Company number: 06492082

# EXPRO HOLDINGS UK 3 LIMITED

Unaudited Condensed Consolidated
Financial Statements

Quarterly Report
Nine months to 31 December 2009

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# Financial highlights

| | 9 months to 31 December 2009 $'000 | Aggregated [1] 9 months to 31 December 2008 $'000 | Change |
|---|---|---|---|
| Revenue | 775,757 | 972,479 | (20.2%) |
| Revenue on a constant currency basis[2] | 775,757 | 926,622 | (16.3%) |
| Adjusted operating profit[3] | 241,500 | 283,490 | (14.8%) |
| Adjusted operating margin | 31.1% | 29.2% | +1.9 pts |
| Operating profit | 62,785 | 125,758 | (50.1%) |
| Operating margin | 8.1% | 12.9% | -4.8 pts |
| Adjusted free cash flow [4] | 242,968 | 163,554 | 48.6.% |
| Adjusted free cash flow as a percentage of revenue | 31.3% | 16.8% | +14.5 pts |
| Cash flow generated by operations | 221,900 | 212,632 | 4.4% |

| | 31 December 2009 $'000 | 31 March 2009 $'000 | Change |
|---|---|---|---|
| Cash | 180,749 | 163,293 | +$17.5m |
| Net debt [4] | 1,991,036 | 1,950,398 | +$40.6m |

| | 3 months to 31 December 2009 $'000 | 3 months to 30 September 2009 $'000 | Change |
|---|---|---|---|
| Revenue | 255,754 | 255,229 | 0.2% |
| Revenue on a constant currency basis[2] | 255,754 | 260,225 | (1.7%) |
| Adjusted operating profit[3] | 73,465 | 74,738 | (1.7%) |
| Adjusted operating margin | 28.7% | 29.3% | -0.6 pts |

| | 3 months to 31 December 2009 $'000 | 3 months to 31 December 2008 $'000 | Change |
|---|---|---|---|
| Revenue | 255,754 | 313,759 | -18.5% |
| Revenue on a constant currency basis[2] | 255,754 | 320,643 | -20.2% |
| Adjusted operating profit[3] | 73,465 | 101,991 | -28.0% |
| Adjusted operating margin | 28.7% | 32.5% | -3.8 pts |

[1] Aggregated historical financial information has been prepared for the nine months period ended 31 December 2008 because Expro Holdings UK 3 Limited did not exercise control over Expro International Group PLC until 1 July 2008 and hence did not consolidate its results for the period 1 April 2008 to 30 June 2008. The basis of this preparation is described at the end of this report.

[2] Results for the prior period have been restated on a constant currency basis by converting each underlying transaction that arose in the period and applying the average monthly foreign exchange rate that prevailed in each month of the current period.

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

[4] "Adjusted free cash flow" and "net debt" are defined within the business review.

# Business review

**Introduction**
This report represents the first set of quarterly results for Expro Holdings UK 3 Limited and its subsidiaries (the "Group") following the successful issue of $1.4bn of senior secured notes in December 2009.

**Financial and operating results**
The business review in the quarterly report to 31 December 2009 presents financial and operating results for the following periods:

- Three months to 31 December 2009 compared to three months to 30 September 2009;
- Three months to 31 December 2009 compared to three months to 31 December 2008; and
- Nine months to 31 December 2009 compared to aggregated nine months to 31 December 2008.

**Key points arising**
We would like to highlight the following points in this report:

*Use of adjusted measures*
Adjusted operating profit is defined as operating profit excluding depreciation and amortisation and other similar non-cash items together with other items that either distort the underlying trends of the business or are not considered by management to be part of the core operations of the Group. In summary, the exclusion of non-cash charges such as depreciation and amortisation means that this measure is similar to EBITDA. The additional adjustments, being mainly investments in our AX-S and Meters businesses, have been excluded because these businesses are in their development phase and have been separately funded by our shareholders. Full details are set out in note 3.

*Aggregated financials*
Expro Holdings UK 3 Limited was formed in February 2008 by the acquirers of Expro International Group PLC ("EIG PLC") and its results incorporate the results of EIG PLC from 1 July 2008. In order to compare the nine months to 31 December 2009 with the nine months to 31 December 2008, an aggregation of financial information has been prepared which incorporates the results for the period 1 April 2008 to 30 June 2008. Full details are set out in the end of this report.

*Exceptional items arising from the refinancing*
Following the issue of the fixed rate notes and the settlement of the variable rate senior bank loans the Group's cash flow interest rate risk became over-hedged and its interest rate swaps became ineffective under the terms of IAS 39 – *Financial Instruments: Recognition and Measurement*. Hedge accounting ceased and the portion of the hedging reserve that related to the senior loans was transferred to the income statement, resulting in a charge of $73.3m. Deferred finance costs of $34.5m in respect of the senior loans, revolving credit facility and capex acquisition facility have also been expensed in the income statement. Full details are set out in note 5 and 11. With effect from 1 January 2010, the Group restructured its hedging arrangements and details of the new arrangements are set out in note 11.

# Business review

### Three months to 31 December 2009 compared to three months to 30 September 2009

| | 3 months to December 2009 $'000 | 3 months to September 2009 $'000 | Change % |
|---|---|---|---|
| Revenue | **255,754** | 255,229 | 0.2 |
| Revenue – constant currency[2] | **255,754** | 260,225 | (1.7) |
| Adjusted operating profit[3] | **73,465** | 74,738 | (1.7) |
| Adjusted operating margin | **28.7%** | 29.3% | -0.6 pts |

***Overall trading performance***

Revenues in the three months to December 2009 of $255.8m were up 0.2% compared to the second quarter and 1.7% lower on a constant currency basis. A stable oil price ensured a supportive level of underlying activity with variances principally relating to contract mix as set out in the segmental narrative below. Adjusted operating margins were 0.6 pts lower reflecting a slight change in the Group's activity mix.

***Segmental revenue***

| | 3 months to December 2009 $'000 | 3 months to September 2009 Constant currency[2] $'000 | Change Constant % |
|---|---|---|---|
| Regional businesses | | | |
| Europe CIS | **73,535** | 75,193 | (2.2) |
| South & West Africa | **59,342** | 64,050 | (7.4) |
| Middle East North Africa | **21,495** | 23,235 | (7.5) |
| Asia | **22,345** | 24,198 | (7.7) |
| North America Land | **12,357** | 11,261 | 9.7 |
| North America Offshore | **16,284** | 18,690 | (12.9) |
| Latin America | **19,404** | 18,023 | 7.7 |
| | | | |
| Global businesses | | | |
| Connectors & Measurements | **25,099** | 23,070 | 8.8 |
| Wireless Well Solutions | **1,173** | 872 | 34.5 |
| Equipment Sales | **4,254** | 1,437 | 196.0 |
| Expro Meters | **466** | 196 | 137.8 |
| | | | |
| **Revenue** | **255,754** | **260,225** | **(1.7)** |

***Regional Businesses***

*Europe CIS*

Revenues in the three months to December 2009 of $73.5m were 2.2% lower, with activity quarter on quarter relatively flat across the region due to reduced well testing activity in the UK. The reduction in UK activity was offset by a corresponding increase in the Netherlands, with higher activity with our four main customers being Shell, Total, TAQA, and Gdf.

*South and West Africa*

Revenues in the three months to December 2009 of $59.3m were 7.4% lower. While underlying activity levels across the region were maintained, revenues were lower due to phasing on the design and build of subsea landing strings for deployment in bp's Block 31 oil field in Angola. The current quarter included the sale of the Dibi Early Production Facility to Chevron in Nigeria, although the Group is still contracted to perform operational and maintenance services.

*Middle East North Africa*

Revenues in the three months to December 2009 of $21.5m were 7.5% lower, reflecting lower well test activity in Saudi Arabia, while activity in the land market across the remainder of the region remained constant. The end of a subsea campaign off the coast of Egypt with bp also contributed to the lower activity levels.

*Asia*

## Business review

Revenues in the three months to December 2009 of $22.3m were 7.7% lower, with the majority of the decrease coming from Australia, reflecting the end of the Santos contract, partially offset by increased subsea activity with BHP. Lower levels of activity in Malaysia were partially offset by increased activities for PVD in Vietnam and Vetco in Korea.

*North America Land*
Revenues in the three months to December 2009 of $12.4m were 9.7% higher, with the region benefiting from increased customer activity and an increased focus on the unconventional gas shale plays.

