Company number: 06492082

EXPRO HOLDINGS UK 3 LIMITED

Unaudited Condensed Consolidated

Financial Statements

Quarterly Report

Nine months to 31 December 2010

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Financial highlights

	3 months to December 2010 $'000	3 months to September 2010 $'000	Change
Adjusted revenue on a constant currency basis[1]	244,262	249,740	-2.2%
Adjusted operating profit[2]	60,954	63,033	-3.3%
Adjusted operating margin[3]	25.0%	25.2%	-0.2pts
Adjusted free cash flow[4]	37,603	68,173	-44.8%
Revenue	245,162	269,103	-8.9%
Operating profit	(247,150)	28,102	-979.5%
Cash flow generated by operations	46,685	91,157	-48.8%

	31 December 2010 $'000	30 September 2010 $'000	Change
Cash	84,919	91,419	-7.1%
Net debt[4]	(2,149,851)	(2,077,796)	3.5%

	9 months to December 2010 $'000	9 months to December 2009 $'000	Change
Adjusted revenue on a constant currency basis[1]	721,580	772,805	-6.6%
Adjusted operating profit[2]	190,369	241,500	-21.2%
Adjusted operating margin[3]	26.4%	31.2%	-4.8pts
Revenue	746,974	775,757	-3.7%
Operating profit	(209,284)	62,785	-433.3%

	3 months to December 2010 $'000	3 months to December 2009 $'000	Change
Adjusted revenue on a constant currency basis[1]	244,262	251,825	-3.0%
Adjusted operating profit[2]	60,954	73,465	-17.0%
Adjusted operating margin[3]	25.0%	29.2%	-4.2pts
Revenue	245,162	255,754	-4.1%
Operating profit	(247,150)	2,177	-11252.8%

[1] "Adjusted revenue" is defined as revenue excluding 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. Results for the comparative periods 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.

[2] "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.

[3] "Adjusted operating margin" is the ratio of adjusted operating profit over adjusted revenue.

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

Business review

Introduction
This report represents the quarterly results to 31 December 2010 for Expro Holdings UK 3 Limited and its subsidiaries (the "Group").

Financial and operating results
The business review in the quarterly report presents financial and operating results for the following periods:

- Three months to December 2010 compared to three months to September 2010;
- Nine months to December 2010 compared to nine months to December 2009; and
- Three months to December 2010 compared to three months to December 2009.

Key points arising
In order to facilitate an understanding of the Group's performance and progression over prior periods, segmental revenue and adjusted measures have been provided to identify key trends over the periods under review. We would like to highlight the following points in this report:

Impairments
At December 2010 the Group reviewed its cash flow projections for all of its cash generating units (CGU's), resulting in an impairment of goodwill and intangible assets held against its Middle East and North Africa CGU of $155.9m and its North America Offshore CGU of $72.2m, as well as a reduction in the headroom available to other CGU's before any additional goodwill impairment. Further details of these impairments are set out in note 8. The Group considered the outcome of these lower projections against the carrying value of its inventory and concluded that an impairment against slow moving items was also required, resulting in an inventory impairment of $28.0m.

Use of adjusted measures
Adjusted items, be that revenue, costs or operating profit exclude 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, amortisation and impairment means that this measure is similar to EBITDA. The additional adjustments, being mainly in respect of the AX-S and Meters segments, have been excluded because these segments materially distort the performance of the core Group.

Full details are set out in note 3.

Restatement of comparative segmental information
The group has updated its segmental reporting as a result of geographical and product line reorganisations, as well as the impact of the acquisition and integration of the Production Testers International business ("PTI"). Accordingly, all comparative segmental financial information has been restated to reflect these changes and these are outlined below.

Expro PTI
The Group concluded the acquisition of PTI on 1st September 2010. PTI specialises in delivering early production facilities, production enhancement and well-testing services to its customers in Asia, predominantly in Thailand and Vietnam. The Group's existing operations in these countries were similar in nature and as a result have been integrated into the acquired business to create the Expro PTI business unit ("Expro PTI").

WWS
The Wireless Well Solutions product line was segmented as a separate business unit in previous reporting periods. As the route to market is essentially through the infrastructure of our regional businesses, the results are now reported within the regional businesses segment.

Equipment Sales
During the second quarter of the last financial year, the Equipment Sales business unit was set up to facilitate the build and sale of modular off-the shelf well test and well intervention equipment. These sales have now been excluded from the individual regional businesses and reported under the Equipment Sales business unit.

North America Land

Business review

From 1st April 2010, our operations in Mexico were transferred from the Latin American region to the North America Land region as the market characteristics of Mexico were considered to more closely align to our North America Land business.

Three months to December 2010 compared to three months to September 2010

	3 months to December 2010 $'000	3 months to September 2010 $'000	Change %
Adjusted revenue – constant currency[1]	**244,262**	249,740	-2.2%
Adjusted operating profit[2]	**60,954**	63,033	-3.3%
Adjusted operating margin[3]	**25.0%**	25.2%	-0.2pts

Overall trading performance

Adjusted revenues on a constant currency basis of $244.3m were 2.2% lower than the previous quarter. Seasonal North Sea weather impacted the Europe CIS business, which was partially offset by the benefit of a full quarter's performance from the PTI acquisition.

Segmental revenue

	3 months to December 2010 $'000	3 months to September 2010 Constant currency[1] $'000	Change Constant currency %
Regional businesses			
Europe CIS	**64,172**	75,998	-15.6%
South & West Africa	**45,701**	44,448	2.8%
Middle East North Africa	**22,208**	21,199	4.8%
Asia	**19,962**	19,447	2.6%
North America Land	**17,771**	16,709	6.4%
North America Offshore	**17,050**	18,818	-9.4%
Latin America	**15,529**	17,830	-12.9%
Global businesses			
Connectors & Measurements	**21,986**	22,314	-1.5%
Expro PTI	**14,476**	6,662	117.3%
Equipment Sales	**5,493**	6,599	-16.8%
Elimination of intra-group sales	**(86)**	(284)	-69.7%
Adjusted revenue[1]	**244,262**	249,740	-2.2%
Expro Meters	**1,026**	589	74.2%
AX-S	**41**	23,685	-99.8%
Elimination of intra-group sales	**(167)**	(59)	183.1%
Revenue	**245,162**	273,955	-10.5%

Business review

Europe CIS
Revenues in the three months to December 2010 of $64.2m were 15.6% lower, reflecting the typical weather experienced in the North Sea during this time of year.

