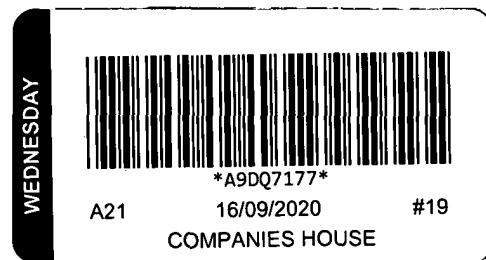


EXPRO HOLDINGS UK 2 LIMITED

Report and Financial Statements

Year to 31 December 2019



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Strategic report

Year Ended 31 December 2019

The directors present their strategic report of Expro Holdings UK 2 Limited (the "Company" or "EHUK2" or "We") for the year ended 31 December 2019.

The Company's business

We are a member of the Expro group of companies. Established more than 45 years ago, the Group provides highly specialised well flow management services to the land, offshore and deepwater oil and gas industry. Further information regarding our services offering is set out below under our customer engagement disclosure - *The services we provide to our customers*.

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

Financial results and operating performance

We did not generate any revenue for year ended 31 December 2019 and period from 1 April 2018 to 31 December 2018. The Company's loss for year ended 31 December 2019 was \$0.4m (period from 1 April 2018 to 31 December 2018:\$ 1.5m), which primarily represents the director fees and audit fees of the Group.

The Company's net assets as at 31 December 2019 were \$1,006.6m (31 December 2018: \$1,006.9m) which represent investments in Expro Holdings UK 3 Limited ("EHUK3"), cash at bank, other payables and amount due to related parties.

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 and our Suppliers. The likely consequences of any long-term decisions are set out in more detail in the Principal Risks and Uncertainties disclosures below.

Our Customers

The services we provide to our customers

Our customers consist of National (NOC), International (IOC) and Independent Oil and Gas Operator Companies – of varying size from small/local to multinational. Globally, we offer a range of mission critical services designed to measure, improve, control and process flow from oil and gas wells, from exploration and appraisal through to field production optimisation and enhancement and field abandonment including:

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

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

How we engage with our customers

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. In the relentless pursuit to achieve customer satisfaction, we engage with our customers regularly mainly through face-to-face interactions either at our customer's or our own premises. We also engage with customers digitally via email, video conference, phone and through social media and the Expro website www.exprogroup.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.

Strategic report (continued)

Year Ended 31 December 2019

Stakeholder Engagement – the Section 172 Statement (continued)

Our People

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. Our goal is that 100% of our employees will have a meaningful employee development plan. Embracing teamwork and communicating effectively are embedded across our culture and are integral to how we behave. Part of our regular engagement includes quarterly webcasts as well as all employee emails.

During the year we worked with our employees to:

- Set meaningful business objectives, understand their career aspirations and help meet these, through employee development plans.
- Identify the need for operational competency training, which supports not only the individual but is a key component of our service quality objective.
- Ensure our people are properly supported including through an Employee Assistance Programme (EAP) which provides employees with assistance and guidance should the need arise or when they find themselves living through more challenging times.
- Encourage positive health and wellbeing on a global and regional level, including through our Health and Wellbeing Hub on the company's portal.
- Not only to look after themselves, but also support their communities through CSR initiatives across the world. Details of these can be found within our CSR report available on our website (www.exprogroup.com).
- Regularly share their stories through the company's intranet. Some of these stories are often expanded upon and captured within the Group's internal magazine - Expressions, which highlights content contributed from colleagues across the world.
- Prioritise their safety. Our principal hand safety campaign '*It's in your hands*' was launched during the year to raise awareness across the group through a series of videos and posters to remind all employees to be aware of their environment and to assess their workplace before they begin work. The supporting video was personalised through filming at Expro locations and the use of Expro personnel as actors. The success of the campaign in raising awareness is apparent from a 50% reduction in recordable hand injuries.
- Champion safety at every opportunity by using positive intervention and stop work intervention initiatives. We have moved away from traditional paper forms and created a user friendly app to allow employees to suggest improvements and highlight safety practice.

Strategic report (continued)

Year Ended 31 December 2019

Stakeholder Engagement – the Section 172 Statement (continued)

Our 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 2019, Expro spent \$492m to supply the organisation's needs from stationary and general operational support items to high specification and complex equipment in support of onshore and offshore oil and gas wells. It is paramount to us that we ensure that our business dealings with third parties are performed in a legal, compliant and safe manner.

How the Supply Chain supports the business

Expro Supply Chain is comprised of Procurement, Strategic Sourcing, Logistics & Supplier Compliance and Materials Management. The function is a layered structure. Base and local buyers and regional Supply Chain Managers are supported by a corporate supply chain structure. Global functional managers provide leadership, subject matter expertise and training for Supply Chain Management, Supplier Quality, Materials Management, Logistics, Export Control and Supplier Compliance.

Globally the Supply Chain team work to align resources to the business need, develop and invest in our people, standardise tools and through improved processes / procedures add optimal and sustained value to the business and mitigate risk. Our core values are delivering on time, operating with the utmost integrity and operational flexibility.

How the Supply Chain engages with suppliers

The Procurement Department's function is to issue purchase orders, develop term contracts and acquire goods and services in accordance with Expro's global policies and procedures as well as to manage the day-to-day relationship and interface with suppliers. Along with the Strategic Sourcing function, the Procurement Department is authorised to set out supplier invitations to bid and to issue supplier contracts as well as to manage higher level supplier relationships.

The Materials Management function is to develop and introduce controls for materials management policies & procedures that support effective control and management of inventory across Expro's global store locations, through timely and accurate recording of inventory movements, Goods Issue/Goods Receipt (GI/GR) and proper tracking of materials across the organisation.

The Logistics Compliance function is responsible for ensuring that all logistics activities comply with legal and local customs requirements as well as Export Control laws and compliance with Expro's Code of Conduct and are carried out in a consistent and cost effective manner to meet operational requirements.

Strategic report (continued)

Year Ended 31 December 2019

Other matters

Health and safety

Health and safety is a critical priority for Expro, with commitment from all levels of the business to maintaining industry-leading standards. In 2019 Expro continued to outperform its peers in this area.

Driven through Expro's Champion Safety initiative, the organisation continued to run a range of campaigns associated with hand safety and relaunched positive intervention. This resulted in 50% reduction in recordable hand injuries in 2019. The company also received an Order of Distinction for 15 consecutive awards from ROSPA (Royal Society for the Prevention of Accidents). Supporting this award, a number of regions achieving key milestones, including 12 million man hours lost time injury (LTI) free in Asia, three years LTI free in North and Latin America and two years LTI free in Europe CIS. 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.

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

Reputation

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

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

Social responsibility

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

Risk management

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

Anti-bribery and anti-corruption

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

Strategic report (continued)

Year Ended 31 December 2019

Principal risks and uncertainties

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

Oil price

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

Political

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

Regulatory risk

The general upstream oil and gas sector is subject to significant regulation, which aims to ensure that the exploration, development and production of hydrocarbons are achieved in a safe and responsible manner. As a service provider, we are impacted by both regulation on our customers and regulations 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.

Brexit

We do not believe that the implementation phase of Brexit will pose a significant risk to our business. The Board continues to keep this under review.

Foreign currency

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

Credit risk

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

Liquidity risk

The reduction in oil prices and the effects of the COVID-19 pandemic is expected to have an impact on the Company's liquidity reserves. Based on modelling performed, the Company is expected to maintain sufficient liquidity to allow the Company to meet its financial commitments and provide support where needed to its subsidiaries, supported by access to a Revolving Credit Facility if required.

Strategic report (continued)

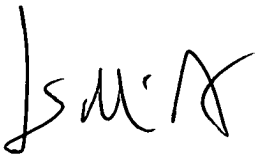
Year Ended 31 December 2019

Future developments

The short-term market outlook will be fluid, as the service sector is impacted by the immediate E&P company budget cuts announced in reaction to the oil price collapse and the effects of COVID-19 pandemic, further reducing demand on an already over-supplied market.

The Group continues to work closely with our clients in order to carefully monitor and adjust our business to these evolving market demands. We have taken steps to reduce outgoings and the Company is taking a prudent and vigilant approach on all expenditure.

By order of the Board



John McAlister
Director
Second Floor,
Davidson House,
Forbury Square,
Reading,
Berkshire,
RG1 3EU,
United Kingdom.
25 June 2020

Expro Holdings UK 2 Limited
Registered in England & Wales with number 06491951
Registered office: Second Floor, Davidson House, Forbury Square, Reading, Berkshire, RG1 3EU, United Kingdom.

Directors' report

Year Ended 31 December 2019

The directors present their report on the affairs of the Company for the year ended 31 December 2019.

Corporate structure and Ultimate parent company

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

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

Results and dividend

The loss for the year ended 31 December 2019 is \$0.4m (period from 1 April 2018 to December 2018: \$1.5m). No dividends have been proposed or paid during the year.

Business review and future developments

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

Going concern 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 holding entity and a guarantor to a Revolving Credit Facility and controls the whole trading 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.

The short-term market outlook will be fluid, as the service sector is impacted by the immediate E&P Group budget cuts announced in reaction to the oil price collapse and the effects of COVID-19 pandemic, further reducing demand on an already oversupplied market. The Group have taken immediate steps to reorganise its operations to continue to serve its customers and to take action to reduce its cost base and protect the financial resources of the Group.

Taking this into account, the 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. They also performed a 'reverse stress' test to determine the liquidity headroom against these forecasts and concluded that this headroom was sufficient. 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.

Employees

We do not directly employ any members of staff. Our subsidiaries employ approximately 4,340 employees and 830 contractors across the geographical regions in which they operate. 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 2019

Employees (continued)

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.

Events after the reporting date

The impact of COVID-19 on the future outlook of the business is also set out in Note 10 to the financial statements. No other material events have occurred since the statement of financial position date which would affect the financial statements of the Company.

Directors

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

John McAlister
Michael Bentham

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.

Re-appointment of auditor

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

Directors' report (continued)

Year Ended 31 December 2019

Directors' Responsibilities Statement

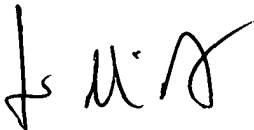
The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to 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.

By order of the Board



John McAlister
Director
Second Floor,
Davidson House,
Forbury Square,
Reading,
Berkshire,
RG1 3EU,
United Kingdom.
25 June 2020

Expro Holdings UK 2 Limited
Registered in England & Wales with number 06491951
Registered office: Second Floor, Davidson House, Forbury Square, Reading, Berkshire, RG1 3EU, United Kingdom.

