Company number: 01108011

# Expro North Sea Limited

## Report and Financial Statements

## Year to 31 December 2021

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## Corporate Information

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## Strategic report
Year ended 31 December 2021

The directors present their Strategic report of Expro North Sea Limited (the "Company") for the year ended 31 December 2021.

### The Company's business

We are a member of the Expro group of companies ("Expro" or "We"). Established more than 80 years ago, the Group is a leading provider of energy services, combining innovative disruptive technology with high quality data across well construction, well flow management, subsea well access, and well intervention and integrity. Further information regarding our services offering is set out below under our customer engagement disclosure - *The services we provide to our customers.*

The Company has branches, as defined in section 1046(3) of the Companies Act 2006, operating outside the UK as follows: the Netherlands, Guyana, Israel and Senegal, and a subsidiary incorporated during the year in India.

### Financial results, operating performance and key performance indicators

#### i) Trading performance

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

| | 31 December 2021 $'000 | 31 December 2020 $'000 | Movement $'000 |
|---|---|---|---|
| **Selected Statement of comprehensive income line items** | | | |
| Revenue | 144,036 | 151,181 | (7,145) |
| Gross profit | 3,773 | 4,487 | (714) |
| Exceptional (costs)/income | (16,297) | 2,068 | (18,365) |
| Net (loss)/profit | (14,476) | 7,263 | (21,739) |

Revenue levels for the year ended 31 December 2021 are $7.1m lower than the previous year. The main decrease was in intercompany equipment leasing to other group companies. With regards to external revenues, in the prior year the Company's activity, especially in the UK and in The Netherlands, was significantly affected by the Covid-19 pandemic and the related fall in the oil price after a high activity start to the year; this continued in the first half of the current year before activity picked up again as oil price rose and the impact of Covid-19 reduced. In addition, activity started on new contracts in Israel. Gross profit has declined due to the fall in revenue levels, but also due to the sales mix within that revenue. Exceptional items of $16.3m relate stock compensation of $14.3m triggered by the Expro combination with Frank's International (detailed below) and also to merger related employee compensation and other restructuring of $2.0m (2020: $5.3m), unconnected to prior year which was related to Covid-19 restructuring.

The above metrics represent the main key performance indicators for the Company.

#### ii) Financial position

The below table provides a summary of key balances.

| | 2021 $'000 | 2020 $'000 | Movement $'000 |
|---|---|---|---|
| Property, plant and equipment | 138,959 | 154,586 | (15,627) |
| Current assets | 80,280 | 74,602 | 5,678 |
| *Other non-current assets* | 49,112 | 51,985 | (2,873) |
| Current liabilities | (52,617) | (45,756) | (6,861) |
| Other non-current liabilities | (45,686) | (75,963) | 30,277 |
| Net assets | 170,048 | 159,454 | 10,594 |

# Strategic report (continued)

Year ended 31 December 2021

**ii) Financial position (continued)**

The carrying value of our property, plant and equipment has decreased primarily as a result of depreciation charges for the year and by transfer of equipment to from other group companies. Current asset balances have increased primarily due to the higher project work-in-progress, and trade receivables based on higher end of year activity compared to prior year. Current liabilities are higher due to payroll related and operational accruals and bank overdraft balance. Other non-current assets reduced due to depreciation of Right-of-use assets and amortisation and impairment of Intangible Assets. Other non-current liabilities decreased due to a reduction in the pension deficit and the run down of lease liabilities.

The above constitutes the key performance indicators of the Company together with the non-financial KPIs as discussed in the relevant sections of the s.172 Statement.

## Strategic direction

On 1st October 2021, Expro combined with Frank's International to create a new full-cycle energy services leader. The combined company assumed the Expro Group Holdings N.V. name and began trading on the New York Stock Exchange on 4 October 2021, under the ticker symbol "XPRO."

By bringing the two companies together, we created a new full-cycle energy services company. Both companies bring decades of market leadership, best-in-class safety and service quality performance, value-driven cultures and global capabilities in well construction, well flow management and production, subsea well access, and well intervention and integrity.

Together, we design and deploy novel solutions by leveraging innovative, future-facing technology. Our solutions continuously challenge established methods of conducting operations in fresh and bold ways across the well lifecycle.

We are founded upon a solid reputation for safety, competency and dependability to provide our customers with deep insight into their needs and preferences, all while delivering unrelenting customer service quality.

Following the merger, we launched a new strategy to help us to shape, position and strive ahead as a confident, forward-thinking brand which will allow us to create the value and sustainability necessary in order that we may, in turn, evolve and continue to operate successfully in a changing industry.

This strategy supports our determined commitment not only to product portfolio enhancement, but also delivery of our new digitalisation and environmental initiatives within our business practices and increasing our relevance and commitment to creating a lower carbon future.

- **Extraordinary performance** - Continuously exceed industry expectations with extraordinary safety and operational performance
- **Efficiency and focus** - Executing on all of our financial targets by applying a selective, focused strategy and a relentless drive for efficiency
- **Advancing** – Develop a balanced portfolio through aggressively pursuing innovation with purpose and technologies that can provide tangible benefits throughout the well lifecycle
- **Digital transformation** - Evolving our digital initiative to unleash the power of data, both within our own business practices and to deliver value to our customers
- **Our planet** – Advancing and developing technologies to increase our relevance and be part of the solution to create a lower carbon future
- **People** - Nurture our culture to equip and empower our people to be innovative, agile and responsive whilst encouraging diversity

## Strategic report (continued)

Year ended 31 December 2021

Stakeholder Engagement – the *Section 172 Statement*

The success of our business is linked, in part, to the quality of our engagement with our stakeholders. The nature and extent of the principal decisions taken by the business is invariably influenced by our desire to seek continuous improvement in service quality through engagement and feedback processes with our key stakeholders, namely – our Employees, our Customers, our Suppliers and our investors. The likely consequences of any long-term decisions are set out in more detail in the Principal Risks and Uncertainties disclosures below.

In performing their duties under section 172, the directors of the Company have had regard to the matters set out in section 172 (1) as follows:

1. **Our Customers – the need to foster relationships with the group's customers**

*The services we provide to our customers*
Working for our clients across the entire well lifecycle, Expro is a visionary full-cycle energy services expert offering novel, insightful solutions, dependable competency and award-winning safety. We combine innovative, future-facing technology with high quality data across well construction, well flow management, subsea well access, well intervention and integrity. We have a reputation for extraordinary performance that keeps our customers' operations running smoothly.

Our broad portfolio of products and services are designed to enhance production and improve recovery across the well lifecycle from exploration through abandonment, including:

**Well Construction**

- Our well construction products and services support customers' new wellbore drilling, wellbore completion and recompletion, and wellbore plug and abandonment requirements. In particular, we offer advanced technology solutions in drilling, tubular running services, cementing and tubulars. With a focus on innovation, we are continuing to advance the way wells are constructed by optimising process efficiency on the rig floor, developing new methods to handle and install tubulars and mitigating well integrity risks.

**Well Management**
Our well management offerings consist of well flow management, subsea well access and well intervention and integrity services:

- *Well flow management*: We gather valuable well and reservoir data, with a particular focus on well-site safety and environmental impact. We provide global, comprehensive well flow management systems for the safe production, measurement and sampling of hydrocarbons from a well during the exploration and appraisal phase of a new field; the flowback and clean-up of a new well prior to production; and in-line testing of a well during its production life. We also provide early production facilities to accelerate production; production enhancement packages to enhance reservoir recovery rates through the realisation of production that was previously locked within the reservoir; and metering and other well surveillance technologies to monitor and measure flow and other characteristics of wells.

  *Subsea well access*: With over 35 years of experience providing a wide range of fit-for-purpose subsea well access solutions, our technology aims to ensure safe well access and optimised production throughout the lifecycle of the well. We provide what we believe to be the most reliable, efficient and cost-effective subsea well access systems for exploration and appraisal, development, intervention and abandonment, including an extensive portfolio of standard and bespoke Subsea Test Tree Assemblies, a rig-deployed Intervention Riser System and a vessel-deployed, wire through water Riserless Well Intervention System. We also provide systems integration and project management services.

- *Well intervention and integrity*: We provide well intervention solutions to capture well data, ensure well bore integrity and improve production. In addition to our extensive fleet of mechanical and cased hole wireline units, we have recently introduced a number of cost-effective, innovative well intervention services, including CoilHose™, a lightweight, small-footprint solution for wellbore lifting, cleaning and chemical treatments; Octopoda™, for fluid treatments in wellbore annuli; and Galea™, an autonomous well intervention solution. We also possess several other distinct technical capabilities, including non-intrusive metering technologies and wireless telemetry systems for reservoir monitoring.

We are right-sized, right now to deliver world-class services. Being nimble means we are not locked into unyielding ways of working, we're more responsive to our customers' changing needs and always ready to help. We're mindful of our impact on the

## Strategic report (continued)

Year ended 31 December 2021

***Stakeholder Engagement – the Section 172 Statement (cont.)***

1. *Our Customers – the need to foster relationships with the group's customers (cont.)*

planet, as well as the health and wellbeing of our workforce. We are a business that thinks ahead and works to help address the critical energy challenges of today and engineer the answers of tomorrow.

We operate a global business and have a diverse and stable customer base that is comprised of national oil companies ("NOC"), international oil companies ("IOC"), independent exploration and production companies ("Independents") and service partners. We have strong relationships with a number of the world's largest NOCs and IOCs, some of which have been our customers for decades. We are dedicated to safely and sustainably delivering maximum value to our customers.

We organise and manage our operations on a geographical basis. The group's reporting structure, of which the company's operations form part of, and the key financial information used by our management is organised around our four operating segments: (i) NLA, (ii) ESSA, (iii) MENA and (iv) APAC.

With a well-equipped, well-motivated workforce, we continue to be recognised for safety, extraordinary performance and long-standing partnerships. Expro continues to create a customer experience that is unique, constructive and progressive by always being forthright and determined.