South and West Africa
Revenues in the three months to December 2010 of $45.7m were 2.8% higher, with reduced levels of well testing activity with Bowleven in Cameroon being more than offset by well test and subsea campaigns in Mauritania and Angola.

Middle East and North Africa
Revenues in the three months to December 2010 of $22.2m were 4.8% higher, with increased well test activity in both Libya and Saudi Arabia and increased subsea activity with bp in Egypt.

Asia
Revenues in the three months to December 2010 of $20.0m were 2.6% higher, with reduced well test activity with Talisman in Malaysia and the subsea work with AWE in New Zealand substantially completed in the second quarter. Increased levels of subsea activity with FMC and Apache in Australia offset the lower revenues in Malaysia and New Zealand.

North America Land
Revenues in the three months to December 2010 of $17.8m were 6.4% higher, reflecting the on-going improvements in rig count over the previous quarter.

North America Offshore
Revenues in the three months to December 2010 of $17.1m were 9.4% lower, reflecting the completion of a campaign with EnCana Oil & Gas in Canada. Activity in the Gulf of Mexico remained flat quarter on quarter.

Latin America
Revenues in the three months to December 2010 of $15.5m were 12.9% lower, with lower levels of call-off well test activity in Brazil with Petrobras and Anadarko.

Global Businesses

Connectors and Measurements
Revenues in the three months to December 2010 of $22.0m were broadly in line with the previous quarter.

Expro PTI
The period reflected a full quarter's benefit as compared to the prior period which included a single month following the acquisition of the PTI business in September 2010.

Equipment Sales
Revenues in the three months to December 2010 of $5.5m were 16.8% lower, predominantly as a result of fewer sales made into Saudi Arabia.

Business review

Financial position, liquidity and capital resources

Net cash flow

	3 months to December 2010 $'000	3 months to September 2010 $'000	Change $'000
Adjusted operating cash flow before movements in working capital	60,217	65,139	(4,922)
Increase in asset held for sale	(19)	-	(19)
Adjusted increase in inventories	(1,823)	(3,017)	1,194
(Increase)/decrease in receivables	(2,626)	12,845	(15,471)
(Decrease)/increase in payables	(2,149)	7,011	(9,160)
Adjusted decrease in provisions and defined benefit pension scheme	(1,960)	(2,182)	222
Adjusted cash flow generated by operations	**51,640**	**79,796**	**(28,156)**
Purchase of property, plant and equipment	(14,610)	(11,938)	(2,672)
Proceeds on disposal of property, plant and equipment	91	315	(224)
Proceeds on disposal of asset held for sale	482	-	482
Adjusted free cash flow	**37,603**	**68,173**	**(30,570)**

Movements in working capital in the three months to December 2010 were slightly negative due to regulatory issues delaying payments from two major customers. These regulatory issues have been resolved shortly after the balance sheet date.

Net debt and liquidity

	31 December 2010 $'000	30 September 2010 $'000	Change $'000
Finance leases	(39,067)	(40,133)	1,066
Senior secured notes	(1,325,485)	(1,323,407)	(2,078)
Bank and other interest bearing loans	(870,218)	(805,675)	(64,543)
Less cash	84,919	91,419	(6,500)
Total net debt excluding shareholder loan	**(2,149,851)**	**(2,077,796)**	**(72,055)**

Net debt increased by $72.1m in the three months to December 2010 as a result of the mezzanine payment in kind interest, drawdown of $50m on the revolving credit facility and a decrease in cash.

At 31 December 2010 the Group had total liquidity headroom of $110.8m (30 September 2010: $167.3m), comprising cash of $84.9m and undrawn facilities of $25.8m. The reduction in liquidity in the three months to December 2010 predominantly related to the payment of semi-annual interest on the senior secured notes.

Finance costs

	3 months to December 2010 $000	3 months to September 2010 $000	Change $000
Net finance costs	(177,565)	(174,151)	(3,414)
Adjustments (note 3)	117,629	114,651	2,978
Adjusted net finance costs	**(59,936)**	**(59,500)**	**(436)**

On an adjusted basis, which excludes material non cash items as set out in note 3, the Group's net finance costs of $59.9m were broadly consistent, being $0.4m higher when compared to the prior quarter.

Business review

Nine months to December 2010 compared to nine months to December 2009

	9 months to December 2010 $'000	9 months to December 2009 $'000	Change %
Adjusted revenue – constant currency[1]	**721,580**	772,805	-6.6%
Adjusted operating profit[2]	**190,369**	241,500	-21.2%
Adjusted operating margin[3]	**26.4%**	31.2%	-4.8pts

Overall trading performance

Adjusted revenues in the nine months to December 2010 of $721.6m were 6.6% lower compared to the same period last year on a constant currency basis. The majority of the decline relates to a change in scope of two significant contracts in West Africa, together with the completion of contracts in Asia and lower levels of activity across Europe CIS. The adjusted operating margin was 4.8pts lower reflecting the margin impact of the above contracts and the operational gearing impact of lower revenues.