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

We have audited the financial statements of Expro Holdings UK 2 Limited for the year ended 31 December 2019 which comprise the Statement of total comprehensive income, Statement of financial position, Statement of changes in equity, and the related notes 1 to 12 for the accounts. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Emphasis of Matter

We draw attention to Note 10 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting the wider UK and global economies as well as the company's ability to operate normally. Our opinion is not modified in respect of this matter.

Ernst & Young LLP

Ryan Squires (Senior Statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading, United Kingdom
Date: 25 June 2020

Statement of total comprehensive income

Year Ended 31 December 2019

	Note	Year ended 31 December 2019 \$'000	Period from 1 April 2018 to 31 December 2018 \$'000
Administrative expenses		350	1,522
Operating loss and loss before tax		350	1,522
Tax expense	5	-	-
Loss and total comprehensive loss for the year/period		350	1,522

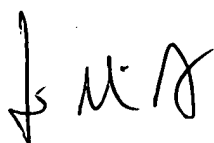
The accompanying notes are an integral part of these financial statements.

Statement of financial position

As at 31 December 2019

		31 December 2019	31 December 2018
	Notes	\$'000	\$'000
Non-current assets			
Investments	6	1,009,025	1,009,025
		<u>1,009,025</u>	<u>1,009,025</u>
Current assets			
Cash		10	10
		<u>10</u>	<u>10</u>
Current liabilities			
Other payables	7	(1,722)	(335)
Amounts due to related parties	8	(700)	(1,737)
		<u>(2,422)</u>	<u>(2,072)</u>
Total assets less current liabilities			
		<u>1,006,613</u>	<u>1,006,963</u>
Equity			
Share capital	9	333,283	333,283
Share premium		1,583,963	1,583,963
Accumulated loss		(910,633)	(910,283)
Shareholders' funds			
		<u>1,006,613</u>	<u>1,006,963</u>

The financial statements were approved by the Board of Directors and authorised for issue on 25 June 2020. They were signed on behalf of the Board by:



John McAlister
Director

Statement of changes in equity

Year ended 31 December 2019

	Share capital \$'000	Share premium \$'000	Accumulated Loss \$'000	Total \$'000
Year Ended 31 December 2019				
At 1 December 2019	333,283	1,583,963	(910,283)	1,006,963
Loss for the year	-	-	(350)	(350)
At 31 December 2019	333,283	1,583,963	(910,633)	1,006,613
Year Ended 31 December 2018				
At 1 April 2018	333,283	1,583,963	(908,761)	1,008,485
Loss for the period	-	-	(1,522)	(1,522)
At 31 December 2018	333,283	1,583,963	(910,283)	1,006,963

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

Notes to the Company's financial statements

Year Ended 31 December 2019

1. Corporate information

The financial statements of the Company for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 25 June 2020.

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

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

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

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

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

The Company is a limited company incorporated in Great Britain with its registered office situated in England and Wales. The registered office is located at Second Floor, Davidson House, Forbury Square, Reading, Berkshire, RG1 3EU, United Kingdom.

Notes to the Company's financial statements (continued)

Year Ended 31 December 2019

2. Basis of preparation and accounting policies

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

The Company's financial statements have been prepared in accordance with (i) Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), as it applies to the financial statements of the Company for the year ended 31 December 2019, and (ii) the Companies Act 2006. The Company has applied FRS 101 as issued in March 2018, which reflects the amendments made as part of the Triennial Review 2017. The Triennial Review amendments have had no material impact on the financial statements of the Company.

The financial statements are presented in US Dollar and all values are rounded to the nearest thousand US Dollars (\$'000) except where otherwise stated.

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

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

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

In preparation of the financial statements, management determined COVID-19 is a non-adjusting post balance sheet event. Further information on this is given in the Note 10. The impact of COVID-19 on the going concern basis of the financial statements and management's assessment is discussed below.

Going Concern

The financial statements have also been prepared on a going concern and historical cost basis. 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 holding entity and a guarantor to a Revolving Credit Facility and controls the whole trading 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.

The short-term market outlook will be fluid, as the service sector is impacted by the immediate E&P Group budget cuts announced in reaction to the oil price collapse and the effects of COVID-19 pandemic, further reducing demand on an already oversupplied market. The Group have taken immediate steps to reorganise its operations to continue to serve its customers and to take action to reduce its cost base and protect the financial resources of the Group.

Taking this into account, the 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. They also performed a 'reverse stress' test to determine the liquidity headroom against these forecasts and concluded that this headroom was sufficient. 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.

Notes to the Company's financial statements (continued)

Year Ended 31 December 2019

2.2 Significant accounting judgments, estimates and assumptions

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

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

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

Impairment assessment and testing

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

Functional currency

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

Income taxation

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

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

2.3 Summary of significant accounting policies

Foreign currency translation

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

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

Notes to the Company's financial statements (continued)

Year Ended 31 December 2019

2.3 Summary of significant accounting policies (continued)

Taxation

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

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

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

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

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

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

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

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

Payables

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

Investments

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

Notes to the Company's financial statements (continued)

Year Ended 31 December 2019

2.2 Summary of significant accounting policies (continued)

Impairment of financial assets

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

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

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

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

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

Current versus non-current classification

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

An asset is current when it is either:

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

All other assets are classified as non-current.

A liability is current when either:

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

The Company classifies all other liabilities as non-current.

Notes to the Company's financial statements (continued)

Year Ended 31 December 2019

3 Staff costs

There were no employees of the Company in the year ended 31 December 2019 (31 December 2018: Nil).

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

	Year to 31 December 2019	Period from 1 April 2018 to 31 December 2018
	\$'000	\$'000
Short-term employment benefits	5,545	4,546
	<u>5,545</u>	<u>4,546</u>

The details of the remuneration of the Company's directors and the Group's key management disclosed above relate to Expro group of companies as a whole. Directors' emoluments have been borne by another Group company. The directors' services to the Company do not occupy a significant amount of their time and, as such, the directors consider it is not appropriate to allocate their remuneration in respect of their services provided to the Company.

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

	Year to 31 December 2019	Period from 1 April 2018 to 31 December 2018
	\$'000	\$'000
Short-term employment benefits	2,149	1,899
	<u>2,149</u>	<u>1,899</u>

Notes to the Company's financial statements (continued)

Year Ended 31 December 2019

3 Staff costs (continued)

Management incentive plans

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

Stock Options

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

Restricted Stock Units

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

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

Notes to the Company's financial statements (continued)

Year Ended 31 December 2019

4 Auditor remuneration

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

	Year to 31 December 2019	Period from 1 April 2018 to 31 December 2018
	\$'000	\$'000
Audit of the Group's annual financial statements	2,586	1,846
Audit of the Company's subsidiaries' financial statements pursuant to legislation	760	493
Audit related assurance services	15	-
Tax compliance services	255	317
Tax advisory services	57	264
Other services relating to corporate finance transactions	441	231
	<u>4,114</u>	<u>3,151</u>

The details of auditor's remuneration disclosed above relate to Expro group of companies as a whole. These expenses are being recharged to respective entities within the Group as incurred.

5 Tax

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

	Year to 31 December 2019	Period from 1 April 2018 to 31 December 2018
	\$'000	\$'000
Income tax:		
United Kingdom :		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
Current tax expense	-	-
	<u>-</u>	<u>-</u>

The charge for the year ended 31 December 2019 and period from 1 April 2018 to 31 December 2018 can be reconciled to the profit per statement of profit and loss as follows:

	Year to 31 December 2019	Period from 1 April 2018 to 31 December 2018
	\$'000	\$'000
Loss before tax	350	1,522
Tax at the UK corporation tax rate of 19% (31 December 2018: 19%)	(67)	(289)
Effects of group relief	67	-
Tax rate changes	-	17
Expenses not deductible for tax purposes	-	125
Deferred tax not recognised	-	147
	<u>-</u>	<u>-</u>
Tax expense at the effective tax rate of 0% (31 December 2018: 0%)	-	-
	<u>-</u>	<u>-</u>

Notes to the Company's financial statements (continued)

Year Ended 31 December 2019

6 Investments

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

	At 31 December	At 31 December
	2019	2018
	\$'000	\$'000
Carrying value brought forward	1,009,025	1,009,025
Total	1,009,025	1,009,025

During the year ended 31 December 2019, the Company had no change in investments. Further, we reviewed the carrying value of our investments. As a result of this review no impairment was identified.

Notes to the Company's financial statements (continued)

Year Ended 31 December 2019

6 Investments (continued)

A list of the Company's direct and indirect subsidiaries at 31 December 2019 is set out below.

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
Expro Argentina, Srl	Argentina	San Martin 140 Piso 14 Ciudad Autonoma de Buenos Aires
Expro Group Australia Pty Ltd*	Australia	BDO 38 Station Street Subiaco, WA 6008
Expro Holdings Australia 1 Pty Ltd	Australia	BDO 38 Station Street Subiaco, WA 6008
Expro Holdings Australia 2 Pty Ltd	Australia	BDO 38 Station Street Subiaco, WA 6008
Expro Do Brasil Servicos Ltda	Brazil	Av Rio Branco 138 sala 1602, centro Rio de Janeiro 20040-002
Expro Do Brasil Propriedades Ltda	Brazil	Av Rio Branco 138 sala 1602, centro Rio de Janeiro 20040-002
Expro (B) SDN BHD	Brunei Darussalam	Lot No 2237 No 80 Lorong Setia DiRaja Kuala Belait KA 3131
Expro Group Canada Inc	Canada	3700, 400-3RD Avenue S.W. Calgary AB T2P 4H2
Expro Petroleum Equipment Technology (Beijing) Ltd Co.	China	Room 510, Air China Plaza No.36 Xiaoyun Road Chaoyang District Beijing 100027
Expro Gulf Ltd*	Cyprus	Arch. Makariou III, 284 Fortuna Court Block B 2 & 3 Floor Limassol
Expro Egypt LLC	Egypt	Katamia - Ein El Sokhna at KM 12 Cairo
Expro Equatorial Guinea Ltd	Equatorial Guinea	Calle Parque de Africa Malabo
Expro Production Systems FZE***	Dubai	Office No. LB16518 Jebel Ali Free Zone Dubai United Arab Emirates
Expro Gabon Sarl	Gabon	Zone Portuaire Oprag Port Gentil B P 2843
Expro Oilfield Services Ghana Ltd	Ghana	1000 Axis Lane, PMB 9 New Amanful Road Takoradi
Expro International Ltd	Guernsey	P O Box 286, 2nd Floor, Trafalgar Court, Les Banques, St Peter Port, GY1 4LY

Notes to the Company's financial statements (continued)

