,551	2,135
Other receivables	533	1,229
	<b>36,633</b>	<b>27,618</b>

### 13. Trade and other payables

	31 December 2018 \$'000	31 March 2018 \$'000
Trade payables	24,675	17,077
Accruals	20,799	11,473
Deferred income	1,590	1,391
Other tax and social security	2,578	2,445
Other payables	2,457	2,531
	<b>52,099</b>	<b>34,917</b>

## Notes to the financial statements

9 months ended 31 December 2018

### 14. Amounts due from/to related parties

The following table shows the amounts receivable from Group undertakings as at 31 December 2018 and 31 March 2018.

	31 December 2018 \$'000	31 March 2018 \$'000
Current accounts with group undertakings	58,388	48,388

The following table shows the amounts payable to Group undertakings as at 31 December 2018 and 31 March 2018.

	31 December 2018 \$'000	31 March 2018 \$'000
Loan payable to group undertaking	(3,950)	(4,450)

Expro maintains a netting agreement whereby all companies within the Expro Group are permitted to settle non-financing related intercompany balances on a net basis with a central Expro company, Exploration and Production Services (Holdings) Limited.

Accordingly, the intercompany balances that result from the above transactions, as well as those that result from short term funding transactions, are presented as a single current account with Exploration and Production Services (Holdings) Limited.

### 15. Finance leases

The Company has finance leases and hire purchase contracts for various items of plant and machinery, office equipment and office and manufacturing buildings. The Company's obligations under finance leases are secured by the lessor's title to the leased assets. These leases have terms of renewal but no purchase options. 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 are, as follows:

	Minimum lease payments 31 December 2018 \$'000	Future finance charges 31 December 2018 \$'000	Present value of lease payments 31 December 2018 \$'000	Minimum lease payments 31 March 2018 \$'000	Future finance charges 31 March 2018 \$'000	Present value of lease payments 31 March 2018 \$'000
<b>Leases expiring</b>						
Within one year	1,935	(1,303)	632	1,987	(1,468)	519
In the second to fifth years inclusive	6,927	(4,483)	2,444	7,573	(5,057)	2,516
After five years	13,270	(6,706)	6,564	16,292	(8,279)	8,013
	<b>22,132</b>	<b>(12,492)</b>	<b>9,640</b>	<b>25,852</b>	<b>(14,804)</b>	<b>11,048</b>
Included in current liabilities			632			519
Included in non-current liabilities			9,008			10,529
			<b>9,640</b>			<b>11,048</b>

## Notes to the financial statements

9 months ended 31 December 2018

### 16. Operating lease arrangements

The Company has entered into operating leases on certain motor vehicles, buildings and items of plant and machinery, with lease terms between one and 8 years. There is one ground lease in the UK with 90 years remaining.

	31 December 2018 \$'000	31 March 2018 \$'000
Minimum operating lease payments recognised as an expense	1,956	3,201

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

	31 December 2018 \$'000	31 March 2018 \$'000
Within one year	2,419	2,659
In the second to fifth years inclusive	7,230	7,774
After five years	13,949	16,341
	<b>23,598</b>	<b>26,774</b>

### 17. Provisions

	Deferred consideration \$'000	Restructuring provision \$'000	Dilapidations \$'000	Other \$'000	Total \$'000
<b>At 1 April 2018</b>	<b>58</b>	<b>309</b>	<b>867</b>	<b>950</b>	<b>2,184</b>
Utilised	(55)	(110)	-	-	(165)
Movement in valuation	(14)	-	-	-	(14)
Unwinding of discount	14	-	-	-	14
Decrease	-	(176)	-	-	(176)
Foreign exchange difference	(3)	3	(77)	-	(77)
<b>At 31 December 2018</b>	<b>-</b>	<b>26</b>	<b>790</b>	<b>950</b>	<b>1,766</b>
Included in current liabilities	-	26	-	950	976
Included in non-current liabilities	-	-	790	-	790
	<b>-</b>	<b>26</b>	<b>790</b>	<b>950</b>	<b>1,766</b>

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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.

The provision for deferred consideration was in respect of sales-related deferred payments on the acquisition of the specific business of Flight Refuelling Limited acquired during 2004, and was to be settled over the life of the agreement, being 15 years.

The restructuring provision as at 31 December 2018 and costs incurred during the period primarily relates to severance obligations as a result of the head count reduction programme.

Other relates to a provision for damage to an umbilical sold to a client.