Segmental revenue

	9 months to December 2010 $'000	9 months to December 2009 Constant currency[1] $'000	Change Constant currency %
Regional businesses			
Europe CIS	**196,493**	211,183	-7.0%
South & West Africa	**132,342**	185,046	-28.5%
Middle East North Africa	**67,100**	68,387	-1.9%
Asia	**59,743**	70,917	-15.8%
North America Land	**51,478**	36,851	39.7%
North America Offshore	**55,603**	54,107	2.8%
Latin America	**53,353**	52,112	2.4%
Global businesses			
Connectors & Measurements	**65,533**	70,383	-6.9%
Expro PTI	**23,503**	9,961	136.0%
Equipment Sales	**17,018**	13,858	22.8%
Elimination of intra-group sales	**(586)**	-	-
Adjusted revenue[1]	**721,580**	**772,805**	**-6.6%**
Expro Meters	**1,959**	1,136	72.4%
AX-S	**23,790**	79	300.1%
Elimination of intra-group sales	**(355)**	-	-
Revenue	**746,974**	**774,020**	**-3.5%**

Business review

Regional Businesses

Europe CIS
Revenues in the nine months to December 2010 of $196.5m were 7.0% lower than revenues for the same period in the prior year. Lower well test activity with Shell in the Netherlands, KPO in Kazakhstan and lower subsea activity in Norway were partially offset by increased well test activity in the UK North Sea across a variety of customers.

South and West Africa
Revenues in the nine months to December 2010 of $132.3m were 28.5% lower, reflecting a change in scope of two significant contracts between the two periods. The deployment of landing strings for bp in Angola and the sale of the Dibi early production facility to Chevron in Nigeria meant that current revenues primarily reflect operational and maintenance services. The lower levels of activity in Angola and Nigeria were offset by well test campaigns with Bowleven and Victoria Oil and Gas in Cameroon.

Middle East and North Africa
Revenues in the nine months to December 2010 of $67.1m were broadly consistent with prior period at 1.9% lower.

Asia
Revenues in the nine months to December 2010 of $59.7m were 15.8% lower, reflecting the end of the Santos contract and lower activity with Conoco Phillips in Australia. Lower levels of well testing on the pan-Malaysia contract with Petronas Carigali were offset by additional subsea work in New Zealand with AWE.

North America Land
Revenues in the nine months to December 2010 of $51.5m were 39.7% higher, reflecting the increased rig count in the US Land market.

North America Offshore
Revenues in the nine months to December 2010 of $55.6m were 2.8% higher than in same period in the prior year. Overall activity in the Gulf of Mexico remained flat, with the deep water drilling moratorium impacting subsea work which was offset by increased well test activity.

Latin America
Revenues in the nine months to December 2010 of $53.4m were 2.4% higher, reflecting increased well test activity in Brazil with Anadarko and Petrobras and lower levels of activity in Argentina.

Global Businesses

Connectors and Measurements
Revenues in the nine months to December 2010 of $65.5m were 6.9% lower than in the same period in the prior year, reflecting phasing within the business.

Expro PTI
The results reflect the acquisition of the PTI business in September 2010.

Equipment Sales
Revenues in the nine months to December 2010 of $17.0m were $3.2m higher, reflecting increased equipment sales into Saudi Arabia.

Business review

Finance costs

	9 months to December 2010 $000	9 months to December 2009 $000	Change $000
Net finance costs	(510,541)	(405,650)	(104,891)
Adjustments (note 3)	334,002	281,288	52,714
Adjusted net finance costs	**(176,539)**	**(124,362)**	**(52,177)**

On an adjusted basis, which excludes material non-cash items as set out in note 3, the Group's net finance costs of $176.5m in the nine months to December 2010 were $52.2m higher compared to the nine months to December 2009, primarily due to the refinancing of the Group's debt structure in December 2009.

The refinancing involved the issuing of senior secured notes at a fixed coupon of 8.5%, which were used to settle the Group's senior bank loans on which interest was calculated based on US Dollar LIBOR plus 3-4% margin. In the nine months to December 2010 interest on the senior secured notes was $89.3m compared to interest on the senior bank loans and senior secured notes of $45.0m in the nine months to December 2009.

In addition, 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%. From April 2009 until 31 December 2009 interest on the Group's variable loans was fixed at 4.1% through the use of interest rate swaps. With effect from 31 December 2009 the Group restructured its hedging arrangements to fix the interest on 90% of the variable mezzanine loan at 6.27%. The impact of these changes is detailed in note 4.

Taxation

The Group's tax charge of $6.6m in the nine months to December 2010 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.

The tax charge on the adjusted profit before tax of $33.2m is stated before the reduction in deferred tax liability of $25.3m due to amortisation of the intangibles arising on business combinations and the tax effect of adjustments to operating profit and finance costs of $1.3m. The tax effect of adjustments to operating profit and finance costs is low as the majority of these costs are incurred in jurisdictions where there are substantial tax losses.

Three months to December 2010 compared to three months to December 2009

	3 months to December 2010 $'000	3 months to December 2009 $'000	Change %
Adjusted revenue – constant currency[1]	**244,262**	251,825	-3.0%
Adjusted operating profit[2]	**60,954**	73,465	-17.0%
Adjusted operating margin[3]	**25.0%**	29.2%	-4.2pts

Overall trading performance

Adjusted revenues on a constant currency basis in the three months to December 2010 of $244.3m were 3.0% lower compared to the same period in the prior year. The lower levels of revenue reflect the transition of two large projects in South and West Africa into the operational and maintenance phase, slightly lower levels of activity in Europe CIS and Latin America, offset by a full quarter's activity from the recently acquired PTI business. Adjusted operating profit decreased by $12.5m in the period to $61.0m, while the adjusted operating margin was 4.2pts lower at 25.0%. The lower margin was principally due to the conclusion of the design and build of the Block 31 landing string for bp, the sale of the Dibi early production facility to Chevron.