*North America Offshore*
Revenues in the three months to December 2009 of $16.3m were 12.9% lower, reflecting the down time associated with hurricane Ida and the phasing of activity by two of our key customers in the Gulf of Mexico ("GoM"). Outside of the GoM, the Group was awarded a six month contract by EnCana to provide surface well testing and landing string equipment services off the East coast of Canada.

*Latin America*
Revenues in the three months to December 2009 of $19.4m were 7.7% higher, as a result of continued activity with Petrobras, mainly on its pre-salt exploration fields, and increased levels of activity with various International Oil Companies ("IOC's") including work for Eni off the coast of Brazil.

***Global Businesses***

*Connectors and Measurements*
Revenues in the three months to December 2009 of $25.1m were 8.8% higher, reflecting the confirmation of customer specifications in the Connectors business and a return to full production in the Measurements business following the Norwegian holiday shutdown in the previous quarter.

*Other global businesses*
The Group's other global business revenues were all ahead on the previous quarter. Wireless Well Solutions revenues of $1.2m were 34.5% ahead, Equipment Sales revenues of $4.3m were ahead by $2.8m and Expro Meters revenues of $0.5m were up 137.8%, reflecting a general increase in activity.

**Three months to 31 December 2009 compared to three months to 31 December 2008**

| | 3 months to December 2009 $'000 | 3 months to December 2008 $'000 | Change % |
|---|---|---|---|
| Revenue | **255,754** | 313,759 | (18.5) |
| Revenue – constant currency[2] | **255,754** | 320,643 | (20.2) |
| Adjusted operating profit[3] | **73,465** | 101,991 | (28.0) |
| Adjusted operating margin | **28.7%** | 32.5% | -3.8 pts |

***Overall trading performance***

Revenues in the third quarter of $255.8m were 18.5% lower compared to the same period last year and 20.2% lower on a constant currency basis, with revenues lower across nearly all businesses. The decline in revenue reflected the onset of the global economic crisis and its impact on the demand for energy and the wholesale price for oil and gas. Despite the difficult conditions, the Group managed to maintain a relatively good adjusted operating margin of 28.7% through a targeted programme of cost reduction.

# Business review

***Segmental revenue***

| | 3 months to December 2009 $'000 | 3 months to December 2008 Constant currency[2] $'000 | Change Constant currency % |
|---|---|---|---|
| Regional businesses | | | |
| Europe CIS | **73,535** | 80,660 | (8.8) |
| South & West Africa | **59,342** | 74,085 | (19.9) |
| Middle East North Africa | **21,495** | 31,209 | (31.1) |
| Asia | **22,345** | 30,390 | (26.5) |
| North America Land | **12,357** | 31,013 | (60.2) |
| North America Offshore | **16,284** | 22,312 | (27.0) |
| Latin America | **19,404** | 23,308 | (16.7) |
| | | | |
| Global businesses | | | |
| Connectors & Measurements | **25,099** | 26,092 | (3.8) |
| Wireless Well Solutions | **1,173** | 1,004 | 16.8 |
| Equipment Sales | **4,254** | - | - |
| Expro Meters | **466** | 570 | (18.2) |
| | | | |
| **Revenue** | **255,754** | **320,643** | **(20.2)** |

*Europe CIS*
Revenues in the three months to December 2009 of $73.5m were 8.8% lower, reflecting lower activity in the UK, predominantly as a result of the falling oil price and the activity levels of independent oil companies. Increased well test activity with Statoil in Norway and across our customer base in the Netherlands partially offset the lower UK activity.

*South and West Africa*
Revenues in the three months to December 2009 of $59.3m were 19.9% lower, reflecting lower activity in Nigeria, Angola and the Remotes, driven by the lower commodity prices. These lower levels of activity were partially offset by increased activity from the phasing of the design and build of the subsea landing strings for deployment in bp's Block 31 oilfield and increased activity with Tullow in Ghana.

*Middle East North Africa*
Revenues in the three months to December 2009 of $21.5m were 31.1% lower compared to the same period last year. The majority of the reduction in revenues arose in Libya, with the completion of IOC campaigns and the Group's decision to exit a low margin manpower business.

*Asia*
Revenues in the three months to December 2009 of $22.3m were 26.5% lower, reflecting the conclusion of the high pressure – high temperature well test for bp in Tanggu in Indonesia and the end of the Santos contract in Australia.

*North America Land*
Revenues in the three months to December 2009 of $12.4m were 60.2% lower, as a result of the reduction in rig count associated with the low domestic gas prices witnessed in the current financial year. Following the recent restructuring and improved focus on the unconventional gas shale plays, the Group is well positioned to take advantage of the recent increase in rig activity.

*North America Offshore*
Revenues in the three months to December 2009 of $16.3m were 27.0% lower, due to lower activity by two of our key customers in the GoM and the downtime from Hurricane Ida. The six month contract with EnCana saw activity levels rise in Canada, partially mitigating the reduction in the GoM.

# Business review

*Latin America*
Revenues in the three months to December 2009 of $19.4m were down 16.7%, where revenues in Brazil increased due to increased activity with Petrobras and ENI, these were offset by lower levels of activity across our smaller operations in Venezuela, Argentina and Mexico.

***Global Businesses***

*Connectors and measurements*
Revenues in the three months to December 2009 of $25.1m were down 3.8%. The variance was largely due to phasing of projects within our Connectors business while core production levels remained broadly constant across each quarter.

*Other Global Businesses*
Wireless Well Solutions revenues of $1.2m were up $0.2m, whereas Expro Meters revenues of $0.5m were down $0.1m. Equipment Sales revenues of $4.3m reflected the restructuring which saw the product line results phased out of the regional businesses.

**Nine months to 31 December 2009 compared to nine months to 31 December 2008**

| | **9 months to December 2009 $'000** | **Aggregated[1] 9 months to December 2008 $'000** | **Change %** |
|---|---|---|---|
| Revenue | **775,757** | 972,479 | (20.2) |
| Revenue – constant currency[2] | **775,757** | 926,622 | (16.3) |
| Adjusted operating profit[3] | **241,500** | 283,490 | (14.8) |
| Adjusted operating margin | **31.1%** | 29.2% | +1.9 pts |

***Overall trading performance***

All revenue numbers for the nine months to December 2008, referred to below, relate to aggregated revenue for comparability[1].

Revenues were 20.2% lower or 16.3% on a constant currency basis. The Group's two land based businesses, being North America Land and Middle East North Africa ("MENA") contributed to over 55% of the decline in revenues on a constant currency basis. Several factors have driven these two market declines. In North America Land the twin effects of a drop in US demand from the third calendar quarter of 2008, driven by the collapse of confidence in the wake of the world financial crisis, and the increasing supply of gas from US shale plays has caused a significant reduction in the US rig count and drilling intensity, with a corresponding reduction in other well site services. In MENA, the impact of OPEC production quotas, aimed at supporting the oil price, had a significant effect on new development activity and also intervention activity, particularly in the Saudi land business.

Across the rest of the Group, crude oil in the nine months to December 2009 was around the $70 mark compared to $95 in the prior period, which resulted in lower levels of activity. Despite the difficult conditions, the Group managed to increase its adjusted operating margin by 1.9 pts to 31.1% through a targeted programme of cost reduction.

# Business review

### *Segmental revenue*

| | 9 months to December 2009 $'000 | Aggregated[1] 9 months to December 2008 Constant currency[2] $'000 | Change % |
|---|---|---|---|
| *Regional businesses* | | | |
| Europe CIS | **215,713** | 224,633 | (4.0) |
| South & West Africa | **185,782** | 209,996 | (11.5) |
| Middle East North Africa | **68,419** | 98,438 | (30.5) |
| Asia | **77,387** | 103,621 | (25.3) |
| North America Land | **38,991** | 92,813 | (58.0) |
| North America Offshore | **53,161** | 66,524 | (20.1) |
| Latin America | **54,711** | 55,219 | (0.9) |
| | | | |
| *Global businesses* | | | |
| Connectors & Measurements | **71,708** | 70,836 | 1.2 |
| Wireless Well Solutions | **3,058** | 3,732 | (18.1) |
| Equipment sales | **5,691** | - | - |
| Expro Meters | **1,136** | 810 | 40.2 |
| | | | |
| **Revenue** | **775,757** | **926,622** | **(16.3)** |

### *Regional businesses*

*Europe CIS*
Revenues of $215.7m in the nine months to December 2009 were 4.0% lower, primarily in the UK, as a result of lower activity levels with independent oil companies, who are more sensitive to fluctuations in the price of oil, offset by increased well test activity with Statoil and Shell in Norway where activity has not been affected and in the Netherlands, with Shell, Total, TAQA and Gdf.