Year Ended 31 December 2019

6. Investments (continued)

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
Expro Oilfield Services SDN BHD	Malaysia	Suite 1005, 10th Floor Wisma Hamzah-Kwong Hing No.1 Leboh Ampang 50100 Kuala Lumpur Wilayah Persekutuan
Exprotech (Malaysia) SDN BHD	Malaysia	Level 7 Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damasara Heights 50490 Kuala Lumpur
Expro Servicios S de RL de CV	Mexico	Calle Euler, numero 152 Colonia Polanco, V Seccion Ciudad de Mexico CP 11560 Mexico
Expro Tool S de RL de CV	Mexico	Calle Euler, numero 152 Colonia Polanco, V Seccion Ciudad de Mexico CP 11560 Mexico
Expro International BV	Netherlands	Nijverheidsweg 4 1785 AA Den Helder
Expro Worldwide BV*	Netherlands	Nijverheidsweg 4 1785 AA Den Helder
Petrotech BV	Netherlands	Nijverheidsweg 4 1785 AA Den Helder
PT Expro Indonesia	Indonesia	The Garden Centre 5-19 Cilandak Commercial Estate Jl. Raya Cilandak KKO Jakarta 12560
PT Power Well Services Indonesia (in liquidation)	Indonesia	The Garden Centre 5-19 Cilandak Commercial Estate Jl. Raya Cilandak KKO Jakarta 12560
Expro Italiana Srl	Italy	Via Arapietra 29 65124 Pescara
Expro-ECOCP JV LLP	Kazakhstan	Office 203 43 Dostyk Avenue 050010 Almaty
AS Petrotech Knowledge (Malaysia) Sdn Bhd	Malaysia	Level 7 Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damasara Heights 50490 Kuala Lumpur
Expro Group Malaysia SDN BHD	Malaysia	Level 7 Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damasara Heights 50490 Kuala Lumpur
Exprotech Nigeria Ltd	Nigeria	188 Awolowolo Road S W Ikoyi Lagos

Notes to the Company's financial statements (continued)

Year Ended 31 December 2019

6 Investments (continued)

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

Notes to the Company's financial statements (continued)

Year Ended 31 December 2019

6 Investments (continued)

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

Notes to the Company's financial statements (continued)

Year Ended 31 December 2019

6 Investments (continued)

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

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

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

*** Immediate parent company is Expro Overseas Inc

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

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

Notes to the Company's financial statements (continued)

Year Ended 31 December 2019

7. Other payables

The following table is an analysis of the Company's other payables as at 31 December 2019 and 31 December 2018.

	At 31 December 2019 \$'000	At 31 December 2018 \$'000
Other payables	1,722	335
	<u>1,722</u>	<u>335</u>

Other payables primarily represents the accruals for audit fees.

8. Amounts due to related parties

The following table is an analysis of the Company's amounts due to related parties as 31 December 2019 and 31 December 2018.

	At 31 December 2019 \$'000	At 31 December 2018 \$'000
Amount due to related parties	700	1,737
	<u>700</u>	<u>1,737</u>

9. Share capital

The following table is an analysis of the Company's share capital as at 31 December 2019 and 31 December 2018.

	At 31 December 2019 Thousands	At 31 December 2018 Thousands	At 31 December 2019 \$'000	At 31 December 2018 \$'000
Allotted, called up and fully paid				
Ordinary shares of \$1 each	333,283	333,283	333,283	333,283

All ordinary shares issued have the same rights.

Notes to the Company's financial statements (continued)

Year Ended 31 December 2019

10. Subsequent events

There were no events between the reporting date and the date the financial statements were authorised for issue that require disclosure, other than as disclosed below:

After the balance sheet date, the Group has seen macro-economic uncertainty with regards to demand for oil, gas and products impacting on the overall activity in the oil and gas industry as a result of the COVID-19 (coronavirus) outbreak. Management determined COVID-19 is a non-adjusting event and as such, no adjustment has been made in respect of COVID-19. However, the Company continues to monitor and assess the impact of COVID-19 on the recoverability of its long-term assets and as of the date of the financial statements such impact remains uncertain.

11. 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.

12. Comparative information

The financial statements have been prepared from 12 months ended 31 December 2019 and are accordingly not comparable with the prior period financial statements which are for the 9 months ended 31 December 2018.



Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Expro Group Holdings International Limited and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United States of America together with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and we have fulfilled our other ethical responsibilities in accordance with these requirements, respectively.

Responsibilities of Management and Those Charged With Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for evaluating whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued, or are available to be issued, and disclosing, as applicable, matters related to this evaluation unless the liquidation basis of accounting is being used by the entity. Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit 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 consolidated financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. We design audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation, structure, and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

As part of an audit, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether substantial doubt exists related to the Company's ability to continue as a going concern. If we conclude that substantial doubt exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



Building a better
working world

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies or material weaknesses in internal control that we identify during our audit.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Expro Group Holdings International Limited and subsidiaries at December 31, 2019 and 2018, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 5 of the consolidated financial statements, which indicates that the Company has changed its accounting policy for leases as of January 1, 2019, due to the adoption of ASC 842, Leases, and has applied that change using a modified retrospective transition approach. Our opinion is not modified in respect of this matter.

As discussed in Note 31 to the consolidated financial statements, the 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified in respect to this matter.

Ernst & Young LLP
Reading
17 March 2020

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

	Successor		Predecessor
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
Total revenue	810,064	686,951	51,686
Operating costs and expenses:			
Cost of sales	(794,027)	(677,121)	(52,611)
Selling, general and administrative	(39,732)	(38,326)	(3,297)
Goodwill and Intangible asset impairment	(44,324)	-	-
Other income, net	226	-	-
Restructuring	(4,444)	(6,527)	(700)
Total operating costs and expenses	(882,301)	(721,974)	(56,608)
Operating loss	(72,237)	(35,023)	(4,922)
Reorganization items, net	-	-	563,883
Finance (expense) income, net	(3,300)	6,332	(14,954)
(Loss) Income before taxes and equity income of joint ventures	(75,537)	(28,691)	544,007
Equity share of income from joint ventures	9,639	4,811	387
Income tax credit (expense)	1,137	(7,198)	(1,457)
Net (loss) income	(64,761)	(31,078)	542,937
Basic and diluted (loss) earnings per share			
(Loss) earnings per share	(1.11)	(0.53)	1.63
Weighted average shares outstanding			
Basic and diluted	58,489,895	58,489,895	333,282,666

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

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

	Successor		Predecessor
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
Net (loss) income for the period	(64,761)	(31,078)	542,937
Other comprehensive (loss) income:			
Actuarial (loss) gain on defined benefit pension	(3,521)	6,743	244
Income taxes on pension	-	(48)	-
Other comprehensive (loss) income	(3,521)	6,695	244
Comprehensive (loss) income	(68,282)	(24,383)	543,181

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

	December 31, 2019	December 31, 2018
		<i>(Restated)</i>
Assets		
Current assets		
Cash and cash equivalents	145,129	193,019
Restricted cash	1,956	2,303
Accounts receivable, net and unbilled	230,996	218,208
Inventories, net	58,940	52,128
Tax receivables	18,541	26,547
Other current assets	42,583	70,834
Total current assets	498,145	563,039
Non-current assets		
Property, plant and equipment, net	301,798	289,518
Investments in joint ventures	37,231	34,277
Intangible assets, net	260,511	293,240
Goodwill	217,397	212,289
Right of use assets – Operating leases	82,217	-
Accounts receivable, net and unbilled	13,346	-
Other non-current assets	4,973	3,905
Total non-current assets	917,473	833,229
Total assets	1,415,618	1,396,268
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	169,471	147,531
Tax liabilities	18,975	19,128
Finance lease liabilities	1,608	1,357
Operating lease liabilities	16,983	-
Other current liabilities	51,657	51,846
Total current liabilities	258,694	219,862
Non-current liabilities		
Finance lease liabilities	19,044	19,424
Operating lease liabilities	66,829	-
Tax liabilities	32,515	36,819
Deferred tax liabilities	46,486	62,557
Post-retirement benefits	59,717	57,247
Other non-current liabilities	7,783	7,527
Total non-current liabilities	232,374	183,574
Total liabilities	491,068	403,436
Stockholders' equity:		
Common stock, ordinary \$0.01 shares, par value \$0.01 per share issued 58,489,895	585	585
Warrants	10,530	10,530
Additional paid-in capital	1,006,100	1,006,100
Accumulated other comprehensive income	3,174	6,695
Accumulated deficit	(95,839)	(31,078)
Total stockholders' equity	924,550	992,832
Total liabilities and stockholders' equity	1,415,618	1,396,268

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

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

	Successor		Predecessor
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
Cash flows from operating activities:			
Net (loss) income	(64,761)	(31,078)	542,937
<i>Adjustments to reconcile net (loss) income to net cash used in operating activities:</i>			
Impairment of goodwill and intangible asset	44,324	-	-
Impairment of property, plant and equipment	4,712	3,360	-
Amortization of intangible assets	34,375	32,403	1,519
Depreciation of property, plant and equipment	87,900	85,716	7,705
Amortization of capitalized interest	-	-	422
Loss (Gain) on disposal of intangibles and property, plant and equipment	228	147	(3)
Equity share of income from joint ventures	(9,639)	(4,811)	(387)
Elimination of unrealized profit on sales to joint ventures	3,558	140	-
Amortization of loan issuance costs	-	-	567
Interest accreted to mezzanine loan balance	-	-	151
Term loan and RCF interest	-	-	8,327
Reorganization items, net	-	-	(563,883)
Deferred income tax credit	(18,296)	(9,806)	(749)
Unrealized foreign exchange	337	2,697	(543)
<i>Changes in assets and liabilities:</i>			
Accounts receivable, net and unbilled	(24,172)	(15,249)	(3,151)
Inventories, net	(6,797)	(5,860)	(593)
Other assets	(1,966)	(2,752)	(6,054)
Accounts payable and accrued liabilities	18,892	30,709	(9,770)
Other liabilities	1,119	(12,451)	6,357
Income taxes - net	3,548	(2,170)	4,094
Other	4,719	(5,391)	4,454
<i>Dividend received from joint ventures</i>	3,128	773	-
Net cash provided by (used in) operating activities	81,209	66,377	(8,600)
Cash flows from investing activities:			
Capital expenditures	(104,062)	(47,664)	(4,653)
Proceeds from disposal of property, plant and equipment	10	1,369	4
Payment of deferred consideration	-	(26)	(38)
Payment for acquisition of business, net of cash acquired	(47,882)	-	-
Net cash used in investing activities	(151,934)	(46,321)	(4,687)
Cash flows from financing activities:			
Repayment of borrowings under debtors in possession facility	-	-	(65,000)
Proceeds from borrowings under debtors in possession facility	-	-	4,781
Proceeds from issue of share capital	-	205,725	-
Proceeds from release (payment) of collateral deposits	28,280	(32,315)	-
Payment of loan issuance and other transaction costs	(3,036)	(18,726)	(10,601)
Repayment of finance leases	(3,322)	(4,082)	(286)
Net cash provided by (used in) financing activities	21,922	150,602	(71,106)
Effect of exchange rate changes on cash and cash equivalents	566	(3,021)	(221)
Net (decrease) increase to cash and cash equivalents and restricted cash	(48,237)	167,637	(84,614)
Cash and cash equivalents and restricted cash at beginning of period	195,322	27,685	112,299
Cash and cash equivalents and restricted cash at end of period	147,085	195,322	27,685
Supplemental disclosure of cash flow information			
Cash (paid) receipt during the period for income taxes	(13,603)	(19,173)	1,889
Cash paid, net, during the period for interest	(1,490)	(495)	(1,193)
Net change in accounts payable and accrued expenses related to property and equipment additions	(839)	(19,703)	1,325
Reorganization of loans	-	-	1,418,138