Business review

Segmental revenue

	3 months to December 2010 $'000	3 months to December 2009 Constant currency[1] $'000	Change Constant currency %
Regional businesses			
Europe CIS	**64,172**	70,944	-9.5%
South & West Africa	**45,701**	59,161	-22.8%
Middle East North Africa	**22,208**	21,460	3.5%
Asia	**19,962**	18,856	5.9%
North America Land	**17,771**	11,778	50.9%
North America Offshore	**17,050**	16,511	3.3%
Latin America	**15,529**	19,237	-19.3%
Global businesses			
Connectors & Measurements	**21,986**	24,257	-9.4%
Expro PTI	**14,476**	3,991	262.7%
Equipment Sales	**5,493**	5,630	-2.4%
Elimination of intra-group sales	**(86)**	-	-
Adjusted revenue	**244,262**	**251,825**	**-3.0%**
Expro Meters	**1,026**	466	120.1%
AX-S	**41**	21	95.2%
Elimination of intra-group sales	**(167)**	-	-
Revenue	**245,162**	**252,312**	**-2.8%**

Regional Businesses

Europe CIS

Revenues in the three months to December 2010 of $64.2m were 9.5% lower than revenues for the same period in the prior year with lower levels of subsea work in Norway and lower well test activity in the Netherlands with Shell. Activity in the UK North Sea was up 16.7% following an increase in well test activity.

South and West Africa

Revenues in the three months to December 2010 of $45.7m were 22.8% lower, reflecting a change in scope of two significant contracts between the two periods. The deployment of landing strings for bp in Angola and the sale of the Dibi early production facility to Chevron in Nigeria meant that current revenues primarily reflect operational and maintenance services.

Middle East and North Africa

Revenues in the three months to December 2010 of $22.2m were 3.5% higher, activity remained relatively flat, with the exception of Libya where there was increased well test activity with Shell.

Asia

Revenues in the three months to December 2010 of $20.0m were 5.9% higher. Australian subsea activity increased through jobs with FMC and Apache and Brunei benefitted from Wireless Well Solutions activity with Shell.

North America Land

Revenues in the three months to December 2010 of $17.8m were 50.9% higher, reflecting the increased rig count in the US Land market.

North America Offshore

Business review

Revenues in the three months to December 2010 of $17.1m were 3.3% higher than the same period in the prior year. The moratorium on deep water drilling adversely affected subsea activity in the Gulf of Mexico, but this was more than compensated by increased well test and perforation work.

Latin America
Revenues in the three months to December 2010 of $15.5m were 19.3% lower, reflecting lower levels of subsea and well test call-off work in Brazil and the completion of certain contracts in Argentina.

Global Businesses

Connectors and Measurements
Revenues in the three months to December 2010 of $22.0m were 9.4% behind the same period in the prior year, reflecting activity phasing.

Expro PTI
The results reflect the acquisition of the PTI business in September 2010.

Equipment Sales
Revenues in the three months to December 2010 of $5.5m were in line with the same period in the prior year.

Foreign exchange rates

Foreign exchange rates at the reporting date

	31 December 2010 $1 equals	31 March 2010 $1 equals	Change %
AUD (Australian dollar)	0.9840	1.0875	(9.5%)
BRL (Brazilian real)	1.6662	1.7952	(7.2%)
EUR (Euro)	0.7545	0.7432	1.5%
GBP (Pound Sterling)	0.6464	0.6635	(2.6%)
NOK (Norwegian Kroner)	5.8962	5.9737	(1.3%)

Average foreign exchange rates

	3 months to December 2010 $1 equals	3 months to September 2010 $1 equals	3 months to December 2009 $1 equals	9 months to December 2010 $1 equals	9 months to December 2009 $1 equals
AUD (Australian dollar)	1.0304	1.1311	1.1175	1.0933	1.2393
BRL (Brazilian real)	1.7145	1.7770	1.7602	1.7594	1.9539
EUR (Euro)	0.7378	0.7906	0.6766	0.7663	0.7098
GBP (Pound Sterling)	0.6346	0.6494	0.6138	0.6511	0.6313
NOK (Norwegian Kroner)	5.9640	6.2891	5.7317	6.1277	6.1906

Condensed consolidated income statement

Period ended 31 December 2010

	Note	3 months to December 2010 Adjusted $'000	3 months to December 2010 Adjustments* $'000	3 months to December 2010 Total $'000	3 months to December 2009 Adjusted $'000	3 months to December 2009 Adjustments* $'000	3 months to December 2009 Total $'000
Continuing operations							
Revenue		244,262	900	245,162	255,267	487	255,754
Cost of sales		(179,250)	(48,778)	(228,028)	(173,979)	(67,244)	(241,223)
Impairment of goodwill	5	-	(213,100)	(213,100)	-	-	-
Impairment of intangible assets	5	-	(15,000)	(15,000)	-	-	-
Impairment of inventory	5	-	(28,000)	(28,000)	-	-	-
Gross profit		65,012	(303,978)	(238,966)	81,288	(66,757)	14,531
Administration expenses		(4,058)	(4,126)	(8,184)	(7,823)	(4,531)	(12,354)
Operating profit/(loss)		**60,954**	**(308,104)**	**(247,150)**	**73,465**	**(71,288)**	**2,177**
Post tax share of results from joint venture		1,898	-	1,898	908	-	908
		62,852	(308,104)	(245,252)	74,373	(71,288)	3,085
Net finance costs	4	(59,936)	(117,629)	(177,565)	(37,563)	(94,782)	(132,345)
Transaction costs	5	-	-	-	-	(34,485)	(34,485)
Cessation of hedge accounting	5	-	-	-	-	(63,743)	(63,743)
Profit/(loss) before tax		**2,916**	**(425,733)**	**(422,817)**	**36,810**	**(264,298)**	**(227,488)**
Tax	6	(11,927)	11,874	(53)	(18,974)	12,072	(6,902)
(Loss)/profit after tax		**(9,011)**	**(413,859)**	**(422,870)**	**17,836**	**(252,226)**	**(234,390)**
Discontinued operations							
Post tax share of results from associates		-	-	-	-	873	873
(Loss)/profit for the period		**(9,011)**	**(413,859)**	**(422,870)**	**17,836**	**(251,353)**	**(233,517)**
Attributable to Equity holders of the parent		**(9,011)**	**(413,859)**	**(422,870)**	**17,836**	**(251,353)**	**(233,517)**

*Details of adjustments are included in note 3.