*South and West Africa*
Revenues of $185.8m in the nine months to December 2009 were 11.5% lower reflecting reduced activity levels particularly in Angola and Nigeria as a result of the lower oil price, along with the completion of a campaign with Noble in Equatorial Guinea. The current period saw increased revenues from phasing on the design and build of the landing strings for deployment in bp's Block 31 oilfield and an increase in activity with Tullow in Ghana.

*Middle East North Africa*
Revenues of $68.4m in the nine months to December 2009 were 30.5% lower, primarily due to an increase in activity in Saudi Arabia from a burner boom upgrade programme in the prior year and the decision to exit the low margin manpower market in Libya.

*Asia*
Revenues of $77.4m in the nine months to December 2009 were 25.3% lower as a result of the end of the high pressure – high temperature well test with bp in Tanggu, Indonesia and the end of the Santos contract in Australia. The low oil price also affected the activity of independent oil companies in Australia. Revenue was also lower in China reflecting lower demand from customers, and reduced activity in Malaysia with Petronas and Talisman.

*North America Land*
Revenues of $39.0m in the nine months to December 2009 were 58.0% lower. In North America Land the twin effects of a drop in US demand and the increasing supply of gas from US shale plays has caused a significant reduction in the US rig count. The number of rigs nearly halved from an average of 1848 working in the period of April to December 2008, to 967 working in the same period of 2009. The effect was accentuated by the move of many operators into new geographic locations in pursuit of shale plays, which has seen heavy activity declines in more traditional land basins.

# Business review

*North America Offshore*

Revenues of $53.2m in the nine months to December 2009 were 20.1% lower, reflecting reduced activity by two of our key customers in the GoM. Overall drilling activity in the shallow water of the Gulf of Mexico was also significantly lower year on year (approximately 180 new wells versus more than 400 in the prior period). This has a broad negative impact on well completion and servicing activity, and especially on our call-out services. Activity levels increased in Canada following the award of a six month contract with EnCana.

*Latin America*

Revenues of $54.7m in the nine months to December 2009 were 0.9% lower, where increased levels of activity with IOC's in Brazil (Eni, Repsol and Anadarko) were offset by lower activity levels in our smaller operations in Venezuela and Argentina.

***Global Businesses***

*Connectors and Measurements*

Revenues of $71.7m in the nine months to December 2009 were up 1.2% compared to the same period last year. Our Measurements business benefited significantly from its strong order backlog at the start of the financial year and whilst revenue has flattened in the last quarter, a strong performance in the first half resulted in this business being 16% ahead. Our Connectors business is slightly behind which reflects project phasing.

*Other Global Businesses*

Wireless Well Solutions revenues of $3.1m were down $0.6m and Expro Meters revenues of $1.1m were up $0.3m compared to the same period last year. Over the past year Wireless Well Solutions revenue has moved from being dominated by one very large trial project with Shell in Norway to a more diversified mix of trials and ongoing business focused in Europe and North America. Overall revenue is down as underlying business replaces this large one off project. Equipment Sales revenues of $5.7m reflected the creation of this independent business from what was previously a product line within our regional businesses.

**Foreign exchange rates**

***Foreign exchange rates at the Balance Sheet date***

| | 31 December 2009<br>$1 equals | 31 March 2009<br>$1 equals | Change<br>% |
|---|---|---|---|
| AUD (Australian dollar) | **1.1197** | 1.4631 | (23.5) |
| BRL (Brazilian real) | **1.7412** | 2.3297 | (25.3) |
| EUR (Euro) | **0.6977** | 0.7571 | (7.8) |
| GBP (Pound Sterling) | **0.6278** | 0.7035 | (10.8) |
| NOK (Norwegian Krone) | **5.8072** | 6.7204 | (13.6) |

***Average foreign exchange rates***

| | 3 months<br>to December<br>2009<br>$1 equals | 3 months<br>to September<br>2009<br>$1 equals | 9 months<br>to December<br>2009<br>$1 equals | 3 months<br>to December<br>2008<br>$1 equals | 9 months<br>to December<br>2008<br>$1 equals |
|---|---|---|---|---|---|
| AUD (Australian dollar) | **1.1175** | 1.2205 | 1.2393 | 1.4074 | 1.1866 |
| BRL (Brazilian real) | **1.1626** | 1.9255 | 1.9539 | 2.0576 | 1.7837 |
| EUR (Euro) | **0.6766** | 0.7080 | 0.7098 | 0.7444 | 0.6780 |
| GBP (Pound Sterling) | **0.6138** | 0.6099 | 0.6313 | 0.6022 | 0.5411 |
| NOK (Norwegian Krone) | **5.7317** | 6.2448 | 6.1906 | 6.4296 | 5.5758 |

# Business review

### Finance costs

Excluding exceptional finance costs, the Group's net finance costs were $396.1m in the nine months ended 31 December 2009. On an adjusted basis, the Group's net finance costs were $114.8m in the nine months ended 31 December 2009. The senior secured notes issued in December 2009 carry a fixed coupon of 8.5% and are payable semi-annually. During the period interest on the Group's variable rate bank loans was fixed at 4.1% through the use of interest rate swaps. Following the balance sheet date the Group restructured its hedging arrangements to fix the interest on 90% of the variable rate mezzanine loan at 6.27%.

The Group's shareholder loan is held at a fixed rate of 14%, compounded into the loan principal annually.

Details of exceptional finance costs are included in note 5.

### Taxation

The Group's tax charge is representative of the nature of the Group's operations, which have a wide geographic coverage, resulting in differing taxation regimes depending on the location in which those activities take place. The tax charge reflects this broad geographic spread of profits, unrecoverable losses in certain territories, a variety of imputed and higher rate overseas tax regimes, non-deductible items and limitations on the geographical spread of the Group's external interest payments.

### Financial position, liquidity and capital resources

***Net cash flow***

| | **9 months to December 2009 $'000** | **Aggregated[1] 9 months to December 2008 $'000** | **Change $'000** |
|---|---|---|---|
| Adjusted cash flow generated by operations | **271,594** | 242,226 | 29,368 |
| Purchase of property, plant and equipment | **(30,086)** | (79,257) | 49,171 |
| Proceeds on disposal of property, plant and equipment | **1,460** | 585 | 875 |
| Adjusted free cash flow | **242,968** | 163,554 | 79,414 |

Adjusted free cash flow increased significantly due to an increased focus on working capital management and lower capital expenditure as a result of lower activity levels.

***Net debt***

| | **31 December 2009 $'000** | **31 March 2009 $'000** | **Change $'000** |
|---|---|---|---|
| Finance leases | **(36,011)** | (14,272) | (21,739) |
| Senior secured notes | **(1,347,022)** | - | (1,347,022) |
| Senior loans | **-** | (1,344,477) | 1,344,477 |
| Mezzanine loans | **(788,752)** | (754,942) | (33,810) |
| Less cash | **180,749** | 163,293 | 17,456 |
| Total net debt | **(1,991,036)** | (1,950,398) | (40,638) |

Net debt increased by $40.6m during the nine months to December 2009. The increase in the finance lease liability was as a result of the investment in facilities for our Connectors and Measurements business. The increase in the Mezzanine loan reflects payment in kind interest which compounds quarterly. The increase in cash was primarily driven by lower capital expenditure and on-going improvements to working capital management.