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

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

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

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

	Common Stock	Warrants	Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total Stockholder's equity
Balance at January 1, 2019 (Successor)	585	10,530	1,006,100	6,695	(31,078)	992,832
Comprehensive loss:						
Net loss	-	-	-	-	(64,761)	(64,761)
Other comprehensive income (loss):						
Actuarial (loss) gain on defined benefit pension, net of tax	-	-	-	(3,521)	-	(3,521)
Balance at December 31, 2019 (Successor)	585	10,530	1,006,100	3,174	(95,839)	924,550

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

Expro Group Holdings International Limited

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

1. Business Description

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

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

2. Business Combinations

On July 1, 2019, Quality Intervention AS, a limited liability company registered in Norway, and its subsidiaries (“Quality Intervention”), was acquired (the “Acquisition”) by our wholly owned subsidiary Expro Holdings Norway AS, a limited liability company registered in Norway (“ENAS”). Quality Intervention is now a wholly owned subsidiary of ENAS. Quality Intervention’s shareholders received an aggregate cash consideration of \$49.3 million, net of the customary closing adjustments. Transaction costs related to the Acquisition incurred during the twelve months ended December 31, 2019, were \$1.0 million and are recorded in the Consolidated Statement of Operations within the other income, net. We recorded revenue of \$2.0 million and a net loss of \$0.8 million related to the Acquisition during the period ended December 31, 2019.

Quality Intervention has developed a number of innovative technologies and solutions to common problems when working in the well intervention space.

The Acquisition is accounted for as a business combination in accordance with Accounting Standards Codification (“ASC”) 805, Business Combinations, which requires the assets acquired and liabilities assumed to be recorded at their acquisition date fair values. The estimated fair values are based upon preliminary calculations and valuations, and those estimates and assumptions are subject to changes as we obtain additional information for those estimates during the measurement period.

The following table summarizes the purchase price and the preliminary allocation of the fair values of assets acquired and liabilities assumed and separately identifiable intangible assets at the acquisition date (\$ in thousands):

Purchase Price

Consideration given	
Total Cash consideration	49,258

Allocation of Purchase Price

<i>Fair value of assets acquired:</i>	
Current assets	2,581
Property, plant and equipment	681
Intangible assets – Technology	17,928
Goodwill	31,530
Total assets acquired	52,720
<i>Fair value of liabilities assumed:</i>	
Current liabilities	1,141
Non-current liabilities	101
Deferred tax liabilities	2,220
Total liabilities assumed	3,462
Fair value of total assets and liabilities acquired	49,258

The intangible asset will be amortized on a straight-line basis over an estimated 10-year life. We expect annual amortization to be approximately \$1.8 million. The goodwill consists largely of the synergies and economies of scale expected from the technology providing more efficient services, the first mover advantage obtained through the acquisition and expected future developments resulting from the assembled workforce. The goodwill is not subject to amortization but will be evaluated at least annually for impairment or more frequently if impairment indicators are present. An associated deferred tax liability has been recorded in regards to the technology.

Expro Group Holdings International Limited

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

The following unaudited pro forma combined financial information is provided as though the Acquisition had been completed as of January 1, 2018. These pro forma combined results of operations have been prepared by adjusting our historical results to include the historical results of Quality Intervention and reflect pro forma adjustments based on available information and certain assumptions that we believe are reasonable. The unaudited pro forma combined financial information is provided for illustrative purposes only and is not necessarily indicative of the actual results that would have been achieved by the combined company for the periods presented or that may be achieved by the combined company in the future. Future results may vary significantly from the results reflected in this pro forma financial information. (\$ in thousands):

	Pro forma (Unaudited)		Predecessor
	Successor		
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
Revenue	811,109	689,512	51,863
Net (Loss) Income	(66,249)	(31,968)	542,744

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

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

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

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

Expro Group Holdings International Limited

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

4. Fresh Start Accounting

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

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

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

5. Basis of Preparation and Accounting Policies

Basis of Preparation

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

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

Basis of Consolidation

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

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

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

Use of Estimates

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

Expro Group Holdings International Limited

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

Revenue Recognition

Sale of goods

We recognize 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). Prior to adoption of ASU 2014-09 *Revenue from Contracts with Customers*, the Group recognized revenue when title and risk of loss passed which is broadly in line with the transfer of control at a point of time. There is no transition impact at 1 January 2019.

Rendering of services

We recognize revenue from rendering of services over a period of time as the customer simultaneously consumes benefit of the service while it's being rendered using the output method, reflecting the amount of consideration to which the Group has a right to invoice. As part of rendering of services, the Group also provides rental equipment and personnel. Using practical expedients under ASU 2014-09, the Group has elected not to separate non-lease components from the associated lease components and account for the combined component in accordance with the ASU 2014-09 with recognition over time. Prior to adoption of ASU 2014-09, the Group recognized revenue on a time and material basis which is broadly in line with the output method and transfer of control over time. There is no transition impact at 1 January 2019.

Where contractual arrangements contain multiple performance obligations, we analyse each performance obligation within the sales arrangement to determine whether they are distinct. The revenue for contracts involving multiple performance obligations are allocated to each distinct performance obligation based on their relative selling prices and is recognised on satisfaction of each of the distinct performance obligation. 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.

Taxes Collected from Customers and Remitted to Governmental Authorities

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

Foreign Currency Transactions

Our reporting currency is the United States Dollar ("USD" or "\$"). In addition, all of our subsidiaries are assessed to have a functional currency of the USD, being the currency of the primary economic environment in which they operate.

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

Finance Costs

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

Taxation

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

Expro Group Holdings International Limited
Notes to the Consolidated Financial Statements
Year Ended December 31, 2019

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

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

Cash and Cash Equivalents

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

Restricted Cash

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

Accounts Receivable, Net and Unbilled

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

Accounts receivable, unbilled represents revenue that has been recognized in advance of billing the customer.

Inventories

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

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

Expro Group Holdings International Limited

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

Long-Lived Assets Impairment

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

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

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

We assess held for sale long-lived assets for impairment whenever events or circumstances arise that may indicate that the carrying amount of our held for sale long-lived assets may not be recoverable. Depreciation and amortization expense is not recorded on assets once they are classified as assets held for sale.

Property, Plant and Equipment

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

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

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

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

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

Expro Group Holdings International Limited
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Goodwill

Goodwill represents the excess of the enterprise value of the Group upon Emergence over the estimated fair value assigned to the individual assets acquired and liabilities assumed and goodwill generated on Acquisition as described on Note 2. We do not amortize goodwill, but instead are required to test goodwill for impairment at the reporting unit level at least annually, or whenever there is an indication of impairment. A reporting unit is defined as an operating segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management.

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

Other Intangible Assets

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

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

Accounts Payable

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

Fair Value Measurement

We measure certain financial assets and liabilities at fair value at each balance sheet date and, for the purposes of impairment testing, use fair value to determine the recoverable amount of some of our non-financial assets. The fair values of financial instruments measured at amortized cost are disclosed in Note 21.

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

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

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

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

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

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

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

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Leases

We determine if an arrangement is a lease, at inception. Leases which do not meet the definition of a finance lease are classified as operating leases and are included in Right of use (“ROU”) assets and operating lease liabilities in the consolidated balance sheet. ROU assets represent the Group’s right to use an underlying asset for the lease term and lease liabilities represent the Group’s obligations to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Group uses its incremental collateralised borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Group’s lease terms may include options to extend or terminate the lease and those are considered as part of assessing the lease term if the extension or termination is deemed to be reasonably certain. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. Short-term leases under one year do not result in a ROU asset. We recognized lease expense for short-term leases. Such leases are recognized in the income statement on a straight-line basis over the lease term.

Assets held under arrangements which meet the criteria of a finance lease as defined by ASC 842 *Leases*, are capitalized at the inception of the lease, with a corresponding liability being recognized at the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the statement of operations so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under finance and operating leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Pensions and Other Post-Retirement Benefits

Defined Benefit Plans

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

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

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

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

Defined Contribution Plans

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

Refer to Note 25 for a description of our pension and other post-retirement benefit plans.

Management Incentive Plans

We have established the ‘Expro Group Holdings International Limited 2018 Management Incentive Plan’ which comprises the following stock based compensation plans (a) stock options to non-executive directors and key management personnel and (b) restricted stock units. We account for our stock-based compensation awards in accordance with ASC Topic 718, *Compensation—Stock Compensation* (“ASC 718”) which requires all stock-based payments to employees, including grants of employee stock options and restricted stock and modifications to existing stock awards, to be recognized in the statements of operations and

Expro Group Holdings International Limited

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Year Ended December 31, 2019

comprehensive loss based on their fair values calculated on the grant date. We do not estimate expected forfeitures, but recognise them as they occur.

Segment Reporting

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

Related Parties

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

Restructuring and Exit Activities

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

Earnings per Share

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

Going Concern

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

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Year Ended December 31, 2019

New Accounting Pronouncements

Accounting guidance adopted

ASU 2014-09, Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. This ASU amended the existing accounting standards for revenue recognition and requires companies to recognize revenue when control of the promised goods or services is transferred to a customer at an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The Group adopted this ASU on January 1, 2019 using the modified retrospective transition method applied to those contracts which were not completed as of January 1, 2019. Prior period amounts have not been adjusted and continue to be reflected in accordance with Group’s historical accounting. The adoption of this ASU did not have a material impact on Group’s consolidated financial statements and accordingly, no additional transitional disclosures have been made.

ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash.

In November 2016, the Financial Accounting Standards Board issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires that a statement of cash flows explains the change during the period in the total of cash, cash equivalents and restricted cash. As a result, amounts classified as restricted cash should be included with cash and cash equivalents, when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. We have early adopted this guidance during the previous interim reporting period. The adoption of this guidance changed the presentation of restricted cash on our statement of cash flows; however it did not have any impact on our results of operations, financial condition or liquidity.