Condensed consolidated income statement

Period ended 31 December 2010

	Note	9 months to December 2010 Adjusted $'000	9 months to December 2010 Adjustments* $'000	9 months to December 2010 Total $'000	9 months to December 2009 Adjusted $'000	9 months to December 2009 Adjustments* $'000	9 months to December 2009 Total $'000
Continuing operations							
Revenue		721,580	25,394	746,974	774,542	1,215	775,757
Cost of sales		(510,151)	(160,891)	(671,042)	(515,502)	(171,060)	(686,562)
Impairment of goodwill	5	-	(213,100)	(213,100)	-	-	-
Impairment of intangible asset	5	-	(15,000	(15,000)	-	-	-
Impairment of inventory	5	-	(28,000)	(28,000)	-	-	-
Gross profit		211,429	(391,597)	(180,168)	259,040	(169,845)	89,195
Administration expenses		(21,060)	(8,056)	(29,116)	(17,540)	(8,870)	(26,410)
Operating profit/(loss)		**190,369**	**(399,653)**	**(209,284)**	**241,500**	**(178,715)**	**62,785**
Post tax share of results from joint venture		3,851	-	3,851	3,635	-	3,635
		194,220	(399,653)	(205,433)	245,135	(178,715)	66,420
Net finance costs	4	(176,539)	(334,002)	(510,541)	(124,362)	(281,288)	(405,650)
Transaction costs	5	-	-	-	-	(34,485)	(34,485)
Cessation of hedge accounting	5	-	-	-	-	(63,743)	(63,743)
Profit/(loss) before tax		**17,681**	**(733,655)**	**(715,974)**	**120,773**	**(558,231)**	**(437,458)**
Tax	6	(33,208)	26,622	(6,586)	(56,696)	34,428	(22,268)
(Loss)/profit after tax		**(15,527)**	**(707,033)**	**(722,560)**	**64,077**	**(523,803)**	**(459,726)**
Discontinued operations							
Post tax share of results from associates		-	-	-	-	873	873
(Loss)/profit for the period		**(15,527)**	**(707,033)**	**(722,560)**	**64,077**	**(522,930)**	**(458,853)**
Attributable to Equity holders of the parent		**(15,527)**	**(707,033)**	**(722,560)**	**64,077**	**(522,930)**	**(458,853)**

*Details of adjustments are included in note 3.

Condensed consolidated statement of comprehensive income

Period ended 31 December 2010

	Note	3 months to December 2010 $'000	3 months to December 2009 $'000	9 months to December 2010 $'000	9 months to December 2009 $'000
Loss for the period		**(422,870)**	**(233,517)**	**(722,560)**	**(458,853)**
Fair value gain/(loss) on cash flow hedges	10	7,965	(13,332)	(33,273)	(25,187)
Transferred to income statement on cash flow hedges	4, 5	16,216	79,583	49,518	108,551
Actuarial loss on defined benefit pension		-	(1,875)	-	(15,548)
Other comprehensive profit for the period, net of tax		**24,181**	**64,376**	**16,245**	**67,816**
Total comprehensive loss for the period, net of tax		**(398,689)**	**(169,141)**	**(706,315)**	**(391,037)**
Attributable to Equity holders of the parent		**(398,689)**	**(169,141)**	**(706,315)**	**(391,037)**

Condensed consolidated statement of financial position

At 31 December 2010

	Note	31 December 2010 $'000	31 March 2010 $'000
Non-current assets			
Goodwill	5, 8	2,398,337	2,570,376
Intangible assets	5, 8	1,175,617	1,213,045
Property, plant and equipment	9	307,570	309,383
Investments		2,987	837
Interest in joint ventures		23,471	9,316
Deferred tax assets		15,805	16,423
		3,923,787	4,119,380
Current assets			
Inventories	5	40,996	64,393
Trade and other receivables		253,167	253,496
Cash		84,919	193,086
Asset classified as held for sale		1,463	1,988
		380,545	512,963
Current liabilities			
Trade and other payables		(166,111)	(206,332)
Derivative financial instruments	10	(45,875)	(42,815)
Finance leases		(3,607)	(2,497)
Tax liabilities		(63,062)	(67,003)
Provisions	11	(35,842)	(25,084)
		(314,497)	(343,731)
Net current assets		**66,048**	**169,232**
Non-current liabilities			
Derivative financial instruments	10	(77,331)	(77,698)
Finance leases		(35,460)	(35,256)
Senior secured notes	12	(1,325,485)	(1,319,545)
Other interest bearing loans	12	(870,218)	(777,402)
Shareholder loan	12	(3,071,078)	(2,746,880)
Provisions	11	(2,328)	(3,159)
Deferred tax		(339,617)	(350,765)
Pension deficit	13	(16,860)	(19,899)
		(5,738,377)	(5,330,604)
Total assets less total liabilities		**(1,748,542)**	**(1,041,992)**
Total assets less total liabilities excluding shareholder loan*		**1,322,536**	**1,704,888**
Equity attributable to owners of the parent			
Share capital		200	200
Translation reserve		(53,404)	(53,404)
Hedging reserve		(10,489)	(26,734)
Equity reserve		-	235
Retained earnings		(1,684,849)	(962,289)
Total equity		**(1,748,542)**	**(1,041,992)**
Total equity and shareholder loan*		**1,322,536**	**1,704,888**

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

The accounts were approved by the directors and authorised for issue on 1 March 2011.