# Condensed consolidated income statement

Period ended 31 December 2009

| | Note | 3 months to December 2009 Adjusted $'000 | 3 months to December 2009 Adjustments* $'000 | 3 months to December 2009 Total $'000 | 3 months to December 2008 Adjusted $'000 | 3 months to December 2008 Adjustments* $'000 | 3 months to December 2008 Total $'000 |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | |
| Revenue | | **255,754** | **-** | **255,754** | 313,759 | - | 313,759 |
| Cost of sales | | **(174,466)** | **(66,757)** | **(241,223)** | (212,712) | (58,721) | (271,433) |
| **Gross profit** | | **81,288** | **(66,757)** | **14,531** | 101,047 | (58,721) | 42,326 |
| Administration expenses | | **(7,823)** | **(4,531)** | **(12,354)** | 944 | (3,084) | (2,140) |
| **Operating profit/ (loss)** | | **73,465** | **(71,288)** | **2,177** | 101,991 | (61,805) | 40,186 |
| Post tax share of results from joint venture | | **908** | **-** | **908** | 1,061 | -- | 1,061 |
| | | **74,373** | **(71,288)** | **3,085** | 103,052 | (61,805) | 41,247 |
| Net finance costs | 4 | **(27,999)** | **(94,782)** | **(122,781)** | (45,073) | (88,584) | (133,657) |
| Transaction costs | 5 | **-** | **(34,485)** | **(34,485)** | - | - | - |
| Cessation of hedge accounting | 5 | **-** | **(73,307)** | **(73,307)** | - | - | - |
| **Profit / (loss) before tax** | | **46,374** | **(273,862)** | **(227,488)** | 57,979 | (150,389) | (92,410) |
| Tax | 6 | **(18,974)** | **12,072** | **(6,902)** | (26,823) | 10,556 | (16,267) |
| **Profit / (loss) after tax** | | **27,400** | **(261,790)** | **(234,390)** | 31,156 | (139,833) | (108,677) |
| **Discontinued operations** | | | | | | | |
| Post tax share of results from associates | | **-** | **873** | **873** | 990 | - | 990 |
| **Profit / (loss) for the period** | | **27,400** | **(260,917)** | **(233,517)** | 32,146 | (139,833) | (107,687) |
| Attributable to: | | | | | | | |
| Equity holders of the parent | | **27,400** | **(260,917)** | **(233,517)** | 31,715 | (139,833) | (108,118) |
| Minority interest | | **-** | **-** | **-** | 431 | - | 431 |
| | | **27,400** | **(260,917)** | **(233,517)** | 32,146 | (139,833) | (107,687) |

*Details of adjustments are included in Note 3.

# Condensed consolidated income statement

Period ended 31 December 2009

| | Note | 9 months to December 2009 Adjusted $'000 | 9 months to December 2009 Adjustments* $'000 | 9 months to December 2009 Total $'000 | 9 months to December 2008 Adjusted $'000 | 9 months to December 2008 Adjustments* $'000 | 9 months to December 2008 Total $'000 |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | |
| Revenue | | **775,757** | **-** | **775,757** | 651,805 | - | 651,805 |
| Cost of sales | | **(516,717)** | **(169,845)** | **(686,562)** | (440,942) | (116,633) | (557,575) |
| **Gross profit** | | **259,040** | **(169,845)** | **89,195** | 210,863 | (116,633) | 94,230 |
| Administration expenses | | **(17,540)** | **(8,870)** | **(26,410)** | (10,162) | (5,714) | (15,876) |
| **Operating profit / (loss)** | | **241,500** | **(178,715)** | **62,785** | 200,701 | (122,347) | 78,354 |
| Post tax share of results from joint venture | | **3,635** | **-** | **3,635** | 3,928 | - | 3,928 |
| | | **245,135** | **(178,715)** | **66,420** | 204,629 | (122,347) | 82,282 |
| Net finance costs | 4 | **(114,798)** | **(281,288)** | **(396,086)** | (83,228) | (184,895) | (268,123) |
| Transaction costs | 5 | | **(34,485)** | **(34,485)** | - | - | - |
| Cessation of hedge accounting | 5 | | **(73,307)** | **(73,307)** | - | - | - |
| **Profit / (loss) before tax** | | **130,337** | **(567,795)** | **(437,458)** | 121,401 | (307,242) | (185,841) |
| Tax | 6 | **(56,696)** | **34,428** | **(22,268)** | (31,363) | 21,258 | (10,105) |
| **Profit / (loss) after tax** | | **73,641** | **(533,367)** | **(459,726)** | 90,038 | (285,984) | (195,946) |
| **Discontinued operations** | | | | | | | |
| Post tax share of results from associates | | **-** | **873** | **873** | 1,045 | - | 1,045 |
| **Profit / (loss) for the period** | | **73,641** | **(532,494)** | **(458,853)** | 91,083 | (285,984) | (194,901) |
| Attributable to: | | | | | | | |
| Equity holders of the parent | | **73,641** | **(532,494)** | **(458,853)** | 90,221 | (285,984) | (195,763) |
| Minority interest | | **-** | **-** | **-** | 862 | - | 862 |
| | | **73,641** | **(532,494)** | **(458,853)** | 91,083 | (285,984) | (194,901) |

*Details of adjustments are included in Note 3.

The acquisition of Expro became effective on 1 July 2008, and as a result the year-to-date comparatives include only the trading results for six months to 31 December 2008. In order to compare the results for the nine months to 31 December 2009 to the results for the nine months to 31 December 2008, please refer to aggregated financial information at the end of this report.

# Condensed consolidated statement of comprehensive income

Period ended 31 December 2009

| | Note | 3months to December 2009 $'000 | 3 months to December 2008 $'000 | 9 months to December 2009 $'000 | 9 months to December 2008 $'000 |
|---|---|---|---|---|---|
| **Loss for the period** | | **(233,517)** | **(107,687)** | **(458,853)** | **(194,901)** |
| Fair value loss on cash flow hedges | 11 | (13,332) | (102,001) | (25,187) | (134,686) |
| Transferred to income statement on cash flow hedges | 11 | 79,583 | 1,704 | 108,551 | 6,443 |
| Translation of foreign operations | | - | (36,775) | - | (65,029) |
| Actuarial (loss)/gain on defined benefit pension | 13 | (1,875) | (12,895) | (15,548) | 1,006 |
| **Other comprehensive income / (loss) for the period, net of tax** | | **64,376** | **(149,967)** | **67,816** | **(192,266)** |
| **Total comprehensive loss for the period, net of tax** | | **(169,141)** | **(257,654)** | **(391,037)** | **(387,167)** |
| Attributable to: | | | | | |
| Equity holders of the parent | | (169,141) | (258,085) | (391,037) | (388,029) |
| Minority interest | | - | 431 | - | 862 |
| | | **(169,141)** | **(257,654)** | **(391,037)** | **(387,167)** |

# Condensed consolidated statement of changes in equity

Period ended 31 December 2009

| | Share capital | Translation Reserve | Hedging Reserve | Equity Reserve | Retained Earnings | Attributed to equity holders of parent | Minority interest | Total |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| As at 1 April 2009 | 200 | (53,404) | (119,913) | 171 | (303,757) | (476,703) | - | (476,703) |
| Comprehensive income / (loss) | - | - | 83,364 | - | (474,401) | (391,037) | - | (391,037) |
| Share-based payments | - | - | - | 43 | - | 43 | - | 43 |
| **At 31 December 2009** | **200** | **(53,404)** | **(36,549)** | **214** | **(778,158)** | **(867,697)** | **-** | **(867,697)** |

Period ended 31 December 2008

| | Share Capital | Translation Reserve | Hedging Reserve | Equity Reserve | Retained Earnings | Attributed to equity holders of parent | Minority interest | Total |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Comprehensive loss / (income) | - | (65,029) | (128,243) | - | (194,757) | (388,029) | 862 | (387,167) |
| Issue of share capital | 200 | - | - | - | - | 200 | - | 200 |
| Share-based payments | - | - | - | 171 | - | 171 | - | 171 |
| Minority interest on acquisition | - | - | - | - | - | - | 14,572 | 14,572 |
| **At 31 December 2008** | **200** | **(65,029)** | **(128,243)** | **171** | **(194,757)** | **(387,658)** | **15,434** | **(372,224)** |