ASU 2016-02, Leases

On January 1, 2019, we early adopted Accounting Standards Update (ASU) No. 2016-02, *Leases, and the related amendments* (ASC 842). This ASU requires lessees to recognize an operating lease asset and a lease liability on the balance sheet, with the exception of short-term leases. We adopted the standard using the modified retrospective approach under which leases existing at, or entered into after January 1, 2019 were required to be recognized and measured. Prior period amounts have not been adjusted and continue to be reflected in accordance with our historical accounting. The Group has elected the practical expedients upon transition that allow entities not to reassess lease identification, classification and initial direct costs for leases that existed prior to adoption.

The most significant impact of the standard is the recognition of right-of-use (“ROU”) assets and operating lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. We implemented internal controls and key system functionality to enable the preparation of financial information on adoption.

We determine if an arrangement is a lease at inception. ROU assets disclosed as “Right of use assets – Operating leases” (“ROU assets”) and operating lease liabilities are disclosed as “Operating Lease liabilities” on our consolidated statement of financial position. Finance lease assets are included in “Property, plant and equipment,” and finance lease liabilities are disclosed as “Finance Lease liabilities” on our consolidated statement of financial position.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and operating lease liabilities are recognized at the later of the lease commencement date or the effective date of adoption of ASC 842 on January 1, 2019, based on the present value of lease payments over the remaining lease term. Finance lease ROU assets and liabilities are recognized at commencement date. As most of our leases do not provide an implicit rate, we use our incremental collateralized borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our lease terms may include options to extend or terminate the lease and those are considered as part of assessing the lease term if the extension or termination is deemed to be reasonably certain on the date of commencement of the lease. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. Short-term leases under one year do not result in a ROU asset, but are recognized in the income statement only on a straight-line basis over the lease term. The Group has made an election to include within our operating lease liability future payments for both lease and non-lease components. See “Note 23. Leases” for additional information.

The adoption of this standard resulted in the recording of ROU assets of \$83.1 million, net off adjustments to prepayments of \$2.0 million and Operating lease liabilities of \$82.6 million as of January 1, 2019 on our consolidated statements of financial position with an immaterial impact on our consolidated statements of equity. Short-term leases have not been recorded on the consolidated statements of financial position. Our accounting for finance leases, previously known as capital leases, remained substantially unchanged.

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Notes to the Consolidated Financial Statements
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ASU 2016-15, Statements of Cash Flows

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

ASU 2016-16, Income Taxes

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

ASU 2017-07, Compensation—Retirement Benefits

In October 2017, the Financial Accounting Standards Board issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. These amendments require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component. The adoption of this ASU did not have a material impact on our consolidated financial statements or disclosures.

ASU 2018-02, Income Statement—Reporting Comprehensive Income

In February 2018, the Financial Accounting Standards Board issued ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. ASU 2018-02 provides financial statement preparers with an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. The adoption of this ASU did not have a material impact on our consolidated financial statements or disclosures.

ASU 2018-07, Compensation—Stock Compensation

In July 2018, the Financial Accounting Standards Board issued ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. ASU No. 2019-08 is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. For all other companies, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. These amendments expanded the scope of Topic 718, Compensation—Stock Compensation (which currently only included share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees is substantially aligned. The adoption of this ASU did not have a material impact on our consolidated financial statements or disclosures.

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Accounting guidance not yet adopted

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

In August 2018, the Financial Accounting Standards Board issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by these amendments. For public business entities, the amendments are effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. For all other entities, the amendments are effective for annual periods beginning after December 15, 2020, and interim periods in annual periods beginning after December 15, 2021. Early adoption is permitted. This ASU is not expected to have a material impact on our consolidated financial statements or disclosures.

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

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

In November 2019, the Financial Accounting Standards Board issued ASU 2019-08, *Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer*. For entities that have adopted ASU No. 2018-07, the amendments in ASU No. 2019-08 are effective in fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. This ASU requires companies to measure and classify (on the balance sheet) share-based payments to customers by applying the guidance in Topic 718, Compensation—Stock Compensation. As a result, the amount recorded as a reduction in revenue would be measured based on the grant-date fair value of the share-based payment. This ASU is not expected to have a material impact on our consolidated financial statements or disclosures.

In December 2019, the Financial Accounting Standards Board issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. ASU No. 2019-12 is effective for public business entities, for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other entities, for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. This ASU removes specific exceptions to the general principles in Topic 740 in Generally Accepted Accounting Principles (GAAP). It eliminates the need for an organization to analyze whether the following apply in a given period: (i) Exception to the incremental approach for intraperiod tax allocation; (ii) Exceptions to accounting for basis differences when there are ownership changes in foreign investments; and (iii) Exception in interim period income tax accounting for year-to-date losses that exceed anticipated losses. We are currently evaluating the impact on adopting this guidance.

Expro Group Holdings International Limited
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Year Ended December 31, 2019

6. Segment Information

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

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

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

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

Well Testing and Appraisal Services

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

Subsea, Completion and Intervention Services

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

Production Services

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

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Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

6. Segment Information (continued)

Financial information about our operating segments was as follows: (\$ in thousands).

	Successor		Predecessor
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
ECIS	178,479	179,778	13,281
SSA	78,311	77,532	5,131
Asia	142,151	110,049	7,631
MENA	237,065	175,660	13,030
NLA	174,058	143,932	12,613
Total revenue by geographical segment	810,064	686,951	51,686
ECIS	31,578	37,017	2,769
SSA	16,790	15,886	667
Asia	30,812	23,934	890
MENA	89,153	71,183	4,991
NLA	16,921	16,469	1,142
Trading EBITDA by segment ⁽¹⁾⁽²⁾	185,254	164,489	10,459
Corporate, product line management and other administrative costs ⁽³⁾	(81,734)	(71,387)	(5,460)
Equity share of income from joint ventures ⁽⁷⁾	9,639	4,811	387
Adjusted EBITDA ⁽⁴⁾	113,159	97,913	5,386
Depreciation, impairment of property, plant and equipment and amortization ⁽⁵⁾	(127,215)	(121,598)	(9,221)
Goodwill and Intangible asset impairment	(44,324)		
Restructuring	(4,444)	(6,527)	(700)
Reorganization items, net	-	-	563,883
Other income, net ⁽⁶⁾	226	-	-
Finance (expense) income, net	(3,300)	6,332	(14,954)
Income tax credit (expense)	1,137	(7,198)	(1,457)
Net (loss) income	(64,761)	(31,078)	542,937

The following table presents total assets by geographic region and assets held centrally at December 31, 2019 and 2018: (\$ in thousands).

	December 31,	
	2019	2018 (Restated)
ECIS	184,903	105,554
SSA	77,609	114,680
Asia	208,850	184,305
MENA	435,640	411,288
NLA	212,471	221,768
Total assets by geographical region	1,119,473	1,037,595
Assets held centrally ⁽⁸⁾	296,145	358,673
Total Assets	1,415,618	1,396,268

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

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

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

⁴ Adjusted EBITDA is calculated as Trading EBITDA, less corporate, product line management and other administrative costs, plus equity share of income from joint ventures.

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

⁶ Other operating income, net is excluded from Adjusted EBITDA as they typically relate to unusual or infrequently occurring transaction and does not provide a useful measure of the underlying operating performance of the business.

⁷ Refer to Note 9 for a description and the amount of investment in joint ventures.

⁸ Assets held centrally primarily include corporate accounts receivables, property plant and equipment under construction, investment in joint ventures, collateral deposits, tax related balances, corporate cash and cash equivalents and other current and non-current assets, which are not included in the measure of segment assets reviewed by CODM.

Expro Group Holdings International Limited
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Year Ended December 31, 2019

7. Revenue

We disaggregate revenue from contracts with customers based on geographical area, consistent with our reportable segments, in addition to area of capability.

The following table sets forth the total amount of revenue by geographical area as follows: (\$ in thousands).

	Successor		Predecessor
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
ECIS	178,479	179,778	13,281
SSA	78,311	77,532	5,131
Asia	142,151	110,049	7,631
MENA	237,065	175,660	13,030
NLA	174,058	143,932	12,613
Total revenue by geographical segment	810,064	686,951	51,686

The following table sets forth the total amount of revenue by area of capability as follows: (\$ in thousands).

	Successor		Predecessor
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
Well testing and appraisal services	382,907	335,688	25,521
Subsea, completion and intervention services	319,766	283,499	21,896
Production services	107,391	67,764	4,269
Total revenue by area of capability	810,064	686,951	51,686

Contract balances consisted of the following at December 31, 2019 and December 31, 2018: (\$ in thousands).

	December 31,	
	2019	2018
Accounts receivables, net	180,410	163,893
Unbilled Revenue	63,932	54,315
Deferred Revenue	18,387	14,238

We perform our obligations under contracts with our customers by transferring services and products in exchange for consideration. The timing of our performance often differs from the timing of our customer's payment, which results in the recognition of receivables and deferred revenue.

Unbilled revenue are initially recognized for revenue earned on completion of the performance obligation which are not yet invoiced to the customer. The amounts recognized as accrued revenue are reclassified to trade receivables upon billing. Deferred revenue represents the Group's obligations to transfer goods or services to customers for which the Group has received consideration, in full or part, from the customer.

The following table sets forth the total amount of deferred revenue recognized as revenue as follows: (\$ in thousands).

	Successor		Predecessor
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
Amounts included in the deferred revenue in the beginning of the year	8,871	2,884	90

Remaining performance obligations represent firm contracts for which work has not been performed and future revenue recognition is expected. Performance obligations represent firm contracts for which work has not been performed and future revenue recognition is expected. We have elected the practical expedient permitting the exclusion of disclosing remaining performance obligations for contracts that have an original expected duration of one year or less and for our long term contracts we have a right to consideration from customers in an amount that corresponds directly with the value to the customer of the performance completed to date.

Expro Group Holdings International Limited

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Year Ended December 31, 2019

8. Restructuring

Due to the continued challenging environment in the oil and gas market, executive management approved a set of restructuring initiatives for the fiscal year 2019 intended to accelerate operating cost reductions and improve overall operating efficiency.

Restructuring charges consists of severance benefits to terminated employees and other termination related costs including facility exit costs, substantially all of which was paid out by the end of December 31, 2019.

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

9. Investment in Joint Ventures

We have investments in two joint venture companies, which together provide us access to the Asian markets that otherwise would be challenging for us to penetrate or to develop effectively on our own. COSL - Expro Testing Services (Tianjin) Co. Ltd (“CETS”), in which we have a 50% equity interest, has extensive offshore well testing and completions capabilities and a reputation for providing technology-driven solutions in China. Similarly, PV Drilling Expro International Co. Ltd (“PVD-Expro”), in which we have a 49% equity interest, offers the full suite of Expro products and services, including well testing and completions, in Vietnam. Both of these joint venture companies are strategic to our activities and offer the full capabilities and technology of Expro, but each company is independently managed. Investments in unconsolidated joint ventures are accounted for by the equity method.