*How we engage with our customers*

Led by the strategic direction from the Executive Management Team, the organisation interacts with customers on a wide range of topics, always seeking to understand customer requirements both immediate and in the future - from ongoing operations at well sites to technology and solutions for future needs.

To maximise customer satisfaction, our teams engage with our customers regularly through face-to-face interactions either at our customer's or our own premises and virtual engagement, which increased to take account of the pandemic.

We also engage with customers digitally via email, video conference, phone, marketing automation solutions, and through social media and the Expro website expro.com. Regular monitoring of customer satisfaction is conducted via post-job feedback surveys which are completed by the customer and then reviewed by our operations teams.

**2. Our People – the interests of our employees**

*How we engage with our people*

Our people are at the heart of our success. We work together to retain a strong, motivated workforce, to ensure that every employee has a clear development plan that realises their ambition and potential.

Embracing teamwork and communicating effectively are embedded across our culture and are integral to how we behave.

Employee engagement in Expro takes many forms, across all disciplines, and is directly linked to the development of Expro's brand, reputation and business performance.
Expro's learning and development processes are based on the need to work in collaboration with every employee to help shape their future, based on their skills, competencies and desire to fulfil their personal aspirations.
The Employee Development Plan process involves planned and regular discussions and objective setting between manager and employee to clearly align the development of individuals with company performance. Similarly, the Competency Assurance process works to develop individuals' skills and competencies to deliver enhanced service quality, again directly linked to business performance.
Expro's Executive Management Team ("EMT") are actively involved in the management of every area of the organisation, and the EMT act as conduit between all operational, commercial, regional and group functions, and the Board. The quarterly CEO webcast gives all employees news and updates from across Expro and provides a 'live' forum for employees to ask questions directly to the CEO and COO.
Expro offers a confidential compliance hotline, allowing all employees to report concerns over any compliance issue which, if deemed necessary, can be escalated to Board level

In 2021 the Expro EMT prioritised employee engagement to ensure our people were aware of the progress as Expro and Frank's International came together.

## Strategic report (continued)
Year ended 31 December 2021

*Stakeholder Engagement – the Section 172 Statement (cont.)*
*2. Our People – the interests of our employee (cont.)*

We continued to put our people at the heart of Expro's cultural identity, by seeking to enhance our working practices and communications during the year in order to:

- provide transparency, clarity and reassurance. After the announcement of the intent to combine with Frank's International, the CEO delivered all-employee email communications on a regular basis, supported by updates on our internal portal and live CEO webcasts through which employees directly engaged with the CEO and COO via Q&A opportunities. On completion of the merger, day one in-person and virtual employee celebrations were held across all bases;

- capture the essence and culture of the new company through the launch of new messaging including new company values and behaviours;

- ensure our people were properly supported through our Employee Assistance Programme (EAP), providing employees with assistance and guidance. Across the year, a mix of face-to-face counselling, single session therapy, and telephonic counselling was provided on various topics. The most common being emotional health and family/relationship advice;

- encourage positive health and wellbeing on a global and regional level, including global communications supported through our Health and Wellbeing hub on the company's internal portal. There was an increase in local health and wellbeing campaigns and initiatives, both virtually and physically, across every region;

- prioritise safety. We created an entire Quality, Health, Safety and Environment ("QHSE") brand to support in the development of future campaigns, and promote a standardised approach in global engagement. This also coincided with the launch of the annual Group QHSE Awards program, designed to create an opportunity to recognise people's efforts across Expro. Our people remain at the heart of our achievements and the awards will become a platform to learn from our people globally adopt best working practices;

- create an inclusive learning environment. Our new video communication platform, Microsoft Stream, provided an improved approach for competency skill-based understanding, learning, and education. This was launched to help provide an open learning environment and encourage personal development and knowledge sharing across the Group; and

- not only to look after themselves, but also support their communities through Corporate Social Responsibility ("CSR") initiatives across the world with an increased focus on environmental improvement opportunities. Details of these can be found within our ESG report available on our website (expro.com).

**3. Our Suppliers – the need to foster the group's relationships with suppliers**

*How we engage with our suppliers*
Expro partners with approximately 10,000 suppliers globally, ranging from small, individual locally-owned businesses to large multinational corporations. In 2021, the whole Expro group spent approximately $540M on 3rd party expenditure to supply the Group's needs ranging from basic OPEX and general operational support items to high specification and complex equipment supporting onshore and offshore oil and gas wells. The overall split is roughly 10% on facilities and 90% on OPEX/CAPEX requirements. It is of critical importance that we ensure that our business engagements with the composite third party supply base are performed in a legally compliant and disciplined manner.

*How the supply chain supports the business*
Our supply chain is comprised of procurement, strategic sourcing, logistics, supplier compliance, and overall materials management. The function is a matrix organisation split between a central executive group and a regional team based in each of our fundamental geographies. Global functional managers provide overall leadership, strategic direction, subject matter expertise and training for the entire supply chain function. These processes cover basic supply chain management, supplier relations and compliance, quality, procurement, materials management, logistics, and trade control.

# Strategic report (continued)

Year ended 31 December 2021

*Stakeholder Engagement – the Section 172 Statement (cont.)*
*3. Our Suppliers – the need to foster the group's relationships with suppliers (cont.)*

Globally the supply chain team work foremost to align resources to support business needs at operational and product line levels. There is an additional emphasis with respect to developing and investing in our people, to optimise our tools through improved processes and procedures. These are designed to sustain impact to the business and minimise risk exposures. Our mission remains to ensure business and operational continuity at the lowest possible cost while driving agility, integrity, and overall service quality.

*How the supply chain engages with suppliers*
At both group and regional levels, we are segmented into **four** primary areas of emphasis to ensure we measure internal compliance in balance with external relationship management.

- **The Strategic Sourcing Function** endeavours to support Expro Product Lines on engagement directly with internal technical and business line stakeholders to ensure clear and aligned positioning with our higher-level supplier relationships.

- The **procurement** department's primary function is to ensure governance and adherence to policy. This encompasses the entire cycle of requisition to order fulfilment while maintaining a healthy and preferred relationship status with our supply base. The strategic sourcing function also engages directly with internal technical and business line stakeholders to ensure clear and aligned positioning with our higher-level supplier relationships.

- The **logistics** function ensures that all activities related to customs compliance and subsequent delivery of goods comply with legal and local customs requirements and export control laws. The goal is to ensure that our conveyances are consistent and cost-effective to meet operational requirements while ensuring maximum integrity.

- The **materials management** function develops and sustains controls for overall inventory visibility and governance across all Expro entities. This is typically delivered through procedures that support effective control and management of net demand versus existing inventory recognition. It is imperative to note that the materials management function requires alignment with procurement and logistics within the supply chain function and Expro's geographies and business lines to ensure proper utilisation of materials across the organisation.

All sub-functions are governed by Expro's Supply Chain code of conduct & compliance.

**4. Our Investors**
Expro combined with Frank's International on October 1, 2021 to create a full-cycle energy services leader. The combined Company assumed the Expro name and began trading on the New York Stock Exchange on October 4, 2021 under the ticker symbol "XPRO."

*How we engage with our Investors*
Expro group management engages with its investors through regular investor meetings, public conference calls, non-deal roadshows, press releases, annual and quarterly reporting, regular and annual general meetings, investor conferences and phone and email communication. The frequency of our engagement, activities, communication channels and key topics discussed are monthly, quarterly, annually (and ongoing basis when relevant).

**5. Our Reputation**
Expro has built an enviable reputation for reliability and integrity. The Expro Group of Companies operates under the Expro Code of Conduct, which provides a framework for responsible, innovative and ethical yet commercial business practices. The Expro Code of Conduct applies to all employees and all contractors and service providers are expected to comply with those parts of the Expro Code that relate to them or have adopted similar codes of conduct.

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

## Strategic report (continued)

Year ended 31 December 2021

*Stakeholder Engagement – the Section 172 Statement (cont.)*
*5.. Our Reputation (cont.)*

Our people are critical to our success as they are the drivers of our methodologies. At Expro, we are guided by four core values:

- **People** – are at the heart of our success. We recognise the value of our people and are committed to providing the working environment, encouragement and personal development to achieve our goals.
- **Performance** – getting it right first time, every time. We are passionate about safely delivering excellent quality customer service. We embrace teamwork, individually and collectively assuming responsibility for delivering the value to all our stakeholders.
- **Partnerships** – we listen to our customers and build relationships to understand their needs. We innovate with purpose to apply, adapt or develop our technologies and services to provide timely and effective solutions.
- **Planet** – we are committed to reducing our own environmental impact. We will play a relevant role in the energy transition towards a lower carbon future. We are also determined to make a positive impact where we operate.

We live by our mission: 'To know everything about your subject is excellent. To take genuine pride in everything is Expro.'

**6. Environment, Social and Governance ('ESG')**

Expro have stewardship responsibilities to our people, the communities in which we operate and our planet. Expro endeavours to conduct its business in a responsible and ethical manner consistent with environmental and human rights principles. ESG processes and procedures focus on non-financial performance indicators that address a company's attitude towards responsible investment, sustainability, our impact on society and the environment, and other ethical and corporate governance considerations.

*Environment*

Expro is committed to preventing harm to the environment and promoting sustainable practices. We aim to reduce our impact on the environment in everything we do both operationally and our day-to-day activities, reflected through a range of ongoing activities within the Group. We are committed to advancing a lower carbon future, underpinned by our goals to maximise efficiency today and to transform our business, improve our products and services and help our customers lower their emissions for a better tomorrow. The depletion of natural resources and the threat of climate change raise legitimate concerns about the environment and the potential financial impact on businesses. Sustainable options are increasingly being considered. The issues are diverse, but the main areas are:

- Factors contributing to climate change
- Efficient energy consumption
- Responsible disposal of hazardous waste
- Sustainability of resources
- The impact of climate change on businesses

*Social*

Expro's core values of People, Performance, Partnerships and Planet drive our corporate social responsibility commitment. Safety is Expro's highest priority. At the heart of our culture is Champion Safety, where "we strive to be at the forefront of safety, in everything we do".