# Condensed consolidated statement of financial position

At 31 December 2009

| | Note | 31 December 2009 unaudited $'000 | 31 March 2009 audited $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | | 2,570,376 | 2,570,376 |
| Intangible assets | 7 | 1,237,633 | 1,320,088 |
| Property, plant and equipment | 8 | 318,470 | 334,618 |
| Interest in joint venture | | 14,508 | 14,229 |
| Deferred tax assets | | 17,032 | 16,947 |
| | | 4,158,019 | 4,256,258 |
| **Current assets** | | | |
| Inventories | | 67,629 | 71,565 |
| Trade and other receivables | | 290,248 | 325,831 |
| Deferred financing costs | 10 | 11,994 | - |
| Cash | | 180,749 | 163,293 |
| | | 550,620 | 560,689 |
| **Current liabilities** | | | |
| Derivative financial instruments | 11 | (59,631) | (52,236) |
| Trade and other payables | | (180,009) | (170,118) |
| Loans | 10 | - | (19,168) |
| Shareholder loan | 10 | (18,987) | - |
| Finance leases | 9 | (3,668) | (2,572) |
| Tax liabilities | | (85,324) | (74,429) |
| Provisions | 12 | (22,480) | (44,341) |
| | | (370,099) | (362,864) |
| **Net current assets** | | 180,521 | 197,825 |
| **Non-current liabilities** | | | |
| Finance leases | 9 | (32,343) | (11,700) |
| Derivative financial instruments | 11 | (33,693) | (67,677) |
| Senior secured notes | 10 | (1,324,502) | - |
| Loans | 10 | (767,124) | (2,018,898) |
| Shareholder loan | 10 | (2,660,693) | (2,441,161) |
| Provisions | 12 | (2,208) | (2,208) |
| Deferred tax | | (355,755) | (378,488) |
| Pension deficit | 13 | (29,919) | (10,654) |
| | | (5,206,237) | (4,930,786) |
| **Total assets less total liabilities** | | (867,697) | (476,703) |
| Total assets less total liabilities excluding shareholder loan* | | 1,811,983 | 1,964,458 |
| **Equity attributable to owners of the parent** | | | |
| Share capital | | 200 | 200 |
| Translation reserve | | (53,404) | (53,404) |
| Hedging reserve | | (36,549) | (119,913) |
| Equity reserve | | 214 | 171 |
| Retained earnings | | (778,158) | (303,757) |
| Total equity | | (867,697) | (476,703) |
| Total equity and shareholder loan* | | 1,811,983 | 1,964,458 |

* Non-statutory measure in line with management's view of the capital structure of the Group to aid the users of the financial statements

# Condensed consolidated statement of financial position

At 31 December 2009

The accounts were approved by the board of directors and authorised for issue on 2 March 2010. They were signed on its behalf by:

| **G Coutts** | **M Crump** |
| --- | --- |
| ***Director*** | ***Director*** |

# Condensed consolidated cash flow statement

Period ended 31 December 2009

| | Note | 9 months to December 2009 Adjusted $'000 | 9 months to December 2009 Adjustments* $'000 | 9 months to December 2009 Total $'000 | 9 months to December 2008 Adjusted $'000 | 9 months to December 2008 Adjustments* $'000 | 9 months to December 2008 Total $'000 |
|---|---|---|---|---|---|---|---|
| **Operating profit / (loss)** | | 241,500 | (178,715) | 62,785 | 200,701 | (122,347) | 78,354 |
| Non cash items | 14 | 1,384 | 136,867 | 138,251 | 3,437 | 101,299 | 104,736 |
| **Operating cash flows before movements in working capital** | | 242,884 | (41,848) | 201,036 | 204,138 | (21,048) | 183,090 |
| Decrease / (Increase) in inventories | | 3,936 | - | 3,936 | (3,765) | - | (3,765) |
| Decrease / (Increase) in receivables | | 31,884 | - | 31,884 | (4,992) | - | (4,992) |
| (Decrease) / Increase in payables | | (2,438) | - | (2,438) | 11,413 | - | 11,413 |
| (Decrease) / Increase in provision | | (4,672) | (7,846) | (12,518) | (282) | (2,790) | (3,072) |
| **Cash generated by operations** | | 271,594 | (49,694) | 221,900 | 206,512 | (23,838) | 182,674 |
| Income taxes paid | | (32,406) | - | (32,406) | (24,091) | - | (24,091) |
| Interest paid | | (121,269) | - | (121,269) | (81,483) | - | (81,483) |
| **Net cash from operating activities** | | 117,919 | (49,694) | 68,225 | 100,938 | (23,838) | 77,100 |
| Investing activities | | | | | | | |
| Interest received | | | | 559 | | | 1,912 |
| Purchase of property, plant and equipment | 8 | | | (30,086) | | | (59,627) |
| Proceeds on disposal of property, plant and equipment | | | | 1,460 | | | 84 |
| Purchase of intangible assets | | | | (426) | | | (5,057) |
| Proceeds on disposal of intangible asset | | | | 14,571 | | | - |
| Net cash outflow on acquisition of subsidiary | | | | - | | | (3,602,140) |
| Net cash received on disposal of joint venture | | | | - | | | 4,456 |
| Cash contribution to defined benefit pension | | | | - | | | (22,936) |
| Payment of deferred consideration | | | | (3,433) | | | (38) |
| Dividend received from joint venture | | | | 3,355 | | | 1,896 |
| Sale side acquisition outflows | | | | - | | | (22,536) |
| **Net cash used in investing activities** | | | | (14,000) | | | (3,703,986) |
| Financing activities | | | | | | | |
| Exercise of share options | | | | 500 | | | 2,469 |
| Proceeds from borrowings | | | | 1,322,557 | | | 4,205,254 |
| Repayment of borrowings | | | | (1,359,046) | | | (399,785) |
| Repayment of finance leases | | | | (4,302) | | | (1,846) |
| **Net cash from financing activities** | | | | (40,291) | | | 3,806,092 |
| Net increase in cash | | | | 13,934 | | | 179,206 |
| Cash at beginning of period | | | | 163,293 | | | - |
| Effect of foreign exchange | | | | 3,522 | | | (39,018) |
| **Cash at end of period** | | | | 180,749 | | | 140,188 |

*Details of adjustments are included in Note 3.

The acquisition of Expro became effective on 1 July 2008, and as a result the year-to-date comparative only includes only the trading results for six months to 31 December 2008. In order to compare the results for the nine months to 31 December 2009 to the results for the nine months to 31 December 2008, please refer to aggregated financial information at the end of this report.

# Notes to the condensed consolidated financial statements

Period ended 31 December 2009

## 1. Corporate information

The condensed consolidated financial statements of the Group for the nine months ended 31 December 2009 were authorised for issue by the Company's Directors on 2 March 2010. The Company is a limited company incorporated in Great Britain and registered in England and Wales.

## 2. Basis of preparation and accounting policies

**Basis of preparation**

The basis of preparation and accounting policies set out in the Annual Report and accounts for the period ended 31 March 2009 have been applied in the preparation of these condensed consolidated financial statements as disclosed below. The condensed consolidated financial statements for the nine months ended 31 December 2009 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the period ended 31 March 2009.

The figures for the nine months ended 31 December 2009 and nine months ended 31 December 2008 are unaudited and do not constitute full accounts within the meaning of s.435 of the Companies Act 2006. The financial statements for the year ended 31 March 2009, which have been delivered to the Registrar of Companies and on which the auditors have issued an unqualified audit report, did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

The financial risks are detailed in the business review of the Group's annual financial statements as at 31 March 2009. Having considered these risks and the current economic environment it is expected that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the condensed consolidated financial statements have been prepared on a going concern basis.

**Accounting policies**

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the period ended 31 March 2009, except for the adoption of new Standards and Interpretations as of 1 April 2009, noted below:

*IAS 1 Revised Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

*IFRS 7 Financial instruments: Disclosures*

The revised standard requires enhanced disclosures about fair value measurements and liability risk. Adoption of the amendment does not require the restatement of comparative information and the enhanced disclosures will be presented in the annual financial statements for the year ended 31 March 2010.

*IAS 16 Property, Plant and Equipment*

The revised standard requires that items of property, plant and equipment held for rental, which are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and the items are held for sale. Proceeds on sale are subsequently shown as revenue. This standard had no material impact during the period.