The carrying value of our investment in joint ventures at December 31, 2018 and 2019 was as follows: (\$ in thousands).

	December 31,	
	2019	2018
CETS	33,944	31,123
PVD-Expro	3,287	3,154
Interest in joint ventures	37,231	34,277

CETS

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

	December 31,	
	2019	2018
Non-current assets	30,156	20,907
Current assets, including cash and cash equivalents \$22.9 million (2018: \$17.1 million)	70,273	52,047
Current liabilities	(36,240)	(19,529)
Equity	64,189	53,425
Proportion of our ownership	50%	50%
Group's share of JV's equity	32,094	26,713
Goodwill on investment	3,510	3,510
Elimination of intra-group profits	(4,624)	(1,621)
Foreign exchange on net assets in local currency	2,964	2,521
Carrying amount of the investment	33,944	31,123

Expro Group Holdings International Limited
Notes to the Consolidated Financial Statements
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9. Investment in Joint Ventures (continued)

Summarized statement of profit or loss of CETS

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

	December 31,	
	2019	2018
Revenue	90,442	56,662
Cost of sales	(60,798)	(39,415)
Administrative expenses	(5,385)	(4,864)
Interest income	336	86
Profit before tax	24,595	12,469
Income tax expense	(5,583)	(2,818)
Profit for the year	19,012	9,651
<hr/>		
Equity share (50%) of profit for the year	9,506	4,826

Depreciation is included within the table above as follows:

Cost of sales	4,917	4,712
Administrative expenses	17	20
	4,934	4,732

PVD-Expro

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

	December 31,	
	2019	2018
Non- current assets	1,686	2,178
Current assets, including cash and cash equivalents \$3.4 million (2018: \$2.4 million)	4,760	4,553
Current liabilities	(1,085)	(1,288)
Equity	5,361	5,443
<hr/>		
Proportion of our ownership	49%	49%
Group's share of JV's equity	2,627	2,667
Foreign exchange on net assets in local currency	660	487
Carrying amount of the investment	3,287	3,154

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9. Investment in Joint Ventures (continued)

Summarized statement of profit or loss of PVD-Expro

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

	December 31,	
	2019	2018
Revenue	1,568	2,245
Cost of sales	(1,304)	(1,358)
Administrative expenses	(155)	(227)
Interest income (expense)	162	102
Profit before tax	271	762
Income tax expense	-	(2)
Profit for the year	271	760
Equity share (49%) of profit for the year	133	372
Depreciation is included within the table above as follows:		
Cost of sales	486	368
Administrative expenses	1	1
	487	369

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

We recognized dividends, gross of withholding taxes, of \$3.1 million for the year ended December 31, 2019 and \$0.8 million for the year ended December 31, 2018.

10. Finance (expense) income, net

Finance (expense) income consisted of the following for the fiscal years ended December 31, 2019 and Successor Period and Predecessor Period: (\$ in thousands).

	Successor		Predecessor
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
Interest income	3,260	1,976	59
Term loan interest	-	-	(7,649)
Revolving credit facility interest	-	-	(574)
Revolving credit facility commitment fee	(1,462)	(104)	(105)
Debtor in possession facility interest	-	-	(515)
Mezzanine loan cash settled interest	-	-	(103)
Interest accreted to Mezzanine loan	-	-	(151)
Amortization of financing costs	-	-	(567)
Amortization of capitalized interest, net	-	-	(259)
Other finance (expense) income, net	(5,098)	4,460	(5,090)
Finance (expense) income, net	(3,300)	6,332	(14,954)

Other finance (expense) income, net for the fiscal year ended December 31, 2019 includes \$2.5 million of foreign exchange loss on pensions and finance lease liabilities and \$2.5 million of other finance expenses primarily related to finance leases.

Other finance (expense) income, net for the periods from February 1, 2018 to December 31, 2018 includes \$8.1 million of foreign exchange gains on pensions and finance lease liabilities and \$3.7 million of other finance expenses primarily related to finance leases.

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

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11. Income Taxes

The components of the income tax expense for the years ended December 31, 2019 and 2018 (Successor Period and Predecessor Period) were as follows: (\$ in thousands).

	Successor		Predecessor
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
Current tax:			
UK	-	1,332	-
Foreign	17,160	15,721	2,255
Total current tax	17,160	17,053	2,255
Deferred tax:			
UK	(570)	-	-
Foreign	(17,727)	(9,855)	(798)
Total deferred tax	(18,297)	(9,855)	(798)
Income tax (credit) expense	(1,137)	7,198	1,457

The UK and foreign components of income (loss) from continuing operations before income taxes for the years ended December 31, 2019 and 2018 (Successor Period and Predecessor Period) were as follows: (\$ in thousands).

	Successor		Predecessor
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
UK	33,071	(583,280)	438,740
Foreign	(108,608)	554,589	105,267
Total	(75,537)	(28,691)	544,007

The provision for income taxes for the years ended December 31, 2019 and 2018 (Successor Period and Predecessor Period) differs from the amount computed by applying the UK statutory income tax rate to income before taxes for the reasons below: (\$ in thousands).

	Successor		Predecessor
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
Statutory income tax at 19%	(14,352)	(5,451)	103,361
Permanent differences	10,322	4,561	(642)
Non-taxable accounting gain on debt transaction	-	-	(107,138)
Thin capitalisation adjustments on interest expenses	-	7,669	-
Non-UK income taxed at different rates	(4,961)	1,799	932
Net tax charge related to attributes with full valuation allowance	12,769	744	4,546
Exempt dividends from joint venture	-	(96)	-
Prior year adjustments	(6,446)	(3,742)	13
Withholding taxes	876	1,075	46
Foreign exchange movements on tax balances	655	639	339
Income tax (credit) expense	(1,137)	7,198	1,457
Effective tax rate on continuing operations	1.5%	(25.1%)	0.3%

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

Expro Group Holdings International Limited

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

11. Income Taxes (continued)

We have not provided United Kingdom income taxes and foreign withholding taxes on the undistributed earnings of foreign subsidiaries as of December 31, 2019 because we intend to permanently reinvest such earnings outside the United Kingdom. If these foreign earnings were to be repatriated in the future, the related United Kingdom tax liability would not be reduced by any foreign income taxes previously paid on these earnings. As of December 31, 2019 the group is in a cumulative net loss position. It is not possible to estimate the amount of unrecognized deferred tax liability related to jurisdictions with cumulative earnings at this time.

The primary components of our deferred tax assets and liabilities at December 31, 2019 and 2018 were as follows: (\$ in thousands).

	December 31,	
	2019	2018
Non-current deferred tax assets:		
Net operating loss carry forwards	427,566	464,421
Employee compensation and benefits	10,479	9,995
Depreciation	17,486	31,371
Other	12,155	18,500
Subtotal	467,686	524,287
Valuation allowance	(443,398)	(507,159)
Total	24,288	17,128
Non-current deferred tax liabilities:		
Depreciation	(3,259)	(3,306)
Goodwill and other intangibles	(62,511)	(73,032)
Other	(5,004)	(3,347)
Total	(70,774)	(79,685)
Net deferred tax liability	(46,486)	(62,557)

At December 31, 2019 we had a total of \$2,282.3 million net operating losses, of which \$2,063.7 million are not time limited and have an indefinite lifespan. The balance will expire within the next 12 years. Losses attributed to our UK companies are \$1,780.8 million.

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

Expro Group Holdings International Limited
Notes to the Consolidated Financial Statements
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11. Income Taxes (continued)

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

The following table presents the changes in our unrecognized tax benefits at December 31, 2019 and 2018 (Successor Period and Predecessor Period) included in the balance sheet: (\$ in thousands).

	Successor		Predecessor
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
Balance at beginning of year	36,819	35,291	34,147
Additions based on tax positions related to current period	4,009	4,876	351
Additions for tax positions of prior year period	8,474	2,773	793
Settlements with tax authorities	(720)	(1,472)	-
Reductions for tax positions of prior years	(15,267)	(1,619)	-
Reductions due to the lapse of statute of limitations	(800)	(3,030)	-
Balance at end of the period	32,515	36,819	35,291

The amounts above include penalties and interest of \$4.2 million for the year ended December 31, 2019 and \$3.5 million from February 01, 2018 through December 31. The penalties and interest for the Predecessor Period was \$3.1 million. We classify penalties and interest relating to uncertain tax positions within taxes on income in the consolidated statement of operations.

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

Expro Group Holdings International Limited
Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

12. Restricted Cash

The following table summarizes the balance of restricted cash at December 31, 2019 and 2018: (\$ in thousands).

	December 31,	
	2019	2018
Cash held for contractual commitments	1,956	2,303
Total	1,956	2,303

We held bank deposits which have been pledged as cash collateral for performance and bid bonds and guarantees issued by various banks. We also held minimum cash balances which must be maintained in accordance with contractual arrangements.

13. Accounts Receivable, Net and Unbilled

Accounts receivable, net and unbilled consisted of the following at December 31, 2019 and 2018: (\$ in thousands).

	December 31,	
	2019	2018
Accounts receivable and unbilled	254,067	229,655
Allowance for doubtful accounts	(9,725)	(11,447)
Total	244,342	218,208
Current	230,996	218,208
Non - current	13,346	-
Total	244,342	218,208

14. Inventories, Net

Inventories consisted of the following at December 31, 2019 and 2018: (\$ in thousands).

	December 31,	
	2019	2018
Raw materials	582	748
Equipment, spares and consumables	47,983	42,318
Work-in progress	10,375	9,062
Total	58,940	52,128

Expro Group Holdings International Limited
Notes to the Consolidated Financial Statements
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15. Other Assets and Other Liabilities

Other assets consisted of the following at December 31, 2019 and 2018: (\$ in thousands)

	December 31,	
	2019	2018
Prepayments	17,612	22,284
VAT receivable	21,984	17,708
Other receivables	3,928	2,432
Collateral deposits	4,032	32,315
Total	47,556	74,739
Other current assets	42,583	70,834
Other non-current assets	4,973	3,905
Total	47,556	74,739

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

Other liabilities consisted of the following at December 31, 2019 and 2018: (\$ in thousands).

	December 31,	
	2019	2018
Deferred revenue	18,387	14,238
Other tax and social security	21,308	22,363
Other payables	2,674	2,326
Provisions	17,071	20,446
Total	59,440	59,373
Other current liabilities	51,657	51,846
Other non-current liabilities	7,783	7,527
Total	59,440	59,373

16. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at December 31, 2019 and 2018: (\$ in thousands).