We value diversity in our workforce, and in our customers, suppliers, and others. We provide equal employment opportunity for all applicants and employees. We want to attract, develop and retain the best talent to create a diverse and inclusive working environment, where everyone is accepted, valued and treated fairly without discrimination.

We engage with local communities, not only to reduce the impact of our operations, but also to positively impact such communities where possible. The impact that a company has on its employees, local communities and society are a key area of focus.

Expro's reputation depends on all employees making ethical choices and maintaining our high standards of integrity, wherever we are in the world.

## Strategic report (continued)

Year ended 31 December 2021

***Stakeholder Engagement – the Section 172 Statement (cont.)***

*6. Environment, Social and Governance (cont.)*

Each of Expro's people are personally responsible for supporting the company's core values. Getting it right the first time, every time, also means conducting business fairly and properly, as well as complying with the law.

Expro is fully committed to the respect of human rights and upholding of labour standards. We consider that modern slavery and human trafficking are completely unacceptable, whether in our Supply Chain or any other part of our operations. We expect our customers and suppliers to share our commitment to the same high standards. This is reflected in Expro's Code of Conduct and other relevant policies.

We have taken action to mitigate the risk of modern slavery and human trafficking in our Supply Chain, including supplier compliance declaration, supplier agreements, supplier due diligence, and procurement professionals training.

Our approach to human rights is guided by international standards; we respect and support the UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, core Conventions of the International Labor Organization (ILO), the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Universal Declaration of Human Rights. We are committed to embedding respect for human rights throughout all aspects of our business and within all geographies in which we operate.

*Corporate Governance*

We are committed to doing business ethically and transparently, using our values and code of conduct to guide us. As a trusted business, we work to a consistent and high standard wherever we operate in the world, including strong anti-bribery, anti-corruption and supply chain standards and financial transparency.

Expro's Code of Conduct and Financial Code of Ethics set out our principles, expectations, and guidelines for appropriate business behaviour. It is an important component of Expro's compliance program, which addresses anti-bribery, conflicts of interest, Supply Chain oversight, and modern slavery, among other compliance and legal matters.

The ultimate responsibility for compliance and business ethics lies with the Board of Directors. The Audit Committee acts as a specialised sub-committee of the Board to, among other things, monitor and review the effectiveness of Expro's compliance program. Our compliance program is centrally managed by Expro's Chief Compliance Officer supported by an in-house team of compliance, legal and Supply Chain professionals.

Expro's corporate governance addresses responsibilities of the management of a company, its structures, corporate values and accountability processes. This relates to the following areas:

- Board and Management structure
- Employee relations and workplace grievances
- Executive remuneration
- Corporate codes of conduct

**7. The Environment**

Expro is committed to reducing harm to the environment and promoting sustainability practices to achieve extraordinary performance. We have developed a roadmap with our commitment to achieving a 50% reduction in $CO_2e$ by 2030 and Net Zero by 2050. This will be achieved through:

- **Portfolio shift** - We are committed to adopt and adapt technologies and services to help deliver a sustainable business for us and our clients. We will advance and develop by harnessing the power of data, technology and innovation.
- **Measure and drive** - We are committed to minimising our hydrocarbon footprint across our operations to reduce the environmental impact. This will be achieved by driving performance and efficiency improvements to achieve considered, quantified objectives.
- **A considered supply chain** - We will be selective and methodical to ensure that our own value and supply chain are playing their part in reducing their environmental impact, not only helping us achieve our targets, but also our customers.

## Strategic report (continued)
Year ended 31 December 2021

*Stakeholder Engagement – the Section 172 Statement (cont.)*
*7. The Environment (cont.)*

- **Achieve together** - Together with our people, we will develop our relationship with the environment to make a positive contribution to the geographies and communities that we are part of.

**Other matters**
*Health and safety*
Health and safety is a critical priority for Expro, with commitment from all levels of the business to maintain industry-leading standards. In 2021, legacy Expro continued to outperform its peers in this area. Our safety performance for lost time injury frequency (LTIF) and total recordable case frequency (TRCF) remains below the industry benchmark, the International Oil and Gas Producers (IOGP), and has done for a number of years. Achieving 297 days loss time incident (LTI) free and 8 million manhours without an LTI, highlights the strong commitment to safety across the year.

In 2021, Expro was honoured with an Order of Distinction after receiving its 17th consecutive gold award in the RoSPA (Royal Society for the Prevention of Accidents). These are the UK's longest running Health and Safety Awards with approximately 2,000 entrants each year. With global input, RoSPA has continually recognised Expro since 2005, including four oil and gas sector awards and two Scotland Trophy awards in 2013 and 2020.

Supporting this award this year Expro has shown commitment towards the continual improvement and raising of health and safety standards through outstanding service quality and safety initiatives. This has been delivered through its team of more than 100 HSEQ specialists, who have also driven environmental improvements and health and wellbeing programs that have led to the Company's strong safety culture.

The importance of health and safety is at the core of all activities, at all levels of the business, in all corners of the world, this is evidenced through 1,024 management-led regional safety engagement sessions and four global webcasts streamed to all employees across more than 60 countries.

Employees remain at the heart of these achievements and whilst we continue to drive improvement, sustainability of performance is a key factor of our strategic focus in the year ahead. It is these achievements that have shaped the foundation behind the launch of the annual Group QHSE Awards program. Designed to create an opportunity to recognise people's efforts across Expro, the awards will become a platform to learn from our people worldwide and adopt best working practices.

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

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

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

*Anti-bribery and anti-corruption*
We have a zero-tolerance approach to bribery and corruption and commit to acting professionally and 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 (continued)

Year ended 31 December 2021

## Principal risks and uncertainties

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

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

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

*Foreign currency risk*
*Cash flow exposure*
The Company has future cash flows that are denominated in currencies other than the U.S. dollar ("USD"). Our primary cash flow exposures are revenues and expenses. Changes in the exchange rates between USD and other currencies in which our subsidiaries transact will cause fluctuations in the cash flows we expect to receive or pay when these cash flows are realized or settled. The company generally attempts to minimise its currency exchange risk by seeking to naturally hedge its exposure by offsetting non-U.S. Dollar inflows with non-USD denominated local expenses. Expro generally does not enter into forward hedging agreements, and its largest exposures are to the British pound ("GBP") on its activities in the UK.

*Transaction exposure*
The Company has assets and liabilities that are denominated in currencies other than the USD. Changes in the exchange rates between USD and the other currencies in which such liabilities are denominated can create fluctuations in the company's reported statements of operations and cash flows.

*Credit risk*
Expro's exposure to credit risk is primarily through cash and cash equivalents, intercompany receivables and accounts receivable, including unbilled balances. Expro's liquid assets are invested in cash, with a mix of local and international banks, and highly rated, short-term money market deposits generally with original maturities of less than 90 days. Expro monitors the ratings of such investments and mitigates counterparty risks as appropriate. Expro do not consider there to be any immediate risk associated with intercompany balances as these are managed for the group as a whole and there is no indication of any liquidity risk associated with the group as a whole.

Expro extends credit to customers and other parties in the normal course of business and is thus subject to concentrations of customer credit risk. Expro has established various procedures to manage its credit exposure, including credit evaluations and maintaining an allowance for doubtful accounts. Expro is also exposed to credit risk because its customers are concentrated in the oil and natural gas industry. This concentration of customers impacts overall exposure to credit risk because Expro's customers may be similarly affected by changes in economic and industry conditions, including changes in oil and gas prices.

## Strategic report (continued)

Year ended 31 December 2021

***Principal risks and uncertainties (cont.)***

Credit Risk (cont.)

The Company can operate in many countries and as such, its receivables are spread over many countries and customers. Expro's customer base is comprised of a large number of International Oil Companies (IOC), NOC and Independents from all major oil and gas locations around the world. The majority of Expro's accounts receivable are due for payment in less than 90 days and largely comprise amounts receivable from IOCs and NOCs. Expro closely monitors accounts receivable and raises provisions for doubtful accounts and expected credit losses where it is deemed appropriate.

*Liquidity risk*

The Company is part of the group cash pooling arrangements. We believe that the Group has sufficient liquidity to meet projected working capital requirements, with sufficient headroom to protect against variability of cash flows. Key ratios are monitored on a historical and forward-looking basis, to ensure that the Group has adequate liquidity to meet its contractual obligations as they fall due. Cash balances are held in a number of currencies, in order to meet our immediate operating and administrative expenses or to comply with local currency regulations.

*Energy transition*

The Energy transition is gaining increasing momentum and has accelerated throughout the pandemic as the positive environmental impact of reduction on demand has become increasingly visible. Hydrocarbons will play a vital role in the transition towards more sustainable energy resources and the existing expertise and future innovation within the oilfield services sector both to reduce the emissions and enhance efficiency within the current industry and the new industries will be critical. Expro is already active in the embryonic carbon capture and storage sector and has established operations and technologies within the geothermal industry. We continue to develop technologies to reduce the greenhouse gas impact of our client's operations and along with our digital transformation initiatives will enable Expro to continue to support our client's efficiency and environmental initiatives. The industry is changing, we will continue to evolve our approach to play our part to help our customers and wider society address the critical energy transition.

***Cybersecurity risk***

Our business could be negatively affected by cybersecurity threats and other disruptions. We rely heavily on information systems to conduct and protect our business. These information systems are increasingly subject to sophisticated cybersecurity threats such as unauthorized access to data and systems, loss or destruction of data (including confidential customer information), computer viruses, ransomware, or other malicious code, phishing and cyberattacks, and other similar events. These threats arise from numerous sources, not all of which are within our control, including fraud or malice on the part of third parties, accidental technological failure, electrical or telecommunication outages, failures of computer servers or other damage to our property or assets, or outbreaks of hostilities or terrorist acts.