# Notes to the condensed consolidated financial statements

Period ended 31 December 2009

## 3. Adjustments

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

| | 3 months to December 2009 $'000 | 3 months to December 2008 $'000 | 9 months to December 2009 $'000 | 9 months to December 2008 $'000 |
|---|---|---|---|---|
| Operating profit | **2,177** | 40,186 | **62,785** | 78,354 |
| AX-S | **14,688** | 7,207 | **28,944** | 13,899 |
| Expro Meters | **1,882** | 1,392 | **5,547** | 2,464 |
| Property, plant and equipment depreciation | **19,117** | 20,572 | **63,627** | 42,589 |
| Loss on disposal of property, plant and equipment | **4,275** | 92 | **4,189** | 111 |
| Amortisation of intangible assets | **26,573** | 29,427 | **83,578** | 58,413 |
| Profit on sale of intangible asset | **-** | - | **(14,571)** | - |
| Share based payment | **16** | - | **43** | 186 |
| Non-recurring costs | **2,501** | 3,038 | **4,644** | 4,079 |
| Restructuring costs | **2,236** | 77 | **2,714** | 606 |
| Adjusted operating profit | **73,465** | 101,991 | **241,500** | 200,701 |

| | 9 months to December 2009 $'000 | 9 months to December 2008 $'000 |
|---|---|---|
| Net cash from operating activities | **68,225** | 77,100 |
| AX-S | **28,944** | 13,899 |
| Expro Meters | **5,546** | 2,464 |
| Non-recurring costs | **4,644** | 4,079 |
| Restructuring costs | **2,714** | 606 |
| Cash outflow on certain issues from the acquisition | **7,846** | 2,790 |
| Adjusted net cash from operating activities | **117,919** | 100,938 |

*AX-S and Expro Meters*

Both of these businesses are focused on the development of revolutionary products and therefore do not currently generate either operating profit or positive cash flow. Anticipated development costs have been cash funded by a separate component of the shareholder loan and the funds have been separately held within the cash balance. While management monitors the performance of these businesses closely, the costs are excluded from the adjusted results in order to evaluate the performance and trends of the core business. Costs are primarily related to development expenditure.

*Non-recurring costs*

Non-recurring costs during the period primarily comprise legal and professional fees which relate to the acquisition or specific business improvement initiatives.

*Restructuring costs*

Restructuring costs during the period relate mainly to employee and property termination costs incurred in respect of the North America Land business.

*Finance costs*

Adjusted finance costs exclude items similar to those used for covenants calculation.

# Notes to the condensed consolidated financial statements

Period ended 31 December 2009

| | 3 months to December 2009 $'000 | 3 months to December 2008 $'000 | 9 months to December 2009 $'000 | 9 months to December 2008 $'000 |
|---|---|---|---|---|
| Net finance costs | **(122,781)** | (133,657) | **(396,086)** | (268,123) |
| Fair value gain on cash flow hedges | **(5,811)** | - | **(5,811)** | - |
| Mezzanine loan payment in kind interest | **11,582** | 10,778 | **33,810** | 19,846 |
| Shareholder loan interest | **89,011** | 77,806 | **253,289** | 165,049 |
| Adjusted net finance costs | **(27,999)** | (45,073) | **(114,798)** | (83,228) |

*Fair value gain on cash flow hedges*

The Group enters into interest rate swaps in order to mitigate its exposure to cash flow interest rate risk, and where possible utilises the hedge accounting provisions of IAS 39 which allows mark to market volatility to be taken to the hedging reserve included in equity. Where hedge accounting is not possible fair value movements resulting from changes in forward interest rates are recognised directly against earnings rather than in equity. As this volatility is not reflected in the Group's cash flows, these mark to market movements are excluded from adjusted earnings.

*Non cash interest*

Mezzanine loan payment in kind interest and shareholder loan interest have been excluded from finance costs as there is no cash outflow until the end of the contractual period as set out under note 10.

## 4. Net finance costs

| | 3 months to December 2009 $'000 | 3 months to December 2008 $'000 | 9 months to December 2009 $'000 | 9 months to December 2008 $'000 |
|---|---|---|---|---|
| Finance income: | | | | |
| Bank interest receivable | **200** | 669 | **559** | 1,900 |
| Expected return on defined benefit pension assets | **1,695** | 2,246 | **4,536** | 4,690 |
| Other interest receivable | **5,763** | 12 | **5,763** | 12 |
| Fair value gain on cash flow hedges | **5,811** | - | **5,811** | - |
| | **13,469** | 2,927 | **16,669** | 6,602 |
| Finance Costs: | | | | |
| Senior secured notes interest | **(3,376)** | - | **(3,376)** | - |
| Senior loan interest | **(11,568)** | (25,113) | **(41,741)** | (42,619) |
| Mezzanine loan cash settled interest | **(9,002)** | (15,018) | **(28,929)** | (25,662) |
| Mezzanine loan payment in kind interest | **(11,582)** | (10,778) | **(33,810)** | (19,846) |
| Shareholder loan interest | **(89,011)** | (77,806) | **(253,288)** | (165,049) |
| Amortisation of financing costs | **(1,899)** | (2,510) | **(6,286)** | (4,220) |
| Other payable | **(637)** | (793) | **(2,055)** | (4,675) |
| Finance leases | **(678)** | (339) | **(1,773)** | (712) |
| Total interest expense | **(127,753)** | (132,357) | **(371,258)** | (262,783) |
| Transferred to income statement on cash flow hedges | **(6,277)** | (1,704) | **(35,245)** | (6,441) |
| Finance cost on defined benefit pension obligation | **(2,046)** | (2,417) | **(5,832)** | (5,291) |
| Other payable | **(174)** | (106) | **(420)** | (210) |
| Total finance costs | **(136,250)** | (136,584) | **(412,755)** | (274,725) |
| **Net finance costs** | **(122,781)** | (133,657) | **(396,086)** | (268,123) |

# Notes to the condensed consolidated financial statements

Period ended 31 December 2009

## 5. Exceptional items

Following the issue of the fixed rate notes and the subsequent settlement of the Group's variable rate senior loans, the Group's interest rate swaps which were hedging its variable interest rate exposure became ineffective under the terms of IAS 39 Financial Instruments: Recognition and Measurement. Hedge accounting ceased and the portion of the hedging reserve that related to the senior loans was transferred to the income statement, resulting in a charge of $73.3m. Deferred finance costs of $34.5m in respect of the senior loans have also been expensed in the income statement. Full details are set out in note 11.

## 6. Tax

| | **3 months to December 2009 $'000** | **3 months to December 2008 $'000** | **9 months to December 2009 $'000** | **9 months to December 2008 $'000** |
|---|---|---|---|---|
| Current tax: | | | | |
| Current income tax charge | (15,621) | (24,663) | (45,186) | (26,256) |
| Deferred tax: | | | | |
| Current period | 8,719 | 8,396 | 22,918 | 16,151 |
| | (6,902) | (16,267) | (22,268) | (10,105) |

The effective income tax rate for the nine month period to 31 December 2009 (before the inclusion of post tax profits from joint ventures and associates) is -5.1% (prior period to 31 December 2008: -5.4%), the tax charge has been calculated by categorising income and applying the best estimate of the annual effective income tax rate for each category of income, to the pre-tax income arising in that category for the nine month period.

## 7. Intangible assets

Development costs on the Group's AX-S technology did not meet the criteria outlined in IAS 38 *Intangible assets* and therefore these costs continued to be expensed. Accordingly the costs incurred in the period ended 31 December 2009 have been expensed to the income statement (note 3).

Certain intellectual property in respect of the Group's AX-S technology was sold by the Group for $14.6m (£9.9m), following a valuation on an arms length basis by an independent third party. As the intellectual property had no carrying value a profit of $14.6m was recognised in the income statement for the nine months ended 31 December 2009.

## 8. Property, plant and equipment

During the nine months ended 31 December 2009, the Group acquired plant and equipment with a cost of $53.3m of which $23.2m relates to new finance leases (period ended 31 March 2009: $422.5m additions of which $345.7m relates to the acquisition of subsidiaries and $14.3m relates to finance leases).

Assets with a net book value of $5.9m were disposed of by the Group (period ended 31 March 2009: $7.1m) and the results for the nine months ended 31 December 2009 included a loss on disposal of $4.2m (period ended 31 March 2009 $0.4m loss).

As 31 December 2009 the Group entered into contractual commitments for the acquisition of property, plant and equipment with an expected capitalised value of $6.3m.