	December 31,	
	2019	2018
Accounts payable	80,319	64,042
Accrued liabilities	89,152	83,489
Total	169,471	147,531

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17. Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31, 2019 and 2018: (\$ in thousands).

	December 31,	
	2019	2018
Cost		
Land	3,379	3,379
Buildings	37,538	35,524
Plant and equipment	437,675	339,509
	478,592	378,412
Less accumulated depreciation	(176,794)	(88,894)
Total	301,798	289,518

Depreciation expense relating to property, plant and equipment, including assets under finance leases, was \$87.9 million for the year ended December 31, 2019 and \$85.7 million from February 01, 2018 through December 31, 2018. Depreciation expense relating to property, plant and equipment, including assets under finance leases was \$7.7 million for the Predecessor Period.

The carrying amount of our property, plant and equipment recognized in respect of assets held under finance leases at December 31, 2019 and 2018 and included above was as follows: (\$ in thousands).

	December 31,	
	2019	2018
Gross value		
Buildings	21,626	21,626
Plant and equipment	1,084	358
	22,710	21,984
Less accumulated amortisation	(4,225)	(1,982)
Total	18,485	20,002

We had entered into contractual commitments for the acquisition of property, plant and equipment totalling \$62.4 million as at December 31, 2019 (December 31, 2018: \$31.1 million).

Approximately 88% of our fixed assets at December 31, 2019 (December 31, 2018: 80%) were pledged to collateralize indebtedness.

Due to the continuing challenging environment in the oil and gas industry, we tested the recoverability of our property, plant and equipment at December 31, 2019. We concluded that the carrying values of certain assets were no longer recoverable. The fair value of these assets was based on the projected present value of future cash flows that these assets are expected to generate. In addition, we determined that certain assets were no longer utilized. As a result we recorded an impairment charge related to our property, plant and equipment of \$4.7 million at December 31, 2019 (December 31, 2018: \$3.4 million) which is included within "Cost of sales" on our consolidated statement of operations for the Successor Period.

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18. Intangible Assets, net

The following table summarizes our intangible assets as at December 31, 2019 and 2018: (\$ in thousands).

	December 31, 2019			December 31, 2018			Weighted average remaining life (years)
	Cost	Accumulated impairment and amortization	Net Book Value	Cost	Accumulated impairment and amortization	Net Book Value	
Customer relationships and contracts	215,200	(49,007)	166,193	215,200	(19,727)	195,473	8
Trademarks	40,100	(9,306)	30,794	40,100	(3,676)	36,424	8
Technology	84,128	(22,106)	62,022	66,200	(6,068)	60,132	8
Software	5,716	(4,214)	1,502	4,094	(2,883)	1,211	1
Total	345,144	(84,633)	260,511	325,594	(32,354)	293,240	8

We amortize intangible assets on a straight-line basis over their estimated useful lives once the intangible assets meets the criteria to amortize. Amortization expense for intangible assets was \$34.4 million for the year ended December 31, 2019 and \$32.4 million from February 01, 2018 through December 31, 2018. Amortization expense for intangible assets was \$1.5 million for the Predecessor Period. These expenses were included in Cost of Sales.

We review the carrying values of long lived assets for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Impairment is tested by estimating the undiscounted cash flows expected to result from the asset, including any residual value at the end of the asset life. If undiscounted cash flows are lower than the carrying value of the asset, an impairment loss is recorded to reduce the asset's carrying value to its fair value.

The results of the step one testing indicated that the carrying amount for intangibles was higher than the undiscounted cash flows for intangibles assets in Sub-Saharan Africa and intangible assets related to Technology in Latin America ("LATAM"). For these asset groups, we performed the "step two" impairment test, which included estimating the fair value of the assets using valuation techniques based on discounted cash flow models. These tests indicated that the carrying amount of these intangible assets were not fully recoverable. As a result we recognized a corresponding impairment charge of \$17.9 million under the caption "Goodwill and intangible asset impairment" on our consolidated statement of operations. No impairment charge was recognised during the year ended December 31, 2018.

The following table summarizes impairment charges by geographic segment: (\$ in thousands).

	Customer relationship	Technology	Trademarks	Total
SSA	7,760	4,712	1,620	14,092
LATAM	-	3,809	-	3,809
Impairment at December 31, 2019	7,760	8,521	1,620	17,901

Expected future intangible asset amortization as of December 31, 2019 is as follows: (\$ in millions).

Fiscal years:	
2020	33.2
2021	31.7
2022	31.7
2023	31.7
2024	31.7
Thereafter	100.5
Total	260.5

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19. Goodwill

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

Our reporting units are either our operating segments or components of our operating segments depending on the level at which segment management oversees the business. Our reporting units include ECIS, SSA, MENA, Asia, North America (NAM) and LATAM.

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

	December 31	
	2019	2018
ECIS	14,504	-
SSA	-	12,764
Asia	51,113	44,476
MENA	126,383	123,115
NLA	25,397	31,934
Total	217,397	212,289

As part of our annual impairment assessment, we performed valuations as of December 31, 2019 based on a discounted cash flow model. Key assumptions driving the fair value for purposes of this goodwill impairment test included forecasted revenues and margins. The discounted cash flow method also relied on the weighted average cost of capital of a market participant and a perpetuity growth rate.

For the year ended December 31, 2019 we recorded a goodwill impairment charge of \$26.4 million primarily related to our SSA and LATAM reporting units. For the year ended December 31, 2018 we did not record any goodwill impairment charges.

The following table provides the gross carrying amount and cumulative impairment costs, of goodwill for each reportable segment: (\$ in thousands).

	December 31, 2019		December 31, 2018	
	Pre-Impairment amount	Cumulative impairment	Pre-Impairment amount	Cumulative impairment
ECIS	14,504	-	-	-
SSA	14,478	(14,478)	12,764	-
Asia	51,113	-	44,476	-
MENA	126,383	-	123,115	-
NLA	37,341	(11,944)	31,934	-
Total	243,819	(26,422)	212,289	-

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20. Interest Bearing Loans

On December 20, 2018 we entered into a Revolving Credit Facility (“RCF”) with aggregate commitments of \$150.0 million (up to \$100.0 million available for drawdown as loans and up to \$50 million for bonds and guarantees). The RCF bears interest at USD LIBOR plus 3.75% and is guaranteed in full by our material subsidiaries as defined in the agreement. No drawdowns as loans have been made; however, as of December 31, 2019, \$40.2 million (December 31, 2018: Nil) was utilized for bonds and guarantees.

21. Fair Value Measurements

At December 31, 2019 we did not have any assets or liabilities that we measure at fair value on a recurring basis.

Fair value of Financial Instruments

The carrying values of our financial instruments at December 31, 2019 and 2018 were as follows (\$ in thousands):

	December 31, 2019 Carrying Amount	December 31, 2019 Fair Value	December 31, 2018 Carrying amount	December 31, 2018 Fair value
Finance lease liabilities	20,652	20,652	20,781	20,781

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

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

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22. Financial Risk Factors

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

Foreign currency risk

Cash Flow Exposure

We expect many of the subsidiaries of our business to have future cash flows that will be denominated in currencies other than USD. Our primary cash flow exposures are revenues and expenses. Changes in the exchange rates between USD and the 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.

Transaction Exposure and Economic Hedging

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

Interest rate risk

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

Credit risk

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

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

Liquidity risk

We believe that the Group has sufficient liquidity to meet projected working capital requirements and manage reasonable variability in 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.

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Year Ended December 31, 2019

23. Leases

We are a lessee for numerous operating leases, primarily related to real estate, transportation and equipment. The terms and conditions for these leases vary by the type of underlying asset. The vast majority of our operating leases have term ranging between one and fifteen years, some of which include options to extend the leases, and some of which include options to terminate the leases. We include the renewal or termination options in the lease terms, when it is reasonably certain that we will exercise that option. We also lease certain real estate and equipment under finance leases. Our lease contracts generally do not provide any guaranteed residual values.

The accounting for some of our leases may require significant judgment, which includes determining whether a contract contains a lease, determining the incremental borrowing rates to utilize in our net present value calculation of lease payments for lease agreements which do not provide an implicit rate, and assessing the likelihood of renewal or termination options.

The following tables illustrate the financial impact of our leases as of and for the twelve months ended December 31, 2019, along with other supplemental information about our existing leases (\$ in thousands, except years and percentages):

	Year ended December 31, 2019
Components of lease expenses:	
Finance lease cost:	
Amortisation of right of use assets	2,243
Interest incurred on lease liabilities	2,478
Operating lease costs	24,915
Short term lease costs	66,450
Total lease costs	96,086

For the year ended December 31, 2018 the total operating lease rentals recognized as an expense was \$5.8 million for the Predecessor Period and \$75.8 million for the Successor Period.

	Year ended December 31, 2019
Other supplementary information (\$ in thousands, except years):	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	24,095
Weighted average remaining lease term:	
Operating leases	8.7
Finance leases	11.9
Weighted average discount rate for operating leases	10.3%
Weighted average discount rate for finance leases	13.5%

The operating cash flows for finance leases approximates the interest expense for the year.

As of December 31, 2019, maturity of our lease liabilities are as follows (\$ in thousands):

	Operating Leases	Finance Leases
Years ending December 31,		
2020	24,142	4,052
2021	19,249	3,567
2022	12,956	3,583
2023	10,342	3,195
2024	9,154	3,077
Due after 5 years	56,587	23,080
	132,430	40,554
Less: Amounts representing interest	(48,618)	(19,902)
Total	83,812	20,652
Short-term portion	16,983	1,608
Long-term portion	66,829	19,044

As of December 31, 2018, future total rentals on our non-cancellable operating leases were \$117.0 million in the aggregate, which consisted of the following: \$35.5 million in 2019; \$23.2 million in 2020; \$12.8 million in 2021; \$8.3 million in 2022; \$6.2 million in 2023; and \$31.0 million thereafter.

Expro Group Holdings International Limited
Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

24. Commitments and Contingencies

Commercial Commitments

During the normal course of business, we enter into commercial commitments in the form of letters of credit and bank guarantees to provide financial and performance assurance to third parties. Also, refer to note 17 for details of capital commitments as of December 31, 2019.

Litigation

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

Expro Group Holdings International Limited
Notes to the Consolidated Financial Statements
Year Ended December 31, 2019

25. Post-Retirement Benefits

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

Defined Contribution Plans

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

Expenses recognized in respect of these plans were \$8.7 million for the year ended December 31, 2019 and \$8.9 million from February 01, 2018 through December 31, 2018. Expenses recognized in respect of these plans were \$0.8 million for the Predecessor Period.