Given the rapidly evolving nature of cyber threats, there can be no assurance that the systems we have designed and implemented to prevent or limit the effects of cyber incidents or attacks will be sufficient in preventing all such incidents or attacks, or avoiding a material impact to our systems when such incidents or attacks do occur. If we were to be subject to a cyber incident or attack in the future, it could result in the disclosure of confidential or proprietary customer information, theft or loss of intellectual property, damage to our reputation with our customers and the market, failure to meet customer requirements or customer dissatisfaction, theft or exposure to litigation, damage to equipment (which could cause environmental or safety issues) and other financial costs and losses. In addition, as cybersecurity threats continue to evolve, we may be required to devote additional resources to continue to enhance our protective measures or to investigate or remediate any cybersecurity vulnerabilities.

### Future developments

Market conditions in 2021 improved by comparison to 2020 as a result of increasing oil and gas demand as the impact of the COVID-19 outbreak started to reduce, with demand currently forecast to return to 2019 levels late in 2022 despite a Q1 2022 slowdown as a result of the Russian invasion of Ukraine. The Energy Information Administration ("EIA") at the beginning of June 2022 forecasts Brent crude oil spot prices to average $108 per barrel in the second half of 2022 and $107.4 per barrel in 2022, compared to an average of $70.9 per barrel in 2021.

## Strategic report (continued)

Year ended 31 December 2021

*Future developments (cont.)*

Supply uncertainty resulting from the Ukraine conflict, OPEC+ production decisions and the rate of increase in US oil and natural gas drilling activity will limit downward pricing pressures in 2022. IOCs are looking to increase the natural gas share of their overall production and thereby balance their gas/liquids portfolios and there is a renewed focus on energy security and reduced European dependence on Russia for hydrocarbon commodities. In parallel to this, national oil companies are focused on accelerating field development efforts in order to stimulate their countries economic recovery, all of which may provide the catalyst for further increased activity. Consequently, Expro expects demand for its services and solutions to trend positively throughout 2022 and 2023.

Approved and authorised for issue by the board of directors

**John McAlister**
Director
Second Floor,
Davidson House,
Forbury Square,
Reading,
Berkshire,
RG1 3EU,
United Kingdom.
4 July 2022

Expro North Sea Limited
Registered in England & Wales with number 1108011
Registered office: Second Floor, Davidson House, Forbury Square, Reading, Berkshire, RG1 3EU, United Kingdom.

# Directors' report

Year ended 31 December 2021

The directors present their report on the affairs of the Company for the year ended 31 December 2021.

**Corporate structure and Ultimate parent company**

The Company's ultimate parent company and ultimate controlling party is Expro Group Holdings N.V. ("EGHNV"), a company incorporated in The Netherlands following the merger between Franks international and the Expro group on 1st October 2021. Prior to which the Company's ultimate parent company and ultimate controlling party was Expro Group Holdings International Limited, a company incorporated in the Cayman Islands and which since the merger has been dissolved.

The parent company of the smallest and largest group for which consolidated financial statements are prepared and which include the Company is EGHNV (registered address: Mastenmakerweg 1, 1786 PB, Den Helder, The Netherlands and website: www.exprogroup.com). The Company's immediate parent company is Exploration and Production Services (Holdings) Limited, a company incorporated in England and Wales.

**Results and dividend**

The Company's loss for the financial year is $14.5m (31 December 2020: profit $7.3m). No dividends were paid or proposed during the year.

**Business review and future developments**

The directors have chosen in accordance with S414c (11) of the Companies Act 2006 (the "Act") to include in the Strategic report, such matters, that would otherwise be required by regulations made under s416(4) of the Act to be disclosed in the Directors' report, as the directors consider are of strategic importance to the Company. Therefore, the information contained in the Strategic report constitutes a review of our business and details of expected future developments of our business. It also includes financial risk management, engagement with Expro's employees, suppliers, customers and principal risks and uncertainties within the Strategic report.

**Going concern and future outlook**

In assessing whether the financial statements for the Company should be prepared on the going concern basis, the directors have considered the future outlook of the Group and the Company.

The Company is a trading entity and a guarantor to a Revolving Credit Facility and it has received a letter of support from Expro Holdings UK 2 Limited ("EHUK2") a fellow subsidiary, that it will provide financial support to the Company, if needed, for a period of at least twelve months from date of approval of the financial statements. The Company will have continued access to Group's financial resources through cash pooling arrangements or the receipt of dividends. The Company therefore assesses its going concern position on the same basis as the Group.

**Employees**

We employ approximately 886 personnel and seconded 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. For further information regarding our engagement with our employees during the year, please refer to the Stakeholder Engagement disclosure in the Strategic report.

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.

## Directors' report continued
Year ended 31 December 2021

*Employees (cont.)*
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 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.

**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.

**Streamlined Energy and Carbon Reporting Statement**
The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the UK government's policy on Streamlined Energy and Carbon Reporting (SECR). Reporting has been conducted in accordance with the Greenhouse Gas (GHG) Protocol Corporate Standard, using the Department for Environment, Food & Rural Affairs' (DEFRA) emissions factors to calculate emissions.

Calculation of Expro's SECR energy consumption and GHG emissions was completed by an independent third party. We have reported on all key sources of carbon emissions and energy usage required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended. The reporting boundary used for collation of the below data is the company's UK energy and emissions, excluding overseas branches We have followed the methodology outlined within 2019 UK Government Environmental Reporting Guidelines in accordance with Greenhouse Gas (GHG) Protocol Corporate Standard.

The table below presents Expro's mandatory United Kingdom ("UK") and offshore Scope 1 and Scope 2 emissions for the financial period 1 January 2021 to 31 December 2021 for all of the UK domiciled subsidiaries of Expro. As this is the second year of reporting, organisations are required to disclose information for the previous year.

| | 31 December 2020 | 31 December 2021 |
|---|---|---|
| Total energy consumption used to calculate carbon emissions [kWh] | 5,912,553 | 4,959,545 |
| Emissions from combustion of natural gas in buildings (Scope 1) [$tCO_2e$] | 590 | 363 |
| Emissions from combustion of gas oil (Scope 1) [$tCO_2e$] | 141 | 200 |
| Emissions from combustion of kerosene (Scope 1) [$tCO_2e$] | 41 | 48 |
| Emissions from combustion of LPG (Scope 1) [$tCO_2e$] | 4 | 11 |
| Emissions from vehicle transport (Scope 1) [$tCO_2e$] | 16 | 18 |
| Emissions from purchased electricity (Scope 2) [$tCO_2e$ | 444 | 399 |
| Total organisational emissions [$tCO_2e$] | 1,236 | 1,039 |
| Carbon intensity ratio – carbon emissions per $m^2$ of buildings portfolio [$kgCO_2e/m^2$] | 61.1 | 48.5 |

**Energy Efficiency Actions:**
In the period covered by the report, Expro continues to progress the program of light emitting diode (LED) lighting replacement in its buildings. These energy saving actions were recommendations from Expro's current ISO 50001 Energy Management System certification and Expro's most recent Energy Reviews.

# Directors' report continued

Year ended 31 December 2021

### Events after the reporting date

Events between the reporting date and the date the financial statements were authorised for issue that require disclosure are set out in Note 27.

### Directors

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

Alistair Geddes
Colin MacKenzie
John McAlister

### Director's Indemnities

The Company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Such qualifying third-party indemnity provisions for the benefit of the Company remains in force at the date of this report. The indemnity provisions also cover the directors in their roles as directors of other subsidiary entities.

### Share capital

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

### 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.

### Appointment of auditor

Deloitte LLP has been re-appointed as auditor by resolution of the Company's sole shareholder and has expressed its willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed re-appointed as auditor in the absence of an Annual General Meeting.

### Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial 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 the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

## Directors' report continued
Year ended 31 December 2021

Approved and authorised for issue by the board of directors

**John McAlister**
Director
Second Floor,
Davidson House,
Forbury Square,
Reading,
Berkshire,
RG1 3EU,
United Kingdom.
4 July 2022

Expro North Sea Limited
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Registered office: Second Floor, Davidson House, Forbury Square, Reading, Berkshire, RG1 3EU, United Kingdom.

# Independent auditor's report
Year ended 31 December 2021

## Report on the audit of the financial statements

### Opinion
In our opinion, the financial statements of Expro North Sea Limited (the 'Company'):
- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year 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.

We have audited the financial statements which comprise:
- the statement of profit or loss
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 28.

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).

### 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.

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 Financial Reporting Council's (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
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Independent auditor's report continued

Year ended 31 December 2021

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Responsibilities of directors**

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

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

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

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

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

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Health and Safety Regulations.

We discussed among the audit engagement team, including relevant internal specialists such as tax and pensions specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

## Independent auditor's report continued

Year ended 31 December 2021

**Extent to which the audit was considered capable of detecting irregularities, including fraud (cont.)**

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

Revenue recognition – the company's operations involve a range of contractual arrangements which contain multiple performance obligations. Given the complexity of the company's contractual terms with customers, there is a time lag between these revenues being invoiced and earned and, as such, revenue is manually accrued at the balance sheet date. The risk of management manipulation of manual postings to accelerate revenue recognition due to pressure on meeting financial performance expectations has been identified as a significant risk. In order to address the risk:

- We gained an understanding of the key processes and controls used to record revenue transactions;
- We assessed commercial arrangements to determine the correct point of revenue recognition;
- We performed detailed accrued revenue testing as at the balance sheet date with reference to the relevant terms of business, dispatch or delivery documentation as appropriate.
- We examined material journal entries that were posted to revenue accounts and obtained supporting evidence to test the appropriateness of revenue recognition.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and internal legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

**Report on other legal and regulatory requirements**

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

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

- the information given in the strategic report and 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 has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

## Independent auditor's report continued
Year ended 31 December 2021

**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.

Stephen Pratt

Stephen Pratt CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen
4 July 2022

## Statement of profit and loss

For the year ended 31 December 2021

| | Note | 31 December 2021<br>$'000 | 31 December 2020 (restated)<br>$'000 |
|---|---|---|---|
| Revenue | 4 | 144,036 | 151,181 |
| Cost of sales | | (140,263) | (146,694) |
| **Gross profit** | | **3,773** | **4,487** |
| Administrative (expenses)/income | 5 | (16) | 1,102 |
| Other (expense)/income | 26 | (227) | 5,125 |
| Net exceptional (costs)/income | 9 | (16,297) | 2,068 |
| **Operating (loss)/profit** | | **(12,767)** | **12,782** |
| Finance costs | 10 | (2,421) | (4,834) |
| **(Loss)/Profit before tax** | | **(15,188)** | **7,948** |
| Income tax | 11 | 712 | (685) |
| **(Loss)/Profit for the year** | | **(14,476)** | **7,263** |

The (loss)/profit for the financial year is from continuing operations and is attributable in full to the shareholder.