# Notes to the condensed consolidated financial statements

Period ended 31 December 2009

## 9. Finance leases

At 31 December 2009 the Group had finance leases with a liability of $36.0m of which $23.2m relates to new leases with a fixed borrowing rate of 10.5%. Lease payments are staged to increase in line with market rental rates. As disclosed below two additional material finance lease arrangements have been entered into in the nine months ended 31 December 2009.

| | Minimum lease payments $'000 | Future finance charges $'000 | Present value of lease payments $'000 |
|---|---|---|---|
| Lease expiring | | | |
| Within 1 year | 2,590 | (1,652) | 938 |
| In the second to fifth years inclusive | 11,584 | (6,571) | 5,013 |
| After five years | 44,970 | (27,912) | 17,058 |
| At 31 December 2009 | 59,144 | (36,135) | 23,009 |

## 10. Interest bearing loans

| | Effective interest rate % | Maturity date | 31 December 2009 $'000 | 31 March 2009 $'000 |
|---|---|---|---|---|
| **Senior secured notes** | 9.94% | 15 December 2016 | | |
| Principal | | | (1,400,000) | - |
| Original issue discount | | | 52,978 | - |
| Transaction costs | | | 31,389 | - |
| | | | **(1,315,633)** | - |
| **Loans** | | | | |
| Senior | USD LIBOR +3-4% | 15 July 2015-17 | - | (1,344,477) |
| Mezzanine | USD LIBOR +10.75% | 15 July 2018 | (788,752) | (754,942) |
| Principal | | | (788,752) | (2,099,419) |
| Transaction costs | | | 24,753 | 61,353 |
| | | | **(763,999)** | **(2,038,066)** |
| **Total interest bearing loans (excluding Shareholder loan)** | | | **(2,079,632)** | **(2,038,066)** |
| Included within current asset and liabilities | | | 11,994 | (19,168) |
| Included within non-current liabilities | | | (2,091,626) | (2,018,898) |
| | | | **(2,079,632)** | **(2,038,066)** |
| **Shareholder loan** | 14% | 15 July 2019 | | |
| Included within current liabilities | | | (18,987) | - |
| Included within non-current liabilities | | | (2,660,693) | (2,441,161) |
| | | | **(2,679,680)** | **(2,441,161)** |
| **Total interest bearing loans (including Shareholder loan)** | | | **(4,759,312)** | **(4,479,227)** |

On 21 December 2009 the Group issued senior secured notes with a nominal value of $1,400m, a coupon of 8.5% and maturity date of 15 December 2016. The notes were issued at an original issue discount of 3.793% ($53.1m), generating proceeds of $1,346.9m. The yield to maturity of the notes at issue was 9.25%. The proceeds were used to settle the Group's senior bank loans, which had a carrying value of $1,330.3m, in full.

The terms of the Group's mezzanine bank loan were modified such that the non-cash element increased from 5.75% to 6.5% and the overall interest rate margin above US LIBOR increased from 10% to 10.75%.

# Notes to the condensed consolidated financial statements

Period ended 31 December 2009

In addition the Group's decided to reduce its revolving credit facility from $160m to $100m, and cancel its $160m capex acquisition facility based on its current liquidity requirements. The maturity date of the revolving credit facility has been extended to 21 December 2014.

Based on current leverage the Group's mezzanine loan documentation allows a maximum prepayment of £21.6m of the shareholder loan. The Group prepaid £9.9m ($14.6m) of the shareholder loan in May 2009, and a further £11.7m ($19.0m) after the balance sheet date.

The senior secured notes, the mezzanine loan and revolving credit facility are secured by fixed and floating charges over the assets of Group companies that in aggregate represent a maximum of 85% of the gross assets of the Group. The Group did not hold any collateral at 31 December 2009.

## 11. Derivative financial instruments

At 31 December 2009 the Group held interest rate swaps with a combined nominal value of $1,737m and a fair value that represented a liability to the Group of $93.3m. On 21 December 2009 the Group settled its variable rate senior bank loans. As a result the Group's cash flow interest rate risk became over-hedged and the swaps became ineffective under the terms of IAS 39 – *Financial Instruments: Recognition and Measurement*. Hedge accounting ceased and the portion of the hedging reserve that related to the senior loans was transferred to the income statement resulting in a charge of $73.3m. The movement in the mark to market valuation of the swaps between 21 December and 31 December 2009 improved by $5.8m and this gain has been recognised in finance costs during the period.

With effect from 1 January 2010 date the Group restructured its hedging arrangements with the objective of mitigating 90% of the cash flow interest rate risk on the Group's mezzanine loan until 31 December 2013. The restructured interest rate swaps have a fixed swap rate of 6.27%, an initial nominal value of $719.8m, and a fair value at inception representing a liability to the Group of $129.4m.

## 12. Provisions

| | **Deferred consideration** | **Legal and other provisions** | **Total** |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| At 1 April 2009 | 6,190 | 40,359 | 46,549 |
| Payments or amounts utilised | (3,964) | (18,853) | (22,817) |
| Increase in period | 144 | 250 | 394 |
| Exchange difference | 455 | 107 | 562 |
| **At 31 December 2009** | **2,825** | **21,863** | **24,688** |
| Included in current liabilities | 617 | 21,863 | 22,480 |
| Included in non-current liabilities | 2,208 | - | 2,208 |
| | **2,825** | **21,863** | **24,688** |
| Contracted, undiscounted cash flows: | | | |
| Within one year | 617 | 21,863 | 22,480 |
| In the second to fifth years inclusive | 1,810 | - | 1,810 |
| After five years | 398 | - | 398 |
| | **2,825** | **21,863** | **24,688** |

# Notes to the condensed consolidated financial statements

Period ended 31 December 2009

Provisions comprise management's best estimate of potential costs in respect of a review of certain issues resulting from the acquisition process, deferred consideration in respect of acquisitions, and costs, penalties and fines arising from the potential adverse outcome of various legal claims and unfavourable tax assessments in foreign jurisdictions.

Except for the items disclosed above, the Group had no material contingent liabilities as at 31 December 2009.

## 13. Retirement benefit schemes

The defined benefit plan assets have been updated to reflect their market value as at 31 December 2009. The Group has updated its assumptions, including a decrease in the discount rate from 6.7% as at 31 March 2009 to 5.8% as at 31 December 2009.

The amount included in the balance sheet arising from the Group's obligations in respect of its defined retirement benefit schemes is as follows:

| | **31 December 2009 $'000** | **31 March 2009 $'000** |
|---|---|---|
| Present value of defined benefit obligations | (170,598) | (108,202) |
| Fair value of scheme assets | 140,679 | 97,548 |
| Deficit recognised in the balance sheet under non-current liabilities | **(29,919)** | **(10,654)** |

## 14. Non cash items

| | **9 months to December 2009 Total $'000** | **9 months to December 2008 Total $'000** |
|---|---|---|
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 63,628 | 42,589 |
| Loss on disposal of property, plant and equipment | 4,189 | 111 |
| Amortisation of intangible asset | 83,578 | 58,413 |
| Profit on disposal of intangible asset | (14,571) | - |
| Share-based payments | 43 | 186 |
| Retirement benefit | 1,026 | 2,254 |
| Unrealised foreign exchange | 358 | 1,183 |
| **Non cash items** | **138,251** | **104,736** |

# Notes to the condensed consolidated financial statements

Period ended 31 December 2009

## 15. Related party transactions

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

During the nine months to 31 December 2009 costs of $0.7m (nine months to 31 December 2008: $0.2m) were charged to the Group by Goldman Sachs, Candover Investments and AlpInvest (the "Investors"), in accordance with the terms of the Consortium Deed between the Company's subsidiary Expro Holdings UK 4 Ltd and the Investors, dated 6 November 2008.

Directors' fees and expenses incurred by the Investor-nominated directors of, and board observers connected to, Expro International Group Holdings Ltd, the Company's principal holding company.

At 31 December 2009 the Group held a 50% stake in a joint venture, COSL – Expro Testing Services (Tianjin) Co. Ltd ("CETS"). The Group disposed of its investment in the Secure Drilling group of companies ("SD") on 31 December 2008.

**Trading transactions**

During the nine months to 31 December 2009, Group companies entered into transactions with related parties who were not members of the Group:

| | Goods and services provided to related party | Goods and services provided by related party | Amounts owed by related party | Amounts owing to related party |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| CETS | 2,580 | - | 2,468 | - |
| At 31 December 2008 | **2,580** | **-** | **2,468** | **-** |
| Expro AX-S Technology Limited | 5,927 | 79 | - | 1,247 |
| CETS | 4,319 | - | 1,454 | - |
| At 31 December 2009 | **10,246** | **79** | **1,454** | **1,247** |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amount owed by related parties.

At 31 December 2009 the Group owed $2,679.7m to Expro Holdings UK 2 Limited, of which $253.3m of interest has been expensed during the nine months to 31 December 2009 (nine months to 31 December 2008: $165.0m). After the period end the Group paid £11.7m ($19.0m) to Expro Holdings UK 2 Limited.

During the nine months to 31 December 2009 the Group sold certain of its interest in the AX-S intellectual property to Expro AX-S Technology Limited, a company under common control, for $14.6m (£9.9m) following a valuation on an arms length basis by an independent third party.