Defined Benefit Plans

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

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

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

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

Expro Group Holdings International Limited

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

25. Post-Retirement Benefits (continued)

Key assumptions

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

	December 31,	
	2019	2018
	%	%
Discount rate	2.0	2.8
Expected return on scheme assets	3.4	3.9
Expected rate of salary increases	0.1	0.1
Allowance for pension payment increases	2.6	2.9

The mortality assumptions adopted imply the following remaining life expectancies upon reaching the retirement age as per the plan:

Remaining years	December 31,	
	2019	2018
Males currently aged 45	22	22
Females currently aged 45	24	24
Males currently aged 65	21	21
Females currently aged 65	23	23

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

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

Expro Group Holdings International Limited
Notes to the Consolidated Financial Statements
Year Ended December 31, 2019

25. Post-Retirement Benefits (continued)

Net periodic benefit cost

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

	Successor		Predecessor
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
Current service cost	(1,218)	(1,072)	(93)
Interest cost	(6,083)	(5,607)	(510)
Expected return on scheme assets	6,425	6,662	625
Plan amendment events recognized in statement of operations	47	(40)	-
Reclassified net rereasurement gains (losses)	-	-	(214)
Statement of operations	(829)	(57)	(192)
Remeasurement (losses) gains	(3,521)	6,743	30
Reclassified net rereasurement (gains) losses	-	-	214
Other comprehensive (loss) income	(3,521)	6,743	244
Total comprehensive (loss) income	(4,350)	6,686	52

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

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

	Successor		Predecessor
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
Remeasurement gain (loss) on assets	18,801	(10,680)	(4,316)
Remeasurement (loss) gain on liabilities	(22,322)	17,423	4,346
Remeasurement (loss) gain on defined benefit schemes	(3,521)	6,743	30

The amount of employer contributions expected to be paid to our defined benefit schemes during the years to December 31, 2029 is set out below: (\$ thousands).

Year to December 31:	
2020	4,278
2021	4,396
2022	4,509
2023	4,653
2024	4,748
5 years to December 31, 2029	22,489

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Year Ended December 31, 2019

25. Post-Retirement Benefits (continued)

Statement of financial position

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

	December 31,	
	2019	2018
Present value of defined benefit obligations	(254,271)	(223,910)
Fair value of scheme assets	194,554	166,663
Deficit recognized under non-current liabilities	(59,717)	(57,247)

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

	December 31,	
	2019	2018
Opening balance	(223,910)	(270,612)
Current service cost	(1,218)	(1,072)
Interest cost	(6,083)	(5,607)
Contributions from scheme members	(103)	(114)
Remeasurement gains (losses)	(22,322)	17,423
Plan amendments	47	(40)
Exchange differences	(8,620)	26,326
Benefits paid	7,913	9,768
Payroll tax of employer contributions	25	18
At December 31	(254,271)	(223,910)

The accumulated benefit obligation was \$253.4 million at December 31, 2019 and \$222.9 million at December 31, 2018.

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

	December 31,	
	2019	2018
Opening Balance	166,663	196,586
Actual return on scheme assets	25,226	(4,018)
Exchange differences	6,518	(18,977)
Contributions from the sponsoring companies	3,982	2,746
Contributions from scheme members	103	112
Benefits paid	(7,913)	(9,768)
Payroll tax of employer contributions	(25)	(18)
At December 31	194,554	166,663

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

	Year Ended December 31, (Successor)	
	2019	2018
Expected return on scheme assets	6,425	6,662
Remeasurement gain (loss) on scheme assets	18,801	(10,680)
Actual return on scheme assets	25,226	(4,018)

Expro Group Holdings International Limited
Notes to the Consolidated Financial Statements
Year Ended December 31, 2019

25. Post-Retirement Benefits (continued)

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

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

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

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

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

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

	December 31, 2019		December 31, 2018	
	Expected rate of return %	Fair value of asset	Expected rate of return %	Fair value of asset
Mutual funds				
Equity funds	4.8	110,725	5.3	95,048
Liability driven investment funds	1.3	46,971	1.8	43,093
Bond funds	2.0	21,495	2.7	11,658
Property funds	-	-	4.3	3,408
Equities	2.3	230	2.3	199
Other assets	2.0	15,133	1.9	13,257
Total		194,554		166,663

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Year Ended December 31, 2019

25. Post-Retirement Benefits (continued)

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

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
Mutual funds				
Equity funds	110,725	-	-	110,725
Liability driven investment funds	46,971	-	-	46,971
Bond funds	21,495	-	-	21,495
Property funds	-	-	-	-
Equities	230	-	-	230
Other assets	-	347	14,786	15,133
Total	179,421	347	14,786	194,554

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

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

Movements in fair value of Level 3 assets were as follows: (\$ in thousands)

	December 31,	
	2019	2018
Opening Balance	12,928	14,214
Actual return on scheme assets	2,362	(84)
Exchange differences	(266)	(932)
Contributions from the sponsoring companies	405	333
Contributions from scheme members	103	112
Benefits paid	(746)	(715)
At December 31	14,786	12,928

Expro Group Holdings International Limited
Notes to the Consolidated Financial Statements
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26. Stockholders' Equity

The following table summarizes total shares of common stock outstanding:

	December 31, 2019		December 31, 2018	
	Allotted, called up and fully paid number	Allotted, called up and fully paid \$'000	Allotted, called up and fully paid number	Allotted, called up and fully paid \$'000
Ordinary shares of \$1 each, 1 vote per share	58,489,895	585	58,489,895	585

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

As at December 31, 2019 outstanding warrants represents 1,284,978 A Warrants and 4,497,414 B Warrants, each of which entitles its holders up to 2% and 7% respectively, in the re-organized Group and are exercisable at a strike price of \$30.40 per share on the occurrence of certain specified events involving EGHIL. These warrants expire if not exercised within 5 years of the Effective Date.

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27. Management Incentive Plan

Stock Based Compensation Plans

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

Stock Options

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

The fair value of the stock options granted to non-executive directors was estimated at the grant date using the Black-Scholes model and for those awarded to the management was estimated using a Monte-Carlo Option valuation model. The grant-date fair value of the Company's shares is a key input in determination of the fair value of the awards.

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

	December 31,	
	2019	2018
Risk free interest rate	1.74% - 2.21%	3.0%
Expected volatility *	40.0%	40.0%
Dividend yield	0.0%	0.0%
Expected term in years	8.3	9.3
Weighted average fair value per share	\$20.72	\$20.69
Weighted average fair value of the options – directors	-	\$11.1
Weighted average fair value of the options – management	\$6.8	\$8.1

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

The following table presents the options activity during the period ended December 31, 2019 and 2018.

	December 31, 2019	
	Number of options	Weighted average Exercise price
Outstanding at the beginning of the period	5,790,152	\$20.69
Granted during the period	972,245	\$21.50
Exercise during the period	-	-
Forfeited during the period	(410,917)	\$20.69
Outstanding as of December 31, 2019	6,351,480	\$20.81

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

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

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27. Management Incentive Plan (continued)

Restricted Stock Units

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

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

	December 31,	
	2019	2018
Risk free interest rate	1.74% - 2.21%	3.0%
Expected volatility*	40.0%	40.0%
Dividend yield	0.0%	0.0%
Expected term in years	5.3	6.3
Weighted average fair value of the RSUs	\$20.69	\$20.69

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

The following table presents the RSUs activity during the period ended December 31, 2019 and 2018.

	December 31,	
	2019	2018
Outstanding at the beginning of the period	100,552	-
Granted	16,715	100,552
Vested	-	-
Exercised	-	-
Forfeited during the period	(6,193)	
Outstanding balance as at December 31	111,074	100,552

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

As of December 31, 2019, the total compensation cost related to non-vested awards not yet recognized is \$53.9 million (December 31, 2018: \$50.4 million) which is expected to be recognized in the period when the occurrence of a Liquidity Event, as defined in the plan rules is deemed probable.

Further, during the current year, the Board finalized another plan which allowed participating employees to become eligible for a cash bonus, subject to certain financial hurdles being met, following a Liquidity Event. Due to the nature of the eligibility conditions, recognition of compensation cost for the plan has been deferred until the occurrence of a Liquidity Event, as defined in the plan rules.

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28. Accumulated other comprehensive (Loss) Income

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

	December 31,	
	2019	2018
Defined benefit pension	(3,521)	6,695
Total accumulated other comprehensive (loss) income	(3,521)	6,695

29. Earnings (Loss) Per Share

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

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

	Successor	Predecessor	
	December 31, 2019	Period February 01, 2018 through December 31, 2018	Period January 01, 2018 through January 31, 2018
Net (loss) income	(64,761)	(31,078)	542,937
Basic and diluted weighted average number of shares outstanding	58,489,895	58,489,895	333,282,666
Total basic and diluted (loss) earnings per share (\$)	(1.11)	(0.53)	1.63

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30. Related Party Disclosures

Transactions with CETS and PVD-Expro

At December 31, 2019 and 2018, we held a 50% stake in a joint venture, COSL - Expro Testing Services (Tianjin) Co. Ltd (“CETS”) and a 49% stake in a joint venture, PV Drilling Expro International Company Limited (“PVD-Expro”).

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

Trading transactions

		Goods and services provided to related party	Amounts owed by Related Party
CETS	Joint venture	11,691	8,973
December 31, 2019		11,691	8,973
CETS	Joint venture	3,294	407
PVD-Expro	Joint venture	-	928
Successor Period		3,294	1,335
		Goods and services provided to related party	Amounts owed by Related Party
CETS	Joint venture	97	2,603
PVD-Expro	Joint venture	-	1,031
Predecessor Period		97	3,634

Other transactions

		Dividends received from joint venture
CETS	Joint venture	3,128
December 31, 2019		3,128
CETS	Joint venture	773
Successor Period		773

31. Correction of a misstatement in previously issued financial statements

During the current year, as per the requirements of ASC 740 *Income Taxes*, we determined that the historical consolidated financial statements for the year ended December 31, 2018 should have reflected Deferred tax assets and Deferred tax liabilities on a net basis for each relevant jurisdiction and have restated certain financial information for the year ended December 31, 2018 to correct this. The information in the following table shows the effect of the restatement on each affected financial statement line item (\$ in thousands):

	December 31, 2018 As reported	Adjustments	December 31, 2018 Restated
Deferred Tax assets	17,128	(17,128)	-
Deferred Tax liabilities	(79,685)	17,128	(62,557)

The change does not have effect on Statement of Operations, Comprehensive Income (Loss) or Retained Earnings of the Group.

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32. Subsequent Events

We have evaluated subsequent events as of the date the consolidated financial statements were available for issuance and noted that there were no events between the reporting date and the date the financial statements were authorized for issue that require disclosure.