## Statement of comprehensive income
Year ended 31 December 2021

| | Note | 31 December 2021 $'000 | 31 December 2020 $'000 |
|---|---|---|---|
| (Loss)/Profit for the year | | (14,476) | 7,263 |
| Other comprehensive loss: | | | |
| Remeasurement gains/(losses) on defined benefit pension schemes | 21 | 25,070 | (6,339) |
| Other comprehensive income/(loss), net of tax | | 25,070 | (6,339) |
| Total comprehensive income for the year | | 10,594 | 924 |

## Statement of financial position
Year ended 31 December 2021

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 12 | 45,156 | 49,471 |
| Property, plant and equipment | 13 | 138,959 | 154,586 |
| Investment in subsidiary | 19 | 342 | - |
| Investments in financial assets | | 184 | 24 |
| Deferred tax asset | 11 | 3,430 | 2,490 |
| | | **188,071** | **206,571** |
| **Current assets** | | | |
| Inventories | 14 | 27,369 | 23,588 |
| Trade and other receivables | 15 | 35,571 | 28,571 |
| Amounts due from related parties | 17 | 9,982 | 14,832 |
| Tax receivables | | 2,872 | 1,746 |
| Cash | | 4,486 | 5,865 |
| | | **80,280** | **74,602** |
| **Current liabilities** | | | |
| Trade and other payables | 16 | (45,917) | (39,496) |
| Bank overdrafts | | (2,367) | - |
| Provisions | 18 | (207) | (873) |
| Lease liabilities | 22 | (2,607) | (2,887) |
| Amounts due to related parties | 17 | (1,519) | (2,500) |
| | | **(52,617)** | **(45,756)** |
| **Non-current liabilities** | | | |
| Pension deficit | 21 | (27,270) | (56,091) |
| Lease liabilities | 22 | (14,986) | (17,382) |
| Deferred tax liabilities | 11 | (3,430) | (2,490) |
| | | **(45,686)** | **(75,963)** |
| **Total assets less total liabilities** | | **170,048** | **159,454** |
| **Equity** | | | |
| Share capital | 20 | 231 | 231 |
| Capital contribution | | 7,989 | 7,989 |
| Equity reserve | | 3,154 | 3,154 |
| Retained earnings | | 158,674 | 148,080 |
| **Total equity** | | **170,048** | **159,454** |

The financial statements were approved by the board of directors and authorised for issue on 4 July 2022 They were signed on its behalf by:

*L J W McAlister*
*Director*

# Statement of changes in equity

For the year ended 31 December 2021

| | Share capital | Capital contribution | Equity reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 January 2021** | **231** | **7,989** | **3,154** | **148,080** | **159,454** |
| Loss for the year | - | - | - | (14,476) | (14,476) |
| Remeasurement gain on defined benefit pension schemes | - | - | - | 25,070 | 25,070 |
| **Total comprehensive income for the year** | - | - | - | **10,594** | **10,594** |
| **Balance at 31 December 2021** | **231** | **7,989** | **3,154** | **158,674** | **170,048** |

| | Share capital | Capital contribution | Equity reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 January 2020** | 231 | 7,989 | 3,154 | 147,156 | 158,530 |
| Profit for the year | - | - | - | 7,263 | 7,263 |
| Remeasurement losses on defined benefit pension schemes | - | - | - | (6,339) | (6,339) |
| **Total comprehensive income for the year** | - | - | - | 924 | 924 |
| **Balance at 31 December 2020** | 231 | 7,989 | 3,154 | 148,080 | 159,454 |

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

# Notes to the financial statements

Year ended 31 December 2021

## 1. Corporate information

The financial statements of the Company for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 4 July 2022.

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 N.V. ("EGHNV"), a company incorporated in The Netherlands following the merger between Franks international and the Expro group on 1st October 2021. Prior to which the Company's ultimate parent company and ultimate controlling party was Expro Group Holdings International Limited, a company incorporated in the Cayman Islands and which since the merger has been dissolved.

The parent company of the smallest and largest group for which consolidated financial statements are prepared and which include the Company is EGHNV (registered address: Mastenmakerweg 1, 1786 PB, Den Helder, The Netherlands and website: www.exprogroup.com). The Company's immediate parent company at 31 December 2020 is Exploration and Production Services (Holdings) Limited, a company incorporated in England and Wales.

The Company is a private limited company, limited by shares, incorporated in the United Kingdom with its registered office situated in England and Wales. The registered office is Second Floor Davidson House, Forbury Square, Reading, RG1 3EU, United Kingdom. The principal place of business is Lion House, Dyce Avenue, Aberdeen, AB21 0LQ, United Kingdom.

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.

## 2. Adoption of new accounting standards

### 2.1 New and amended standards and interpretation

The Company applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- Amendment to IFRS 16 *Covid-19-Related Rent Concessions beyond 20 June 2021*;
- Amendment to IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*;
- Annual Improvements to IFRS Standards 2018-2020 (May 2020);
- Amendments to IFRS 3 *Reference to the Conceptual Framework*;
- Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*;
- IFRS 17 and Amendments to IFRS 17 *Insurance Contracts*;
- Amendments to IAS 1 *Classification of liabilities as current or non-current*;
- Amendments to IFRS 4 *Extension of the Temporary Exemption from Applying IFRS 9*;
- Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of accounting policies*;
- Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a single transaction*;
- Amendments to IAS 8 Definition of accounting estimates; and
- Amendments to IFRS 17 Initial Application of IFRS 17 and IFRS 9 – Comparative Information.

The amendments and interpretations apply for the first time in 2021 and did not have a material impact on the financial statements of the Company.

## 3. Basis of preparation and accounting policies

### 3.1 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.

# Notes to the financial statements (continued)

Year ended 31 December 2021

**3. Basis of preparation and accounting policies (cont.)**

**3.1 Basis of preparation and a statement of compliance with FRS 101 (cont.)**

In assessing whether the financial statements for the Company should be prepared on the going concern basis, the directors have considered the future outlook of the Group and the Company.

The Company is a trading entity and a guarantor to a Revolving Credit Facility and controls the Legacy Expro's Group through its investments and has access to Group's financial resources through cash pooling arrangements or the receipt of dividends. The Company therefore assesses its going concern position on the same basis as the Group.

Directors have considered the future operating profits, cash flows and facilities available and concluded that the Company has considerable financial resources, along with access to a Revolving Credit Facility if needed and is well placed to manage its business risks successfully. The Directors have reviewed forecast profits and cash flows and examined the funding available to the Company and its subsidiary undertakings. Following this review, the Directors consider that the Company will be able to settle its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Directors are satisfied that the parent undertaking EHUK2 has the ability to provide this support, should it be required and that the Company will have continued access to the cash pooling arrangement within the Group. Given the continued parental support, the Directors deem it appropriate to prepare the financial statements on the going concern basis.

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 Dollars 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;
- 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 requirement of IFRS15 Revenue from Contracts with Customers
- 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 3.3.

**3.2 Critical accounting judgements and key sources of estimation**

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.

# Notes to the financial statements (continued)

Year ended 31 December 2021

## 3.2 Critical accounting judgements and key sources of estimation (cont.)

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.

**Critical judgements in applying the Company's accounting policies**

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

***Revenue from contracts with customers***

Satisfaction of performance obligations

The Company is required to assess each of its contracts with the customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. 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. When the revenue is recognised at a point in time, the Company assesses each contract with customers to determine when the performance obligation of the Company is satisfied.

Transfer of control in contracts with customers

In cases where the Company determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the assets is transferred to the customer which generally coincides with delivery of goods and their acceptance by the customer or benefits of the services being provided is received and consumed by the customer as per the contractual terms. In design and build equipment contracts, where the Company determines that performance obligations are not satisfied at a point in time, revenue is recognised over the time in accordance with the criteria as per IFRS 15.

Determination of transaction prices

The Company is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Company assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

In determining the impact of variable consideration, the Company uses the "most-likely amount" method in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

**Key sources of estimation uncertainty**

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

***Impairment assessment and testing***

IAS 36 requires management to perform impairment tests for finite lived assets, if events or changes in circumstances indicate that their carrying amounts may not be recoverable. Such impairment tests include, but are not limited to investments in property, plant and equipment and intangible assets. 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. It is possible that in future periods, following the annual detailed review of equipment held by major product lines, and associated intangible assets, that certain assets could be individually impaired if market circumstances deteriorate.

***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 22.

# Notes to the financial statements (continued)

Year ended 31 December 2021

*Determining the lease term of contracts with renewal and termination options – Company as lessee*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The renewal options for leases are included as part of the lease term if these are reasonably certain to be exercised. Further, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

## 3.3 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 comprehensive income. 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.

**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.

**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 comprehensive income 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 comprehensive income 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 |

# Notes to the financial statements (continued)
Year ended 31 December 2021

### 3.3 Summary of significant accounting policies (cont.)

**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 land & buildings | - | 50 years |
| Leased land & buildings/plant & equipment/ vehicles | - | over the lesser of the remaining useful life or period of the lease |
| Plant & 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.

