Building a better working world

Report of Independent Auditors

The Directors
Third Floor
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Reading
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We have audited the accompanying consolidated financial statements of Expro Holdings UK2 Limited and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of comprehensive income (loss), statements of stockholders' equity and cash flows for the period from February 1, 2018 through December 31, 2018 (Successor), and for the period from January 1, 2018 through January 31, 2018 (Predecessor), and the related notes to the consolidated financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Holdings UK2 Limited and subsidiaries at December 31, 2018, and the consolidated results of their operations and their cash flows for the period from February 1, 2018 through December 31, 2018 (Successor), and for the period from January 1, 2018 through January 31, 2018 (Predecessor) in conformity with U.S. generally accepted accounting principles.

Company Reorganization

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

Ernst & Young LLP
Reading
20March 2019

Expro Holdings UK 2 Limited
Consolidated Statements of Operations
(U.S. $ in thousands)

	Predecessor	Successor
	Period January 01, 2018 through January 31, 2018	**Period February 01, 2018 through December 31, 2018**
Total revenue	**51,686**	**686,951**
Operating costs and expenses:		
Cost of sales	(52,611)	(677,121)
Selling, general and administrative	(3,297)	(38,326)
Restructuring	(700)	(6,527)
Total operating costs and expenses	(56,608)	(721,974)
Operating loss	**(4,922)**	**(35,023)**
Reorganization items, net	563,883	-
Finance (expense) income, net	(14,954)	6,332
Income (loss) before taxes and equity income of joint ventures	**544,007**	**(28,691)**
Equity share of income from joint ventures	387	4,811
Income tax expense	(1,457)	(7,198)
Net income (loss)	**542,937**	**(31,078)**

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

Expro Holdings UK 2 Limited
Consolidated Statement of Comprehensive Income (Loss)
(U.S. $ in thousands)

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

Expro Holdings UK 2 Limited
Consolidated Balance Sheet
(U.S. $ in thousands)

	Successor
	December 31, 2018
Assets	
Current assets	
Cash and cash equivalents	193,019
Restricted cash	2,303
Accounts receivable, net and unbilled	218,208
Inventories, net	52,128
Tax receivables	26,547
Other current assets	70,834
Total current assets	**563,039**
Non-current assets	
Property, plant and equipment, net	289,518
Investment in joint ventures	34,277
Intangible assets, net	293,240
Goodwill	204,099
Deferred tax assets	17,128
Other non-current assets	3,905
Total non-current assets	**842,167**
Total assets	**1,405,206**
Liabilities and stockholders’ equity	
Current liabilities	
Accounts payable and accrued liabilities	147,531
Tax liabilities	19,128
Capital lease obligations	1,357
Other current liabilities	51,846
Total current liabilities	**219,862**
Non-current liabilities	
Capital lease obligations	19,424
Tax liabilities	36,819
Deferred tax liabilities	79,685
Post-retirement benefits	57,247
Other non-current liabilities	7,527
Total non-current liabilities	**200,702**
Total liabilities	**420,564**
Stockholders’ equity:	
Common stock	-
Additional paid-in capital	1,009,025
Accumulated other comprehensive income	6,695
Accumulated deficit	(31,078)
Total stockholders’ equity	**984,642**
Total liabilities and stockholders’ equity	**1,405,206**

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

Expro Holdings UK 2 Limited
Consolidated Statements of Cash Flows
(U.S. $ in thousands)

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

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

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

	Common Stock	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 of tax					
Net income	-	-	-	542,937	542,937
Other comprehensive income:					
Remeasurement gain on defined benefit pension, net of tax	-	-	244	-	244
Cancellation of Predecessor equity	(333,283)	(4,939,986)	119,868	5,442,611	289,210
Balance at January 31, 2018 (Predecessor)	**-**	**-**	**-**	**-**	**-**

	Common Stock	Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total Stockholder's equity
Balance at February 1, 2018 (Successor)	**-**	**-**	**-**	**-**	**-**
Shares issued	-	1,000,000	-	-	1,000,000
Capital contribution by parent company	-	9,025	-	-	9,025
Comprehensive loss, net of tax					
Net loss	-	-	-	(31,078)	(31,078)
Other comprehensive income:					
Remeasurement gain on defined benefit pension, net of tax	-	-	6,695	-	6,695
Balance at December 31, 2018 (Successor)	**-**	**1,009,025**	**6,695**	**(31,078)**	**984,642**

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

1. Business Description

Expro Holdings UK 2 Limited (the "Company") and our consolidated subsidiaries ("We" or the "Group"), provide services and products that measure, improve, control and process flow from high value oil and gas wells, from exploration and appraisal through to mature field production optimization and enhancement.