The Company had no material contingent liabilities as at 31 December 2018 (31 March 2018: none).

## Notes to the financial statements

9 months ended 31 December 2018

### 18. Share capital

	31 December 2018 shares	31 March 2018 shares	31 December 2018 \$'000	31 March 2018 \$'000
Allotted, called up and fully paid Ordinary shares of £1 each	140,001	140,001	231	231

The authorised share capital of the Company is 248,500 ordinary shares of £1 each.

All ordinary shares issued have the same rights.

### 19. Pensions

The Company operates a number of pension schemes, consisting of the main scheme for UK based employees and several smaller schemes for overseas employees. The assets of the schemes are held separately from those of the Company.

#### Main scheme

The main scheme comprises two parts:

- a) A defined benefit scheme ("Scheme"), which from 1 October 1999 was closed to new entrants. The company closed the Scheme to future accrual from 31 May 2016. The status of the Scheme's remaining active members changed to that of deferred members. This change affected approximately 70 employees. As deferred members, these employees no longer accrue further benefits under the Scheme through their service. However, benefits earned through past service are retained and will continue to increase with inflation, capped at 5%. In addition, affected individuals were given the option of joining the Company's Worksave Personal Pension Plan, per note b) below. The contributions to the Scheme are determined by a qualified external actuary on the basis of regular valuations. The Company is currently contributing monthly cash payments to the Scheme based on a deficit recovery plan agreed between the Company and the Trustees of the Scheme following the April 2017 Triennial Valuation. Over the years the members of the Scheme have been employed by various Expro Group companies. At present there are only two remaining member employers, Expro North Sea Limited and Expro Overseas Inc. The liabilities to the Scheme of the former employers have either been or are in the process of being apportioned to Expro North Sea Limited under s.75 of the Pensions Act 1995. The full liabilities and assets of the Scheme are included in these accounts.
- b) A Trust based defined contribution scheme was open to the Company's employees until 31 March 2009 (the "DC Scheme"). The DC scheme was subsequently closed and a new Company Personal Pension Plan (the "GPP") implemented; all the assets of the DC Scheme were transferred to the GPP. The GPP was a portable, personal pension plan to which the employer contributed on a matching basis between a base of 3% and a ceiling of 6% of base salary. From 1 February 2016 a Worksave Personal Pension Plan was opened for all new contributions to which the previous matching contributions still apply.

## Notes to the financial statements

9 months ended 31 December 2018

### 19. Pensions (continued)

#### Other schemes

The Company operates an insured defined benefit arrangement in the Netherlands. The assets of insured schemes are insurance contracts which guarantee the pensions secured to date, and an annual valuation of the scheme amends the contribution rate each year. There is also a defined contribution scheme in the Netherlands covering a group of approximately 60 employees.

#### Defined benefit schemes

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:

	31 December 2018	31 March 2018
	%	%
Discount rate	2.8	2.5
Expected rate of salary increases	0.1	0.1
Allowance for pension payment increases	3.0	2.8

The mortality assumptions adopted imply the following life expectancies:

	31 December 2018 Remaining years	31 March 2018 Remaining years
Males currently aged 40	45	44
Females currently aged 40	47	46
Males currently aged 65	21	21
Females currently aged 65	23	22

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

The assumptions with the most significant impact on the pension liability are as follows:

	Sensitivity of defined benefit obligation \$000
1% increase in discount rate	(30,526)
1% decrease in discount rate	38,672
1% increase in price inflation	26,067
1% decrease in price inflation	(26,615)



## Notes to the financial statements

9 months ended 31 December 2018

### 19. Pensions (continued)

Amounts recognised in the Statement of profit or loss and in the Statement of comprehensive income in respect of the defined benefit schemes were as follows:

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
Current service cost (Note 4)	(647)	(857)
Interest on net liability (Note 7)	(1,196)	(1,720)
<b>Income statement</b>	<b>(1,843)</b>	<b>(2,577)</b>
Re-measurement gains	6,736	4,831
<b>Other comprehensive gain</b>	<b>6,736</b>	<b>4,831</b>
<b>Total comprehensive gain</b>	<b>4,893</b>	<b>2,254</b>

The current service costs for the period of \$0.6m (Year ended 31 March 2018: \$0.9m) have been primarily included in cost of sales. Re-measurement gains and losses have been reported in the Company's Statement of comprehensive income.