**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.

# Notes to the financial statements (continued)

Year ended 31 December 2021

**3.3 Summary of significant accounting policies (cont.)**

**Taxation (cont.**

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 realised upon settlement. No benefit is recorded for tax positions that do not meet the recognition threshold.

**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 comprehensive income. 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.

**Equity instruments**

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

**Pensions and other post-retirement benefits**

The Company operates both defined benefit and defined contribution pension arrangements as set out in Note 21 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.

# Notes to the financial statements (continued)
Year ended 31 December 2021

**3.3 Summary of significant accounting policies (cont.)**
Pensions and other post-retirement benefits (cont.)
*Defined Benefit Plans (cont.)*

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 statement of profit or loss 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 or loss in the period in which they become payable.

**Provisions**
Provisions represent management's best estimate of penalties and fines that will arise from the potential adverse outcome of unfavourable tax assessments in foreign jurisdictions. This liability is calculated as at the reporting date and excludes tax exposures for profit related taxes, which are classified as tax liabilities.

**Government grants**
Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The Company has opted to present the government assistance disclosed in note 26 as an offset against direct costs.

**Exceptional items**
Exceptional items are items of income or expense that the Directors believe should be separately disclosed by virtue of their significant size or nature to enable a better understanding of the Company's financial performance. The nature of items presented as exceptional are disclosed within note 9.

**Stock based compensation**
The company's ultimate parent issues equity-settled share-based payments to certain employees of the company. Equity-settled share-based payments are measured at the fair value at the date of grant, with revaluations being performed in the event of modification should there be an incremental fair value applied.

The fair value determined at the grant date of the equity-settled share-based payments is either expensed on a straight-line basis over the vesting period, based on management's estimate of the shares that will ultimately vested, adjusted for the effects of non-market based vesting conditions; or is expensed at the date an exit event is deemed highly probable, if this is a condition of the share award at the outset.

The company's ultimate parent company has allocated the expense amongst its trading subsidiary undertakings based on where the individual is employed within the group.

The company is recharged for the share based payments, which results in an intercompany payable being recognised, rather than a capital contribution

# Notes to the financial statements (continued)

Year ended 31 December 2021

## 3.3 Summary of significant accounting policies (cont.)

### 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 as 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 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:***
The Company recognizes revenue from sale of goods at a point of time when the control has passed onto the customer which generally coincides with delivery and installation (where applicable).

***Rental income:***
The rental income comprises of equipment rental income to other Expro Group companies and is recognized over a period of time as the customer simultaneously consumes the benefit of the equipment rented reflecting the amount of consideration to which the Company has a right to invoice.

# Notes to the financial statements (continued)

Year ended 31 December 2021

### 3.3 Summary of significant accounting policies (cont.)

*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.

**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 (continued)

Year ended 31 December 2021

**3.3 Summary of significant accounting policies (cont.)**

**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.

**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.

**Impairment of financial assets**

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

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

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

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

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

**Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease i.e. if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Company as a lessee**

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## Notes to the financial statements (continued)

Year ended 31 December 2021

### 3.3 Summary of significant accounting policies (cont.)

#### Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies for impairment of non-financial assets.

#### Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### Consolidated accounts

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

### 3. 4 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.

# Notes to the financial statements (continued)
Year ended 31 December 2021

### 3. 4 Standards issued but not yet effective (cont.)

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| *IFRS 17 Insurance Contracts* | 1 January 2023 |
| *IFRS 10 and IAS 28* (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Yet to be set |
| Amendments to *IAS 1* Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to *IFRS 3* Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to *IAS 16* Property, Plant and Equipment—Proceeds before Intended Use | 1 January 2022 |
| Amendments to *IAS 37* Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Annual Improvements to IFRS Standards 2018-2020 Cycle | 1 January 2022 |
| Amendments to *IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases*, and *IAS 41 Agriculture* | |

## 4. Revenue

The following table provides an analysis of the Company's revenue:

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Rendering of services | 94,890 | 90,011 |
| Sale of goods | 7,864 | 10,324 |
| Rental income | 41,282 | 50,846 |
| | 144,036 | 151,181 |

The following table shows the geographical split of the Company's revenue for the year ended 31 December 2021 and 31 December 2020:

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| UK | 61,277 | 57,643 |
| Europe | 31,236 | 25,072 |
| Rest of World | 51,523 | 68,466 |
| | 144,036 | 151,181 |

Contract balances:

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Trade receivables (Note 15) | 19,840 | 17,812 |
| Accrued revenue (Note 15) | 10,602 | 5,415 |
| Deferred revenue (Note 16) | 581 | 372 |

Contract assets represent trade receivables and accrued revenue, and contract liabilities represent deferred revenue.
Trade receivables are non-interest bearing and are generally on 30-90 days.
Accrued revenue is initially recognised for revenue earned on completion of the performance obligations which are not yet invoiced to the customer. The amounts recognised as accrued revenue are reclassified to trade receivables upon billing.
Accrued revenue has increased due to the increased activity at the end of 2021 compared to 2020.

# Notes to the financial statements (continued)

Year ended 31 December 2021

## 4. Revenue (cont.)

Deferred revenue represents the Company's obligations to transfer goods or services to customers for which the Company has received consideration, in full or in part, from the customer, or where the conditions for recognition of revenue have not been met.

The company has not recognised any revenue during the current period from performance obligations satisfied during the previous period.

## 5. Administrative expenses

The following table provides the summary of administrative expenses.

| | 2021 | 2020 |
|---|---|---|
| | $'000 | $'000 |
| Foreign exchange loss | (3,825) | (2,782) |
| Foreign exchange gain | 3,791 | 1,448 |
| Other income/(cost) | 18 | 2,436 |
| | (16) | 1,102 |

## 6. Research and development costs

The Company's research and development concentrates on the development of safe and cost-effective technology.

Research and development costs that are not eligible for capitalisation have been expensed in the year incurred in 2021: $1.0m (2020: $1.2m), and they are recognised in cost of sales.

## 7. *Staff costs and directors' remuneration*

(a) Staff costs

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

| | 2021 | 2020 |
|---|---|---|
| | No. | No. |
| Operational | 686 | 662 |
| Administrative | 200 | 345 |
| | 886 | 1,007 |

| Their aggregate remuneration comprised: | 2021 | 2020 (restated) |
|---|---|---|
| | $'000 | $'000 |
| Wages and salaries | 69,626 | 61,843 |
| *Social security costs* | 7,185 | 7,473 |
| Pension costs : defined contribution | 2,151 | 2,599 |
| Pension costs : defined benefit (Note 21) | - | - |
| | 78,962 | 71,915 |

# Notes to the financial statements (continued)

Year ended 31 December 2021

## 7. Staff costs and directors' remuneration (cont.)

(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 A G S Geddes and C Mackenzie:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Short-term employment benefits | 1,541 | 1,322 |
| Post-employment benefits | 12 | 10 |
| | 1,553 | 1,332 |

During the year, post-employment benefits accrued to one (2019 – one) director of Expro North Sea Limited. This director was not a director of Expro Holdings UK 2 Limited.

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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Short-term employment benefits | 1,126 | 1,010 |

## 8. Auditor remuneration

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Audit of the Company's annual financial statements | 182 | 87 |
| Auditor remuneration: compliance tax services | 3 | 81 |
| Auditor remuneration: advisory tax services | 73 | - |

## 9. Net exceptional (income) costs

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Restructuring costs | 1,983 | 5,284 |
| Stock compensation | 14,314 | - |
| Pension credits on scheme closure | - | (7,352) |
| | 16,297 | (2,068) |

Exceptional items of $16.3m relate stock compensation of $14.3m triggered by the Expro combination with Frank's International (in Strategic Report) and also to merger related employee compensation and other restructuring of $2.0m (2020: $5.3m), unconnected to prior year which was related to Covid-19 restructuring.

In addition, the Company also recognised material credits of $nil (2020: $7.4m) associated with an amendment made to the UK defined benefit pension plan and the closure of the Dutch defined benefit pension plan.

# Notes to the financial statements (continued)

Year ended 31 December 2021

## 10. Net finance cost

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| *Finance income:* | | |
| Bank interest received | - | 1 |
| Other | 106 | 202 |
| **Total finance income** | 106 | 203 |
| **Finance cost:** | | |
| Foreign exchange loss on pension and finance lease liabilities | 218 | (1,718) |
| Interest on lease liabilities (Note 22) | (2,021) | (2,241) |
| Net interest on defined benefit plan obligation (Note 21) | (705) | (1,044) |
| Interest payable on amounts due to related parties | (17) | (31) |
| Other | (2) | (3) |
| **Total finance costs** | (2,527) | (5,037) |
| **Net finance cost** | **(2,421)** | **(4,834)** |

## 11. Income Tax

The major components of income tax expense were:

| | 31 December 2021 $'000 | 31 December 2020 $'000 |
|---|---|---|
| **United Kingdom** | | |
| Current income tax charge | - | - |
| Adjustments in respect of current income tax of previous years | (952) | 178 |
| | (952) | - |
| **Foreign tax** | | |
| Current income tax charge | 670 | 470 |
| Adjustments in respect of current income tax of previous years | (430) | 37 |
| **Current tax expense** | 240 | 507 |
| **Income tax expense reported in the statement of profit or loss** | (712) | 685 |

*The standard rate of corporation tax applied to reported profit is 19% (2020: 19 per cent).*

The charge for the year can be reconciled to the profit before tax as follows:

| | 31 December 2021 $'000 | 31 December 2020 $'000 |
|---|---|---|
| **Accounting (loss)/profit before income tax** | (15,188) | 7,948 |
| Tax at the UK corporation tax rate of 19% | (2,886) | 1,510 |
| Non-deductible expenses for tax purposes: | | |
| Permanent differences | 2,860 | 1,029 |
| Adjustment in respect of prior periods | (952) | 178 |
| Effect of changes in tax rates | - | - |
| Remeasurement of deferred tax for changes in tax rates | (343) | - |
| Change in unrecognised deferred tax assets | 1,429 | (3,685) |
| Losses surrendered by fellow subsidiaries | (1,060) | 1,146 |
| Non-creditable overseas tax | 240 | 507 |
| **Income tax expense for the year at the effective income tax rate of 4.7% (2020: 8.6%)** | **(712)** | **685** |

# Notes to the financial statements (continued)
Year ended 31 December 2021

## 11. Income Tax (cont.)

### Deferred tax
Deferred tax is analysed in the Statement of Financial Position as:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| | $'000 | $'000 |
| Deferred tax assets | 3,430 | 2,490 |
| Deferred tax liabilities | (3,430) | (2,490) |
| **Total** | - | - |

There is an unrecognised deferred tax asset of $31.2m (2020-$26.0m) which is made up as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| | $'000 | $'000 |
| *Fixed asset timing differences* | 24,197 | 14,770 |
| Other timing differences | 137 | 1,991 |
| Retirement obligations | 6,817 | 9,246 |
| | 31,151 | 26,007 |

The Finance Bill 2021 included an increase in the UK corporation tax rate from 19% to 25% which was substantively enacted at the statement of financial position date. Where recognised, deferred tax is measured at the applicable substantively enacted local tax rate in force when the timing differences are anticipated to reverse.