Expro Holdings UK 2 Limited is a limited company incorporated in Great Britain with its registered office situated in England and Wales.

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

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

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

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

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

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

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

3. Fresh Start Accounting

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

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

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

Reorganization value for fresh start accounting

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

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

Key assumptions

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

3. Fresh Start Accounting (continued)

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

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

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

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

Consolidated Balance Sheet

The following consolidated balance sheet is of the Group as of January 31, 2018 and represents the financial position of Expro Holdings UK 2 Limited and its consolidated subsidiaries. This consolidated balance sheet includes adjustments that reflect the consummation of the transactions contemplated by the Plan (reflected in the column "Reorganization Adjustments") as well as fair value adjustments as a result of the adoption of fresh start accounting (reflected in the column "Fresh Start Adjustments") as of the Convenience Date:

As at January 31, 2018

	Predecessor	Total reorganisation adjustments		Fresh start adjustments		Successor
Assets						
Current assets						
Cash and cash equivalents	99,053	121,137	(a)	-		220,190
Restricted cash	2,269	10,951	(a)	-		13,220
Accounts receivable (net) and unbilled	206,155	-		-		206,155
Inventories	46,268	-		-		46,268
Tax receivables	28,245	-		-		28,245
Other current assets	53,170	(19,784)	(b)	-		33,386
Total current assets	**435,160**	**112,304**		**-**		**547,464**
Non-current assets						
Property plant and equipment	313,985	-		-		313,985
Investment in joint ventures	30,378	-		-		30,378
Intangible assets	63,458	-		260,853	(f)	324,311
Goodwill	117,896	-		86,203	(f)	204,099
Deferred tax assets	11,247	-		5,743	(f)	16,990
Other non-current assets	4,703	-		-		4,703
Total non-current assets	**541,667**	**-**		**352,799**		**894,466**
Total assets	**976,827**	**112,304**		**352,799**		**1,441,930**

3. Fresh Start Accounting (continued)

	As at January 31, 2018					
	Predecessor	Total reorganisation adjustments		Fresh start adjustments		Successor
Liabilities and Shareholders' Equity						
Current liabilities						
Accounts payable and accrued liabilities	101,053	22,671	(b)	-		123,724
Tax liabilities	24,439	-		-		24,439
Capital lease obligations	1,007	-		-		1,007
Other current liabilities	55,929	-		-		55,929
Total current liabilities	**182,428**	**22,671**		**-**		**205,099**
Non-current liabilities						
Liabilities subject to compromise	1,418,138	(1,418,138)	(b)	-		-
Debtor in possession facility	65,137	(65,137)	(a)	-		-
Capital lease obligations	21,812	-		-		21,812
Tax liabilities	35,291	-		-		35,291
Deferred tax liabilities	25,620	-		63,589	(f)	89,209
Post-retirement benefits	74,026	-		-		74,026
Other non-current liabilities	7,468	-		-		7,468
Total non-current liabilities	**1,647,492**	**(1,483,275)**		**63,589**		**227,806**
Total liabilities	**1,829,920**	**(1,460,604)**		**63,589**		**432,905**
Stockholders' equity:						
Common stock - Predecessor	333,283	(333,283)	(d)	-		-
Common stock - Successor	-	-	(c)	-		-
Additional paid-in capital - Predecessor	4,939,986	(4,939,986)	(d)	-		-
Additional paid-in capital - Successor	-	1,000,000	(c)	-		1,000,000
Capital contribution	-	9,025	(c)	-		9,025
Accumulated other comprehensive loss	(119,868)	119,868	(d)	-		-
Accumulated earnings (deficit)	(6,006,494)	5,717,284	(e)	289,210	(g)	-
Total stockholders' equity (deficit)	**(853,093)**	**1,572,908**		**289,210**		**1,009,025**
Total liabilities and stockholders' equity (deficit)	**976,827**	**112,304**		**352,799**		**1,441,930**

Reorganization adjustments

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

Additional paid-in Capital	200,000
Capital contribution by parent company	5,725
Repayment of Debtor In Possession facility (including accrued interest)	(65,137)
Payment of transaction costs	(8,500)
Payment to Escrow for professional fees related to the Plan	(10,951)
Total	**121,137**

3. Fresh Start Accounting (continued)

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

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

(c) Adjustments represents the subscription for an additional one ordinary share of $1 in the Company for a total consideration of $1,000m, by the Company's parent company. Further, the Company received a capital contribution of $9.0m from EGHIL.