Condensed consolidated cash flow statement

Period ended 31 December 2010

	Note	9 months to December 2010 Adjusted $'000	9 months to December 2010 Adjustments* $'000	9 months to December 2010 Total $'000	9 months to December 2009 Adjusted $'000	9 months to December 2009 Adjustments* $'000	9 months to December 2009 Total $'000
Operating profit/(loss)		190,369	(399,653)	(209,284)	241,500	(178,715)	62,785
Non cash items	14	334	368,311	368,645	1,384	136,867	138,251
Operating cash flows before movements in working capital		190,703	(31,342)	159,361	242,884	(41,848)	201,036
(Increase)/decrease in inventories		(4,755)	28,000	23,245	3,936	-	3,936
(Increase)/decrease in receivables		(147)	-	(147)	31,884	-	31,884
Decrease in payables		(15,510)	-	(15,510)	(2,438)	-	(2,438)
Increase in asset held for sale		(19)	-	(19)	-	-	-
Decrease in provision and defined benefit pension scheme	11	(8,866)	(3,414)	(12,280)	(4,672)	(7,846)	(12,518)
Cash generated by operations		**161,405**	**(6,756)**	**154,649**	**271,594**	**(49,694)**	**221,900**
Income taxes paid		(33,323)	-	(33,323)	(32,406)	-	(32,406)
Interest paid		(186,592)	-	(186,592)	(121,269)	-	(121,269)
Net cash from operating activities		**(58,509)**	**(6,756)**	**(65,265)**	**117,919**	**(49,694)**	**68,225**
Investing activities							
Interest received				60			559
Purchase of property, plant and equipment	9			(31,765)			(30,086)
Proceeds on disposal of property, plant and equipment				422			1,460
Proceeds on disposal of assets held for sale				482			-
Purchase of intangible assets	8			(4,738)			(426)
Proceeds on disposal of intangible asset	15			-			14,571
Net cash outflow on acquisition of investment				(2,150)			-
Net cash outflow on the management incentive plan	15			(1,477)			-
Acquisition of business	7			(84,000)			-
Payment of deferred consideration				(1,499)			(3,433)
Dividend received from joint venture				4,276			3,355
Net cash used in investing activities				**(120,389)**			**(14,000)**
Financing activities							
Exercise of share options				715			500
Bond transaction fees				(6,967)			(1,093)
Repayment of borrowings	12			(53,250)			(1,357,953)
Proceeds from borrowings	12			138,226			1,322,557
Repayment of finance leases				(2,648)			(4,302)
Net cash from financing activities				**76,076**			**(40,291)**
Net decrease in cash				(109,578)			13,934
Cash at beginning of period				193,086			163,293
Effect of foreign exchange				1,411			3,522
Cash at end of period				**84,919**			**180,749**

*Details of adjustments are included in note 3.

Condensed consolidated statement of changes in equity

Period ended 31 December 2010

	Share capital $'000	Translation Reserve $'000	Hedging Reserve $'000	Equity Reserve $'000	Retained Earnings $'000	Attributed to equity holders of parent $'000
As at 1 April 2010	200	(53,404)	(26,734)	235	(962,289)	(1,041,992)
Comprehensive income/(loss)	-	-	16,245	-	(722,560)	(706,315)
Share-based payments	-	-	-	(235)	-	(235)
At 31 December 2010	**200**	**(53,404)**	**(10,489)**	**-**	**(1,684,849)**	**(1,748,542)**

Period ended 31 December 2009

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

Notes to the condensed consolidated financial statements

Period ended 31 December 2010

1. Corporate information

The condensed consolidated financial statements of the Group for the nine months ended 31 December 2010 were authorised for issue by the Company's Directors on 1 March 2011. The Company is a private company limited by shares 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 year ended 31 March 2010 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 2010 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 year ended 31 March 2010.

The figures for the nine months ended 31 December 2010 and nine months ended 31 December 2009 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 2010, 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 2010. 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 year ended 31 March 2010.

Recent accounting developments

IFRS 3 *Business Combinations (Revised)*

The Group applies the revised standards to business combinations where the acquisition date is on or after the beginning of annual periods starting on or after 1 July 2009. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

Notes to the condensed consolidated financial statements

Period ended 31 December 2010

3. Adjustments

Adjusted revenue is defined as revenue excluding 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 2010 $'000	3 months to December 2009 $'000	9 months to December 2010 $'000	9 months to December 2009 $'000
Revenue	**245,162**	**255,754**	**746,974**	**775,757**
AX-S	(41)	(21)	(23,790)	(79)
Expro Meters	(859)	(466)	(1,604)	(1,136)
Adjusted revenue	**244,262**	**255,267**	**721,580**	**774,542**

Adjusted operating profit is defined as operating profit excluding depreciation, amortisation, impairment 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 2010 $'000	3 months to December 2009 $'000	9 months to December 2010 $'000	9 months to December 2009 $'000
Operating profit	**(247,150)**	**2,177**	**(209,284)**	**62,785**
AX-S	(163)	14,688	(7,133)	28,944
Expro Meters	1,302	1,882	4,998	5,547
Impairment of goodwill (note 5)	213,100	-	213,100	-
Impairment of intangible asset (note 5)	15,000	-	15,000	-
Amortisation of intangible asset	27,931	26,573	81,544	83,578
Profit on sale of intangible asset	-	-	-	(14,571)
Property, plant and equipment depreciation	19,632	19,117	58,046	63,627
Loss on disposal of property, plant and equipment	123	4,275	556	4,189
Impairment of inventory (note 5)	28,000	-	28,000	-
Impairment for asset held for sale	489	-	489	-
Profit on disposal of asset held for sale	(187)	-	(187)	-
Formation costs in respect of the management incentive plan	2,786	-	2,786	-
Business improvement initiatives	245	454	661	2,247
Business rationalisation and other (income)/costs	(28)	2,240	(79)	2,715
Acquisition related (income)/costs	(126)	2,043	2,107	2,396
Share based payments	-	16	(235)	43
Adjusted operating profit	**60,954**	**73,465**	**190,369**	**241,500**

Notes to the condensed consolidated financial statements

Period ended 31 December 2010

	9 months to December 2010 $'000	9 months to December 2009 $'000
Net cash from operating activities	**(60,474)**	**68,225**
AX-S	(7,133)	28,944
Expro Meters	4,998	5,546
Formation costs in respect of the management incentive plan	2,786	-
Business improvement initiatives	661	2,247
Business rationalisation and other costs	902	2,715
Acquisition related costs	2,107	2,396
Cash outflow on certain issues from the acquisition	2,435	7,846
Adjusted net cash from operating activities	**(53,718)**	**117,919**

AX-S and Expro Meters

Both of these segments are focused on the development of revolutionary products and are not considered by management to be part of the core operations of the Group. While management monitors the performance of these segments closely, the revenue and costs are excluded from the adjusted results in order to evaluate the underlying trend of the business.