## 12. Intangible assets

| | Software | Patents | Technology | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Cost** | | | | |
| At 1 January 2021 | 4,818 | 500 | 87,581 | 92,899 |
| Additions | 187 | - | 4,112 | 4,299 |
| Disposals | - | - | (16) | (16) |
| **At 31 December 2021** | 5,005 | 500 | 91,677 | 97,182 |
| **Amortisation and impairment** | | | | |
| At 1 January 2021 | (4,694) | (500) | (38,234) | (43,428) |
| Charge for the year | (73) | - | (6,625) | (6,698) |
| Impairment | - | - | (1,900) | (1,900) |
| **At 31 December 2021** | (4,767) | (500) | (46,759) | (52,026) |
| **Carrying amount** | | | | |
| **At 31 December 2021** | 238 | - | 44,918 | 45,156 |
| At 31 December 2020 | 124 | - | 49,347 | 49,471 |

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 year ended 31 December 2021 amounted to $4.1m (2020: $9.0m).

Amortisation for the year of $6.7m (2020: $6.5m) has been included in cost of sales.

# Notes to the financial statements (continued)

Year ended 31 December 2021

## 12. Intangible assets (cont.)

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 $1.8m (2020: $4.6m).

The Company performed its annual impairment review in December 2021 and 2020. As a result of this analysis, management has recognised an impairment charge of $1.9m in the current year (2020: $2.2m). The impairment was applied against projects that had been terminated due to market conditions with no immediate plans to subsequently continue. The impairment charge is recorded within cost of sales in the statement of profit or loss.

## 13. Property, plant and equipment

| | | | | Right-of-use Assets | | | |
|---|---|---|---|---|---|---|---|
| | Assets in course of construction | Land and buildings | Plant & Equipment | Buildings | Vehicle | Plant & Equipment | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost** | | | | | | | |
| At 1 January 2021 | 40,273 | 8,741 | 418,255 | 12,494 | 302 | 871 | 480,936 |
| Additions | 40,562 | - | - | - | 15 | 66 | 40,643 |
| Disposals | (61) | - | (8,543) | - | - | - | (8,604) |
| Transfer from related parties | - | - | 167,807 | - | - | - | 167,807 |
| Transfer to related parties | - | - | (190,462) | - | - | - | (190,462) |
| Transfers | (35,590) | - | 35,590 | - | - | - | - |
| Remeasurements | - | - | - | (121) | (2) | - | (123) |
| Exchange differences | - | - | - | 26 | - | - | 26 |
| **At 31 December 2021** | 45,184 | 8,741 | 422,647 | 12,399 | 315 | 937 | 490,223 |
| **Accumulated depreciation and impairment** | | | | | | | |
| At 1 January 2021 | - | (3,254) | (316,579) | (5,872) | (207) | (438) | (326,350) |
| Charge for the year | - | (533) | (28,105) | (1,586) | (69) | (207) | (30,500) |
| Eliminated on disposal | - | | 8,460 | - | - | - | 8,460 |
| Transfer from related parties | - | | (98,606) | - | - | - | (98,606) |
| Transfer to related parties | - | | 95,732 | - | - | - | 95,732 |
| **At 31 December 2021** | 0 | (3,787) | (339,098) | (7,458) | (276) | (645) | (351,264) |
| **Carrying amount** | | | | | | | |
| **At 31 December 2021** | 45,184 | 4,954 | 83,549 | 4,941 | 39 | 292 | 138,959 |
| At 31 December 2020 | 40,273 | 5,487 | 101,676 | 6,622 | 94 | 434 | 154,586 |

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 year ended 31 December 2021 the Company recognised an impairment loss of $nil (2020: $2.2m), which is included within cost of sales.

# Notes to the financial statements (continued)

Year ended 31 December 2021

## 13. Property, plant and equipment (cont.)

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:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Land and buildings | 9,895 | 12,110 |
| Plant and equipment | 578 | 927 |
| | 10,473 | 13,037 |

As at 31 December 2021 the Company had entered into contractual commitments for the acquisition of property, plant and equipment which have an expected capitalised value of $21.4m (2020: $15.9m). Transfer of property, plant and equipment between Group entities are conducted on an arms-length basis and at net book value.

**Right-of-use-assets**

The Group leases operating equipment, vehicles and properties with contracts which are typically for fixed periods but may have extension options used to maximise operational flexibility. The majority of extension and termination options held are exercisable only by the Company not the respective lessors. Lease liabilities are disclosed within Note 22 'Lease liabilities'.

An impairment test was performed on the balances at 31 December 2021 and no impairment charges (2020: $3.1m) were recognised as cost of sales within the Income statement.

## 14. Inventories

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Raw materials and consumables | 18,733 | 17,851 |
| Work in progress | 8,636 | 5,737 |
| | 27,369 | 23,588 |
| | | |
| Cost of inventories recognised as an expense during the year | 15,744 | 14,962 |
| Net increase/(decrease) of inventory impairment provisions | 276 | (640) |

## 15. Trade and other receivables

The table below provides an analysis of trade and other receivables at 31 December 2021 and 2020.

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Trade receivables | 20,667 | 17,916 |
| Impairment provision | - | (8) |
| Provision for expected credit losses | (827) | (96) |
| | 19,840 | 17,812 |
| | | |
| Accrued revenue | 10,602 | 5,415 |
| Prepayments | 3,290 | 4,040 |
| Other receivables | 1,839 | 1,306 |
| | 35,571 | 28,571 |

## Notes to the financial statements (continued)

Year ended 31 December 2021

### 15.Trade and other receivables (cont.)

| | | |
|---|---|---|
| **Represented by** | | |
| Current assets | 35,571 | 28,571 |
| Non-current assets | - | - |
| | **35,571** | **28,571** |

Prepaid expenses arise in the normal course of business and represent expenditure which has been deferred and which will be recognised in the Income Statement within 12 months of the balance sheet date

Other receivables include value added tax, deposits and advance to employees.

The provision for expected credit losses of $0.8m (31 December 2020: $0.1m) primarily relates to several specific matters where full recovery of overdue receivables has been deemed unlikely.

The movement in the allowance for expected credit losses recognized for trade receivables during the year was as follows:

| | **$'000** |
|---|---|
| ***Allowance for expected credit losses*** | |
| At 1 January 2020 | **(356)** |
| Net decrease in loss allowance arising from new amounts recognised in current year in profit and loss | 260 |
| **At 31 December 2020** | **(96)** |
| Net increase in loss allowance recognised in current year in profit and loss | (731) |
| **At 31 December 2021** | **(827)** |

The allowance for expected credit losses increased during the year mainly due to contractual disputes with a customer.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers.

### 16. Trade and other payables

| | **2021** **$'000** | **2020** **$'000** |
|---|---|---|
| Trade payables | 21,726 | 23,390 |
| Accruals | 17,188 | 10,913 |
| Deferred income | 581 | 372 |
| Other tax and social security | 2,461 | 2,247 |
| Other payables | 3,961 | 2,574 |
| | **45,917** | **39,496** |

# Notes to the financial statements (continued)

Year ended 31 December 2021

## 17. Amounts due from/to related parties

The following table shows the amounts receivable from Group undertakings.

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Current accounts with group undertakings | 9,982 | 14,832 |

The following table shows the amounts payable to Group undertakings.

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Loan payable to group undertaking | (1,519) | (2,500) |

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.

## 18. Provisions

| | Restructuring provision $'000 | Dilapidations $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|
| **At 1 January 2021** | **151** | - | **722** | **873** |
| Utilised | (305) | - | (698) | (1,003) |
| Amounts charged to the income statement | 336 | - | - | 336 |
| Foreign exchange difference | (2) | - | 3 | 1 |
| **At 31 December 2021** | **180** | - | **27** | **207** |
| Included in current liabilities | 180 | - | 27 | 207 |
| Included in non-current liabilities | - | - | - | - |
| | **180** | - | **27** | **207** |

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 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.

The restructuring provision as at 31 December 2021 and costs incurred during the year primarily relates to severance obligations as a result of two head count reduction programmes during the year. Other provision consists of a small equipment repair obligation that the company may have to a customer.

The Company had no material contingent liabilities as at 31 December 2021 (2020: none).