The re-measurement gain is derived from the components shown in the table below:

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
Re-measurement loss on assets	(7,356)	(2,330)
Re-measurement gain on liabilities	14,092	7,161
<b>Re-measurement gain on defined benefit scheme</b>	<b>6,736</b>	<b>4,831</b>

The amount of employer contributions expected to be paid to the Company's defined benefit schemes over the next five years are year ended 31 December 2019: \$3.7m, 31 December 2020: \$3.8m, 31 December 2021: \$3.9m, 31 December 2022: \$4.0m and 31 December 2023: \$4.1m. The amount due to be paid over the next five years to 31 December 2028 is \$22.5m.

## Notes to the financial statements

9 months ended 31 December 2018

### 19. Pensions (continued)

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

	31 December 2018 \$'000	31 March 2018 \$'000
Present value of defined benefit obligations	(219,871)	(260,114)
Fair value of scheme assets	164,443	191,714
<b>Deficit recognised under non-current liabilities</b>	<b>(55,428)</b>	<b>(68,400)</b>

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

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
At start of period/year	(260,114)	(238,164)
Current service cost	(647)	(857)
Past service cost	(40)	-
Interest cost	(4,449)	(6,167)
Contributions from scheme members	(94)	(122)
Re-measurement gains	14,092	7,161
Exchange difference	22,335	(29,111)
Benefits paid	9,046	7,146
<b>At end of period/year</b>	<b>(219,871)</b>	<b>(260,114)</b>

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

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
At start of period/year	191,714	173,126
Interest on scheme assets	3,253	4,447
Re-measurement losses	(7,356)	(2,330)
Exchange difference	(16,478)	21,235
Contributions from the sponsoring companies	2,262	2,260
Contributions from scheme members	94	122
Benefits paid	(9,046)	(7,146)
<b>At end of period/year</b>	<b>164,443</b>	<b>191,714</b>

## Notes to the financial statements

9 months ended 31 December 2018

### 19. Pensions (continued)

The actual return on scheme assets consists of the following:

	9 months ended 31 December 2018 \$'000	Year ended 31 March 2018 \$'000
Expected return on scheme assets	3,253	4,447
Re-measurement loss on scheme assets	(7,356)	(2,330)
<b>Actual return on scheme assets</b>	<b>(4,103)</b>	<b>2,117</b>

The investment strategy of the main UK scheme ("Scheme") is set by the trustees and is based on advice received from an investment consultant. The primary investment objective for the Scheme 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 Scheme.

The investment strategy has been determined after considering the Scheme'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 Scheme'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 Scheme's funding position improves.

## Notes to the financial statements

9 months ended 31 December 2018

### 19. Pensions (continued)

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

The analysis of the schemes' assets at the reporting date were as follows:

\$'000	Fair value of assets at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Equity funds	95,319	-	-	95,319
Bond funds	9,715	-	-	9,715
Liability driven investment funds	43,093	-	-	43,093
Property funds	3,408	-	-	3,408
Other assets	-	254	12,654	12,908
	<b>151,535</b>	<b>254</b>	<b>12,654</b>	<b>164,443</b>

\$'000	Fair value of assets at 31 March 2018			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Equity funds	112,903	-	-	112,903
Bond funds	11,545	-	-	11,545
Liability driven investment funds	48,527	-	-	48,527
Property funds	3,695	-	-	3,695
Other assets	-	1,195	13,849	15,044
	<b>176,670</b>	<b>1,195</b>	<b>13,849</b>	<b>191,714</b>

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

## Notes to the financial statements

9 months ended 31 December 2018

### 20. Related party transactions

During the period, the Company entered into transactions in the ordinary course of business with a related party. Transactions entered into, and trading balances outstanding at 31 December 2018, are as follows:

	Goods and services provided to \$'000	Amounts owed by related party \$'000
COSL – Expro Testing Services (Tianjin) Co. Ltd	2,044	276

COSL – Expro Testing Services (Tianjin) Co. Ltd is a joint venture in which the Expro Group held a 50% stake as at 31 December 2018. Expro's interest in the joint venture is under the common control of Expro Holdings UK 3 Limited. The goods and services provided are in relation to equipment sales and rental.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received and no provisions against the amounts outstanding have been made.

The Company has taken advantage of the exemption in FRS 101 not to disclose transactions with other group undertakings.

### 21. Exchange rate

The USD to GBP exchange rate at the balance sheet date is 1.27602.

### 22. Collateral

The Company is a guarantor of the Expro Group's borrowing facilities and substantially all of its assets are encumbered or have been pledged as collateral under these facilities.

### 23. Comparative information

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