Business improvement initiatives

Costs relate primarily to one-off consultancy fees and relate to specific projects focussed on improving operational efficiency.

Business rationalisation and other costs

Business rationalisation costs primarily relate to employee redundancy and charges in respect of vacated property. Following the global economic crisis and consequential reduction in demand, the Group completed a comprehensive review of all of its operations during the year ended 31 March 2010 and executed significant restructuring primarily focused on its North America Land and West Africa business.

Acquisition related costs

Acquisition related costs in the nine months to December 2010 include legal and professional fees in connection with the acquisition of PTI (note 7). Acquisition related costs in the nine months to December 2009 primarily comprise legal and professional fees in connection with the acquisition of Expro International Group PLC.

Finance costs

Adjusted finance costs exclude material non-cash items as detailed below.

	3 months to December 2010 $'000	3 months to December 2009 $'000	9 months to December 2010 $'000	9 months to December 2009 $'000
Net finance costs	**(177,565)**	**(132,345)**	**(510,541)**	**(405,650)**
Fair value (gain)/loss on cash flow hedges	(140)	(5,811)	2,465	(5,811)
Mezzanine loan payment in kind interest	13,758	11,581	40,462	33,810
Shareholder loan interest	102,608	89,012	289,222	253,289
Unwinding of discount on contingent consideration	1,403	-	1,853	-
Adjusted net finance costs	**(59,936)**	**(37,563)**	**(176,539)**	**(124,362)**

Fair value loss on cash flow hedges

The Group enters into interest rate swaps in order to mitigate its exposure to cash flow interest rate risk, and designates these swaps as hedging instruments where they are highly effective hedges (within the 80-125% range permitted by *IAS 39 – Financial*

Notes to the condensed consolidated financial statements

Period ended 31 December 2010

Instruments: Recognition and Measurement). For designated hedges that are 100% effective this allows all the mark to market volatility to be taken to the hedging reserve included within equity.

For cash flow hedges that are highly effective but not 100% effective, a proportion of fair value movements (the ineffectiveness) is recognised directly against earnings rather than in equity. Where cash flow hedges cannot be shown to be highly effective, hedge accounting cannot be applied at all and fair value movements are fully recognised directly against earnings. In both these cases, as this volatility is not reflected in the Group's cash flows, these fair value movements are excluded from adjusted earnings.

Discount on contingent consideration

As detailed in note 7, the purchase consideration for the acquisition of PTI includes contingent consideration of $30.0m. This has been discounted over a period of twelve months from the date of acquisition at a rate of 25%. The unwinding of the discount is included in finance costs in the income statement, and has been excluded from adjusted finance costs on the basis that the unwinding of the discount is a material non-cash item.

Non cash interest

Mezzanine loan payment in kind interest and shareholder loan interest have been excluded from adjusted net finance costs as there is no cash outflow until the end of the contractual period.

4. Net finance costs

	3 months to December 2010 $'000	3 months to December 2009 $'000	9 months to December 2010 $'000	9 months to December 2009 $'000
Finance income:				
Bank interest receivable	17	202	60	559
Expected return on defined benefit pension assets	2,598	1,693	7,596	4,536
Fair value gain on cash flow hedges	-	5,811	-	5,811
Other finance income	(11)	5,763	2,504	5,763
	2,604	**13,469**	**10,160**	**16,669**
Finance Costs:				
Senior secured notes interest	(29,750)	(3,306)	(89,250)	(3,306)
Senior loan interest	-	(11,568)	-	(41,741)
Revolving credit facility interest	(95)	-	(129)	-
Mezzanine loan cash settled interest	(9,609)	(9,002)	(28,769)	(28,929)
Mezzanine loan payment in kind interest	(13,758)	(11,581)	(40,462)	(33,810)
Shareholder loan interest	(102,608)	(89,012)	(289,222)	(253,289)
Amortisation of financing costs	(3,076)	(1,899)	(9,016)	(6,286)
Commitment fees	(410)	(604)	(1,017)	(1,967)
Finance leases	(635)	(678)	(1,747)	(1,773)
Other interest payable	(204)	(34)	(218)	(88)
Total interest expense	**(160,145)**	**(127,684)**	**(459,830)**	**(371,189)**
Transferred to income statement on cash flow hedges	(16,216)	(15,840)	(49,518)	(44,808)
Finance cost on defined benefit pension obligation	(2,254)	(2,046)	(6,596)	(5,832)
Fair value loss on cash flow hedges	140	-	(2,465)	-
Discount on contingent consideration	(1,403)	-	(1,853)	-
Other payable	(291)	(244)	(439)	(490)
Total finance costs	**(180,169)**	**(145,814)**	**(520,701)**	**(422,319)**
Net finance costs	**(177,565)**	**(132,345)**	**(510,541)**	**(405,650)**

Notes to the condensed consolidated financial statements

Period ended 31 December 2010

5. Exceptional items

At December 2010 the Group reviewed its cash flow projections for all of its cash generating units (CGU's), resulting in an impairment of goodwill and intangible assets held against its Middle East and North Africa CGU and its North America Offshore CGU, as well as a reduction in the headroom available to other CGU's before any additional goodwill impairment. Further details of these impairments are set out in note 8. The Group considered the outcome of these lower projections against the carrying value of its inventory and concluded that an impairment against slow moving items was also required, resulting in an inventory impairment of $28.0m.

Following the issue of the fixed rate notes and the subsequent settlement of the Group's variable rate senior loans in the quarter to December 2009, 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 senior loans was transferred to the income statement, resulting in a charge of $63.7m in the period to December 2009. Deferred finance costs of $34.5m in respect of the senior loans were also expensed to the income statement in the same period.