## Notes to the financial statements (continued)

Year ended 31 December 2021

### 19. Investment in subsidiary

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Cost:** | | |
| At 1 January | - | - |
| Additions | 342 | - |
| Disposals | - | - |
| **At 31 December** | 342 | - |
| **Provisions for impairment:** | | |
| At I January | - | - |
| Disposals | - | - |
| **At 31 December** | - | - |
| **Carrying value** | 342 | - |

The company has an investment in the following subsidiary undertaking:

| | Registered office address | Principal activity | Holding | % |
|---|---|---|---|---|
| Subsidiary undertaking: | | | | |
| Expro Oilfields India Private Limited | B1-103, 1st Floor, B-wing, Boomerang Build, Village Saki, Chandivali, Powai, Andheri, Maharashtra, 400072, India | Oil & Gas Services | Ordinary shares | 100% |

On 6 February 2021 and 21 December 2021 the Company acquired 100 per cent of the issued share capital of Expro Oilfields India Private Limited, a company whose primary activity is oil & gas services for consideration comprising the issue of 250,000 ordinary shares of INR 100 each in the Company. The fair value of the total consideration was $341,560. In accordance with Section 615 of the Companies Act 2006, the Company has taken no account of any premium on the shares issued and has recorded the cost of the investment at the nominal value of the shares issued.

### 20. Share capital

The below table shows the amount of share capital outstanding at 31 December 2021 and 2020.

| | 2021 shares | 2020 shares | 2021 $'000 | 2020 $'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.

**Intention for profit distribution**

Considering the current macro-economic uncertainty, there shall be no dividend declaration for 2021.

## Notes to the financial statements (continued)

Year ended 31 December 2021

### 21. 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 2020 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.

#### Other schemes

The Company operated 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:

| | 2021 % | 2020 % |
|---|---|---|
| Discount rate | 1.8 | 1.3 |
| Expected rate of salary increases | - | - |
| Allowance for pension payment increases | 3.3 | 2.7 |

The mortality assumptions adopted imply the following life expectancies:

| | 2021 Remaining years | 2020 Remaining years |
|---|---|---|
| Males currently aged 45 | 26 | 26 |
| Females currently aged 45 | 29 | 28 |
| Males currently aged 65 | 25 | 25 |
| Females currently aged 65 | 28 | 27 |

## Notes to the financial statements (continued)

Year ended 31 December 2021

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 Increase(decrease) $000 |
|---|---|
| 1% increase in discount rate | (52,221) |
| 1% decrease in discount rate | 52,221 |
| 1% increase in price inflation | 40,353 |
| 1% decrease in price inflation | (40,353) |

Amounts recognised in the Statement of profit or loss and in the Statement of comprehensive income in respect of the main UK defined benefit scheme and Netherlands scheme were as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Current service cost | - | - |
| Past service cost credit | - | 7,352 |
| Interest on net liability (Note 10) | (705) | (1,044) |
| **Income statement** | **(705)** | **6,308** |
| Re-measurement gain/(loss) | 25,070 | (6,339) |
| **Other comprehensive gain/(loss)** | **25,070** | **(6,339)** |
| **Total comprehensive gain/(loss)** | **24,365** | **(31)** |

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:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Re-measurement gain on assets | 14,082 | 19,276 |
| Re-measurement gain(loss) on liabilities | 10,988 | (25,615) |
| **Re-measurement gain(loss) on defined benefit scheme** | **25,070** | **(6,339)** |

The amount of employer contributions expected to be paid to the Company's defined benefit schemes over the next five years are for 2022: $5.3m, 2023: $5.5m, 2024: $5.7m, 2025: $6.0m and 2026: $6.2m. The amount due to be paid over the subsequent five years to 31 December 2031 is $29.3m.

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:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Present value of defined benefit obligations | (236,683) | (256,805) |
| Fair value of scheme assets | 209,413 | 200,714 |
| **Deficit recognised under non-current liabilities** | **(27,270)** | **(56,091)** |

## Notes to the financial statements (continued)

Year ended 31 December 2021

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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| At start of year | (256,805) | (250,128) |
| Current service cost | - | - |
| Past service cost | - | - |
| Interest cost | (3,292) | (4,433) |
| Contributions from scheme members | - | - |
| Re-measurement gain/(loss) | 10,988 | (25,615) |
| Settlement | - | 17,284 |
| Exchange difference | 2,251 | (7,904) |
| Plan amendments | - | 4,873 |
| Benefits paid | 10,175 | 9,118 |
| **At end of year** | **(236,683)** | **(256,805)** |

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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| At start of year | 200,714 | 192,271 |
| Interest on scheme assets | 2,587 | 3,391 |
| Re-measurement gains | 14,082 | 19,276 |
| Exchange difference | (2,154) | 6,306 |
| Contributions from the sponsoring companies | 4,359 | 3,384 |
| Contributions from scheme members | - | - |
| Settlement | - | (14,796) |
| Benefits paid | (10,175) | (9,118) |
| **At end of year** | **209,413** | **200,714** |

The actual return on scheme assets consists of the following:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Expected return on scheme assets | 2,587 | 3,391 |
| Re-measurement gain on scheme assets | 14,082 | 19,276 |
| **Actual return on scheme assets** | **16,669** | **22,667** |

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, 60% of the assets are invested in a growth portfolio, comprising Diversified Growth Funds ("DGFs"), and 40% 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 (continued)

Year ended 31 December 2021

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:

| | Fair value of assets at 31 December 2021 | | | |
|---|---|---|---|---|
| $'000 | Level 1 | Level 2 | Level 3 | Total |
| Mutual Funds | | | | |
| Equity funds | 123,460 | - | - | 123,460 |
| Bond funds | 24,770 | - | - | 24,770 |
| Liability driven investment funds | 60,737 | - | - | 60,737 |
| Other assets | 446 | - | - | 446 |
| | 209,413 | - | - | **209,413** |

| | Fair value of assets at 31 December 2020 | | | |
|---|---|---|---|---|
| $'000 | Level 1 | Level 2 | Level 3 | Total |
| Mutual Funds | | | | |
| Equity funds | 116,590 | - | - | 116,590 |
| Bond funds | 15,837 | - | - | 15,837 |
| Liability driven investment funds | 66,987 | - | - | 66,987 |
| Other assets | | 1,300 | - | 1,300 |
| | 199,414 | 1,300 | - | **200,714** |

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

## 22. Leases

We have leases primarily related to real estate, transportation and equipment. The Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of purchase options reasonably certain to be exercised by the Company. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses an incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The Company applies the short-term lease recognition exemption to its short-term leases, which are those leases which have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Company also applies the low-value assets recognition exemption to assets which are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses in Income Statement on a straight-line basis over the lease term.

The carrying amounts of right-of-use assets recognised and the movements during the period covered in note 13.

# Notes to the financial statements (continued)

Year ended 31 December 2021

## 22. Leases (cont.)

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

| | $'000 |
|---|---|
| As 1 January 2020 | 21,501 |
| Additions | 5,275 |
| Modifications | (4,638) |
| Disposals | (1,009) |
| Rentals paid | (4,311) |
| Interest expense on lease (Note 10) | 2,241 |
| Foreign exchange and other movements | 1,210 |
| **As at 31 December 2020** | **20,269** |
| Additions | 81 |
| Modifications | 224 |
| Rentals paid | (4,562) |
| Interest expense on lease (Note 10) | 2,021 |
| Foreign exchange and other movements | (440) |
| **As 31 December 2021** | **17,593** |

The following are the amounts recognised in profit or loss relating to leases:

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Interest expense on lease liabilities (Note 10) | 2,021 | 2,241 |
| Depreciation expenses of ROU asset (Note 14) | 1,862 | 1,665 |
| Expense relating to short term leases | 6,665 | 4,475 |
| Expenses relating to lease of low value assets | 41 | 37 |
| Total recognised in profit or loss | 10,589 | 8,418 |

Future minimum lease payments under leases together with the present value of the minimum lease payments are as follows:

| | Minimum lease payments<br>2021<br>$'000 |
|---|---|
| Within one year | 4,441 |
| In the second to fifth years inclusive | 11,758 |
| After five years | 17,670 |
| | 33,869 |
| Less: future finance charges | (16,276) |
| Present value of minimum lease payments | 17,593 |
| **Disclosed as:** | |
| Included in current liabilities | 2,607 |
| Included in non-current liabilities | 14,986 |
| | 17,593 |

# Notes to the financial statements (continued)

Year ended 31 December 2021

**23. Related party transactions**

During the year, 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 2021, are as follows:

| | Goods and services provided to related party | Amounts owed by related party |
|---|---|---|
| | $'000 | $'000 |
| COSL – Expro Testing Services (Tianjin) Co. Ltd | 5,499 | 1,086 |

COSL – Expro Testing Services (Tianjin) Co. Ltd is a joint venture in which the Expro Group held a 50% stake as at 31 December 2020. 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.

**24. Exchange rate**

At 31 December 2021, the exchange rates of the main currencies used throughout the Company, compared to the US Dollar, were as follows:

GBP 0.7392
EUR 0.8796

**25. 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.

**26. Government grants**

During the period the Company recognised a net expense of $0.2m (2020: income $5.1m) associated with Covid-19 job retention schemes in UK and The Netherlands. This assistance is presented Other Expense/Income in the Statement of Profit and Loss (see Note 28). It is an expense in the current year due to potential repayment of the grant income received in The Netherlands in the prior year.

**27. Events after reporting date**

The Company has evaluated subsequent events through 4 July 2022, the date the financial statements were approved. There were no events between the reporting date and the date these financial statements were issued that require disclosure.

**28. Prior year restatement**

The prior year Statement of Profit and Loss has been restated to show government grant income as a separate line item called Other (Expense)/Income. This was previously deducted incorrectly within cost of sales. There was no impact on net profit or shareholder funds.

# Notes to the financial statements (continued)

Year ended 31 December 2021

## 28. Prior year restatement (cont.)

| | 2020 (previously reported) $'000 | Restatement $'000 | 2021 (restated) $'000 |
|---|---|---|---|
| Cost of sales | (141,569) | (5,125) | (146,694) |
| Gross profit | 9,612 | (5,125) | 4,487 |
| Other income | - | 5,125 | 5,125 |