(d) Adjustments represents (i) cancellation of Predecessor stock issued and outstanding as of the Effective Date as per requirements of ASC 852 to reset equity to Nil on Emergence (ii) cancellation of Predecessor Additional Paid-in Capital outstanding as of the Effective Date (iii) transfer of Accumulated other comprehensive loss to Accumulated deficit, so as to reset the same to Nil on fresh start accounting.

(e) The adjustment reflects cumulative impact of the following reorganization adjustments:

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

3. Fresh Start Accounting (continued)

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

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

4. Basis of Preparation and Accounting Policies

Basis of Preparation

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

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

Basis of Consolidation

Our consolidated financial statements include the accounts of Expro Holdings UK 2 Limited and our subsidiaries. We have eliminated all intragroup balances and transactions, including unrealized profits arising from them.

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

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

Use of Estimates

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

Revenue Recognition

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

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

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

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

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

Taxes Collected from Customers and Remitted to Governmental Authorities
We do not include tax amounts collected from customers in sales transactions as a component of revenue.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

Goodwill

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

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

Other Intangible Assets

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

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

Accounts Payable

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

Fair Value Measurement

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

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

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

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

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

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

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

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

Leases

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

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

Pensions and Other Post-Retirement Benefits

Defined Benefit Plans

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

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

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

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

Defined Contribution Plans

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

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

Management Incentive Plans

Our Parent Company have established 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. We account for our stock-based compensation awards in accordance with ASC Topic 718, *Compensation—Stock Compensation* ("ASC 718") which requires all stock-based payments to employees, including grants of employee stock options and restricted stock and modifications to existing stock awards, to be recognized in the statements of operations and comprehensive loss based on their fair values calculated on the grant date. We do not estimate expected forfeitures, but recognise them as they occur.

Segment Reporting

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

Related Parties

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

Restructuring and Exit Activities

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

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.

New Accounting Pronouncements

Accounting guidance not yet adopted

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

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

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

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

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

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

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

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

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

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

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

5. Segment Information

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

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

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

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

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

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

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

5. Segment Information (continued)

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

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

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

	December 31, 2018
Europe and the Commonwealth of Independent States	105,554
Sub Saharan Africa	113,553
Asia	182,611
Middle East and North Africa	410,918
North and Latin America	219,708
Total assets by geographical region	**1,032,344**
Assets held centrally (6) (7)	372,862
Total Assets	**1,405,206**

[1] Trading EBITDA is calculated as net income before taxes, interest expense, restructuring, other operating expense, depreciation and amortization, reorganization items, equity share of income from joint ventures and corporate, product line management and other general and administrative costs.
[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, such as engineering, logistics, supply chain, sales and marketing and health and safety.
[4] Adjusted EBITDA is calculated as Trading EBITDA after corporate, product line management and other administrative costs and the equity share of income from joint ventures.
[5] Depreciation and amortization presented here excludes amortization of capitalized borrowing costs for the Predecessor Period, which are reported within the interest expense.
[6] Refer to Note 8 for a description and the amount of investment in joint ventures.
[7] Assets held centrally primarily include corporate accounts receivables, property plant and equipment under construction, investment in joint ventures, collateral deposits, tax related balances, corporate cash and cash equivalent and other current and non-current assets, which are not included in the measure of segment assets reviewed by CODM.

6. Revenue

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

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

7. Restructuring

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

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

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

8. Investment in Joint Ventures

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

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

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

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

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

CETS

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

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

8. Investment in Joint Ventures (continued)

Summarized statement of profit or loss of CETS

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

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

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

PVD-Expro

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

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

8. Investment in Joint Ventures (continued)

Summarized statement of profit or loss of PVD-Expro

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

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

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

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

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

9. Finance (expense) income

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

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

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

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

10. Income Taxes

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

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

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

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

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

	Predecessor	**Successor**
	Period January 01, 2018 through January 31, 2018	**Period February 01, 2018 through December 31, 2018**
Statutory income tax at 19%	103,361	(5,451)
Permanent differences	(642)	6,656
Non-taxable accounting gain on debt transaction	(107,138)	-
Thin capitalisation adjustments on interest expenses	-	7,669
Non-UK income taxed at different rates	932	1,799
Net tax charge related to attributes with full valuation allowance	4,546	(1,351)
Exempt dividends from joint venture	-	(96)
Prior year adjustments	13	(3,742)
Withholding taxes	46	1,075
Foreign exchange movements on tax balances	339	639
Income tax expense	**1,457**	**7,198**
Effective tax rate on continuing operations	0.3%	(25.1%)

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

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

10. Income Taxes (continued)

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

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

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

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

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

10 Income Taxes (continued)

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

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

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

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

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

11. Restricted Cash

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

	December 31, 2018
Cash held for contractual commitments and escrow account	2,303
Total	**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. Cash held for these types of contractual commitments was $2.0 million at December 31, 2018.