## 16. Events after the balance sheet date

Other than items described in note 11 and 15 there were no events between the balance sheet date and the date the financial statements were authorised for issue that require disclosure.

# Aggregated historical financial information

**Introduction**
Expro Holdings UK 3 Limited ("EHUK3") is a company that was formed in February 2008 by the acquirers of Expro International Group PLC ("EIG PLC") and its result reflect the results of EIG PLC from 1 July 2008.

Aggregated historical financial information has been prepared because EHUK3 did not exercise control over EIG PLC until 1 July 2008 and hence did not consolidate its unaudited results for the period 1 April 2008 to 30 June 2008. Therefore statutory financial statements do not exist for the combined group for the nine months comparative period ended 31 December 2008.

The aggregated historical financial information does not represent the statutory accounts of any company for the purpose of section 240 Companies Act 1985. Statutory accounts for EHUK3 for the period ended 31 March 2009 have been delivered to the Registrar of Companies and included an unqualified audit report.

**Basis of preparation and comparability**
In order to facilitate an understanding of Expro's performance and progression over prior periods, financial information for the nine months ended 31 December 2008 has been prepared by aggregating the financial information of the pre-acquisition three months ended 30 June 2008 with the post-acquisition six months ended 31 December 2008. The financial information for the post-acquisition six months ended 31 December 2008 has been extracted from the schedule on pages 10 and 15, which has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

The aggregated historical financial information, which has not been prepared in accordance with IFRS, has been prepared in accordance with the accounting policies included in the 31 March 2009 financial statement of EHUK3 (for the period ended 31 December 2008) and Expro International Group PLC (for the three months ended 30 June 2008), except for as stated below. The aggregated historical financial information does not therefore constitute a set of general purpose financial statements under paragraph 3 of IAS 1 'Presentation of Financial Statements' and consequently the Group does not make an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 14 of IAS 1.

In addition the information presented does not include all of the information and disclosures that the Group presents as part of its interim financial statements which have been prepared in accordance with IAS 34 'Interim Financial Reporting'. Instead it has presented selected information which has been prepared using the same accounting policies included in the financial statements of EHUK3 for the period ended 31 December 2009 with the following exceptions:

**IAS 1: Presentation of financial statements**
The aggregated historical financial information does not include a statement of comprehensive income and notes.

With the exception of fair value adjustments relating to the acquisition of EIG by EHUK3, the aggregated historical financial information has been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value, and the pension deficit, which has been measured based on an actuarial valuation of plan assets and the present value of the defined benefit obligation.

On acquisition Expro changed its capital and debt structure. Expro has entered into bank loan agreements and a shareholder loan agreement with the parent company Expro Holdings UK 2 Limited. As a result finance costs and taxable income are not comparable between the pre-acquisition and post-acquisition period. The taxable income was also impacted by the amortisation of the intangible assets recognised as part of the business combination. Accordingly net finance costs and tax have not been presented in the consolidated income and cash flow statements.

**IFRS 3: Business combination**
IFRS 3 has been applied from 1 July 2008 and not retrospectively. On the 1 July 2008 EHUK3 acquired a 100% interest in EIG PLC. All assets and liabilities were recognised at fair value as from 1 July 2008 and these fair value adjustments have not been applied retrospectively in the 1 April 2008 to 30 June 2008 period. The fair value adjustments are disclosed in note 26 of the annual accounts of EHUK3 for the period ended 31 March 2009.

**IAS 21: The effects of changes in foreign exchange rates**
Expro redenominated all inter-company debt to US dollars; as a result of this certain entities have changed their functional currency to US dollars. As the change was effective from 1 December 2008 the translational foreign exchange impacted the period subsequent to the aggregated historical financial information.

# Aggregated historical financial information

Although EIG PLC presented its financial information in sterling, the aggregated historical financial information has been presented in US dollars, the presentational and functional currency of EHUK3.

*Abbreviated aggregated income statement*
On aggregation, income and expenses have been translated into US dollars at monthly average rates assuming that Expro had a US dollar presentational currency during the nine months ended 31 December 2008.

*Abbreviated aggregated cash flow statement*
The cash flow statement for the nine months ended 31 December 2008 has been prepared by aggregating the sterling pre-acquisition cash flow statement for the three months ended 30 June 2008, translated into US dollars at the average rate (£1: $1.9864), with the US dollar cash flow statement for the six months ended 31 December 2008.

The cash flow statement presents cash generated by operations and cash used in the purchase and proceeds on disposal of property, plant and equipment. The cash flow statement does not present the other captions required by IAS 7 as these are not comparable due to the acquisition.

# Aggregated income statement

| | 9 months to December 2009 Adjusted $'000 | 9 months to December 2009 Adjustment $'000 | 9 months to December 2009 Total $'000 | 9 months to December 2008 Adjusted $'000 | 9 months to December 2008 Adjustment $'000 | 9 months to December 2008 Total $'000 |
|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | |
| Revenue | **775,757** | **-** | **775,757** | 972,479 | - | 972,479 |
| Cost of sales | **(516,717)** | **(169,845)** | **(686,562)** | (657,586) | (151,134) | (808,720) |
| **Gross profit** | **259,040** | **(169,845)** | **89,195** | 314,893 | (151,134) | 163,759 |
| Administration expenses | **(17,540)** | **(8,870)** | **(26,410)** | (31,403) | (6,598) | (38,001) |
| **Operating profit / (loss)** | **241,500** | **(178,715)** | **62,785** | 283,490 | (157,732) | 125,758 |

| **Adjustments** | 9 months to December 2009 Adjustment $'000 | 9 months to December 2008 Adjustment $'000 |
|---|---|---|
| AX-S | 28,944 | 17,908 |
| Expro Meters | 5,547 | 4,209 |
| Non-recurring costs | 4,644 | 4,079 |
| Restructuring costs | 2,714 | 606 |
| Property, plant and equipment depreciation | 63,627 | 67,098 |
| Loss on disposal of property, plant and equipment | 4,189 | 358 |
| Profit on sale of intangible asset | (14,571) | - |
| Amortisation of intangible assets | 83,578 | 62,413 |
| Share based payments | 43 | 1,061 |
| | **178,715** | **157,732** |

# Aggregated cash flow statement

| | 9 months to December 2009 Adjusted $'000 | 9 months to December 2009 Adjustments $'000 | 9 months to December 2009 Total $'000 | 9 months to December 2008 Adjusted $'000 | 9 months to December 2008 Adjustments $'000 | 9 months to December 2008 Total $'000 |
|---|---|---|---|---|---|---|
| **Operating profit / loss** | **241,500** | **(178,715)** | **62,785** | **283,490** | **(157,732)** | **125,758** |
| Adjustments for: | | | | | | |
| Depreciation of property, plant and equipment | - | 63,628 | 63,628 | - | 67,097 | 67,097 |
| Loss on disposal of property, plant and equipment | - | 4,189 | 4,189 | - | 358 | 358 |
| Amortisation of intangible assets | - | 83,578 | 83,578 | - | 62,412 | 62,412 |
| Profit on disposal of intangible asset | - | (14,571) | (14,571) | - | - | - |
| Share-based payments | - | 43 | 43 | - | 1,061 | 1,061 |
| Retirement benefit | 1,026 | - | 1,026 | 1,517 | - | 1,517 |
| Unrealised foreign exchange | 358 | - | 358 | 1,184 | - | 1,184 |
| **Operating cash flows before movements in working capital** | **242,884** | **(41,848)** | **201,036** | **286,191** | **(26,804)** | **259,387** |
| Decrease / (Increase) in inventories | 3,936 | - | 3,936 | (13,635) | - | (13,635) |
| Decrease / (Increase) in receivables | 31,884 | - | 31,884 | (22,802) | - | (22,802) |
| (Decrease) / Increase in payables | (2,438) | - | (2,438) | (7,246) | - | (7,246) |
| (Decrease) / Increase in provision | (4,672) | (7,846) | (12,518) | (282) | (2,790) | (3,072) |
| **Cash generated by operations** | **271,594** | **(49,694)** | **221,900** | **242,226** | **(29,594)** | **212,632** |
| Purchase of property, plant and equipment | | | (30,086) | | | (79,257) |
| Proceeds on disposal of property, plant and equipment | | | 1,460 | | | 585 |
| **Cash used in property, plant and equipment** | | | **(28,626)** | | | **(78,672)** |
| **Free cash flow** | | | **193,274** | | | **133,960** |