12. Accounts Receivable, Net and Unbilled

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

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

13. Inventories, Net

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

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

14. Other Assets and Other Liabilities

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

	December 31, 2018
Prepayments	22,284
VAT receivable	17,708
Other receivables	2,432
Collateral deposits	32,315
Total	**74,739**
Other current assets	70,834
Other non-current assets	3,905
Total	**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, 2018: (U.S. $ in thousands).

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

15. Accounts Payable and Accrued Liabilities

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

	December 31, 2018
Accounts payable	64,042
Accrued liabilities	83,489
Total	**147,531**

16. Property, Plant and Equipment

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

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

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

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

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

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

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

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

17. Intangible Assets

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

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

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

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

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

Fiscal years:	
2019	33.4
2020	32.2
2021	32.2
2022	32.2
2023	32.2
Thereafter	131.0
Total	**293.2**

18. Goodwill

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

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

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

	December 31, 2018
Sub-Saharan Africa	11,637
Asia	42,253
Middle East North Africa	120,623
North and Latin America	29,586
Total	**204,099**

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

19. Interest Bearing Loans

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

20. Fair Value Measurements

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

Fair value of Financial Instruments

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

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

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

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

21. Financial Risk Factors

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

Foreign currency risk

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

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

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

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

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

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

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

22. Commitments and Contingencies

Leases

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

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

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

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

Capital Leases

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

Commercial Commitments

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

Litigation

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

23. Post-Retirement Benefits

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

Defined Contribution Plans

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

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

Defined Benefit Plans

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

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

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

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

23. Post-Retirement Benefits (continued)

Key assumptions

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

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

The mortality assumptions adopted imply the following remaining life expectancies:

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

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

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

23. Post-Retirement Benefits (continued)

Net periodic benefit cost

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

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

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

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

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

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

23. Post-Retirement Benefits (continued)

Statement of financial position

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

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

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

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

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

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

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

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

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

23. Post-Retirement Benefits (continued)

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

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

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

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

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

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

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

23. Post-Retirement Benefits (continued)

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

	December 31, 2018			
	Level 1	Level 2	Level 3	**Total**
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**

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

24. Stockholders' Equity

The following table summarizes total shares of common stock outstanding:

	Successor	
	December 31, 2018	
	Allotted, called up and fully paid number	**Allotted, called up and fully paid value $'000**
Ordinary shares of $1.00 each, 1 vote per share	1	-

Upon Emergence, EGHIL subscribed for one ordinary share of $1 in the Company for a total consideration of $1,000m. The outstanding number of share represent the shares issued post Emergence, as Equity is reset to Nil as part of fresh start accounting.

25. Management Incentive Plan

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

Stock Options
Our Parent Company'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 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 management was estimated using a Monte-Carlo Option valuation model. The grant-date fair value of the Company's shares is a key input in determination of the fair value of the awards. We estimated this to be $20.69 per share, based on a valuation performed near the grant date.

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

	December 31, 2018
Risk free interest rate	3.0%
Expected volatility *	40.0%
Dividend yield	0.0%
Expected term in years	9.3
Weighted average fair value of the options	$8.1

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

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

	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.

25. Management Incentive Plan (continued)

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.

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

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

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

	December 31, 2018
Granted	100,552
Vested	-
Exercised	-
Outstanding balance as at December 31, 2018	**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, 2018, the total compensation cost related to non-vested awards not yet recognized is $50.4m which is expected to be recognized in the period when the occurrence of a Liquidity Event, as defined in the plan rules is deemed probable.

26. Accumulated other comprehensive Income

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

	December 31, 2018
Defined benefit pension	6,695
Total accumulated other comprehensive income	**6,695**

27. Related Party Disclosures

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

Trading transactions

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

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

Transactions with CETS and PVD-Expro

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

Financing and investing transactions

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

		Dividends received from joint venture
CETS	Joint venture	773
Successor Period		**773**

28. Subsequent Events

We have evaluated subsequent events through March 20, 2019, the date the consolidated financial statements were available for issuance and noted that there were no events between the reporting date and the date the financial statements were authorized for issue that require disclosure.