6. Tax

	3 months to December 2010 $'000	3 months to December 2009 $'000	9 months to December 2010 $'000	9 months to December 2009 $'000
Current tax:				
Current period	(6,368)	(15,621)	(28,429)	(45,186)
Prior period	(4,826)	-	(3,431)	-
	(11,194)	(15,621)	(31,860)	(45,186)
Deferred tax:				
Current period	11,141	8,719	25,274	22,918
	(53)	**(6,902)**	**(6,586)**	**(22,268)**

The effective income tax rate in the nine months to December 2010 before the inclusion of post tax profits from joint ventures and associates is -0.9% (nine months to December 2009: -5.1%). 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. Business combinations

On 1st September 2010 the Group acquired PTI from Production Testers International HK Ltd and Production Testers International Ltd. Based in Asia, PTI is a leading well services business providing fast track production systems to the upstream oil and gas industry. The Group has acquired PTI to expand its business and capabilities in Asia.

The acquisition has been accounted for using the acquisition method and the results for the nine months to December 2010 include the four months results of PTI since the acquisition date.

The Group obtained control through an Asset Purchase Agreement. The fair value of the assets and liabilities at the acquisition date is preliminary and may be adjusted during the measurement period. The provisional fair value of the identifiable assets and liabilities of PTI as at the date of acquisition was:

	Fair Value recognised on acquisition $'000
Assets	
Intangible assets	51,350
Property, plant and equipment	20,057
Inventories	121
Investment in joint venture (note 14)	10,303
	81,831
Liabilities	
Deferred tax liability	(14,892)
Total identifiable net assets at fair value	66,939
Goodwill arising on acquisition	41,061
Fair value of purchase consideration	**108,000**
Analysis of cash flows on acquisition:	
Cash paid	**(84,000)**

The purchase consideration includes a contingent consideration of $30.0m conditional on earn-out clauses which management is confident will be met within 1 year from the date of acquisition. The purchase consideration has been discounted over a period of twelve months from the date of acquisition at a rate of 25%, being the interest rate on a new shareholder loan used to partially finance the acquisition. A contingent liability at a fair value of $24.0m has been determined at the acquisition date. A charge of $1.9m has been included in finance costs as at 31 December 2010 (note 4). No other contingent liability has been acquired.

The goodwill recognised above is attributed to the expected synergies and other benefits from combining the assets and activities of PTI with those of the Group, in particular to develop a broader oilfield service in Asia as well as in other geographical areas. None of the recognised goodwill is expected to be deductible for income tax purposes.

PTI specialises in delivering early production facilities, production enhancement and well-testing services to its customers in Asia, predominantly in Thailand and Vietnam. Expro's existing business in these countries was similar in nature and as a result these have been integrated into the acquired business to create Expro PTI. As a result of the integration of the business the revenue and operating profit of PTI for the post acquisition period is not identifiable and has not been disclosed.

If the combination had taken place at the beginning of the year the adjusted revenue of the Group would have been $742.1m and the adjusted operating profit would have been $201.1m in the nine months to December 2010. The loss after tax of the Group would have been $461.9 in the nine months to December 2010.

Transaction costs associated with the business combination have been disclosed in note 3.

8. Goodwill and intangible assets

Goodwill of $41.1m has been recognised in the nine months to December 2010 on the acquisition of PTI (note 7).

During the nine months to December 2010, the Group acquired intangible assets with a cost of $59.2m, of which $51.4m relates to the acquisition of PTI (note 7) and $3.1m relates to new finance leases.

Notes to the condensed consolidated financial statements

Period ended 31 December 2010

Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value in use calculations that use a discounted cash flow model. At December 2010 the Group reviewed its cash flow projections for all of its CGU's, and as a result impaired the following cash generating units:

Middle East North Africa

The projected cash flows were updated to reflect a more cautious approach to the region's geographical expansion plans, including the pace at which the region expects to capitalise on opportunities in Iraq. The projected cash flows also reflect a reduction in revenue anticipated from a significant customer. As a result management has recognised a goodwill impairment charge of $140.9m together with an intangible asset impairment charge of $15.0m against customer relationships and contracts. The impairment charges are recorded on the face of the income statement.

North America Offshore

The projected cash flows were updated to reflect the impact of the uncertainty over the timing of drilling permits in the GoM. As a result of the updated analysis management has recognised an impairment charge of $72.2m. The impairment charge is recorded on the face of the income statement.

9. Property, plant and equipment

During the nine months to December 2010, the Group acquired plant and equipment with a cost of $56.7m of which $20.1m relates to the acquisition of PTI and $0.2m relates to new finance leases (year ended March 2010: $65.8m additions of which $26.2m relates to finance leases).

Assets with a net book value of $1.3m were disposed of by the Group during the nine months to December 2010 (year ended March 2010: $6.3m).

As at 31 December 2010 the Group entered into contractual commitments for the acquisition of property, plant and equipment with an expected capitalised value of $43.3m (year ended March 2010: $7.0m).

10. Derivative financial instruments

The Group's mezzanine term loan is at a floating rate and bears interest fixed for periods of three months, based upon 3 month US Dollar LIBOR. As a result, the Group is exposed to cash flow interest rate risk.

As at 31 December 2010 the Group held interest rate swaps designated as cash flow hedges with a fixed swap rate of 6.27% and a combined nominal value of $745.4m and a fair value liability of $123.2m.

The swaps were assessed to be highly effective at 31 December 2010, i.e. within the 80-125% range permitted by *IAS 39 – Financial Instruments: Recognition and Measurement*. In the nine months to December 2010 a fair value loss of $33.3m has been recognised in the consolidated statement of comprehensive income and a fair value loss of $2.5m has been recognised in profit and loss, representing the ineffective element of the swaps.

Notes to the condensed consolidated financial statements

Period ended 31 December 2010

11. Provisions

	Deferred consideration $000	Legal and other provisions $000	Total $000
At 1 April 2010	2,599	25,644	28,243
Payments or amounts utilised	(1,396)	(9,361)	(10,757)
Unused amounts reversed	(187)	(5,121)	(5,308)
Increase in period	25,916	-	25,916
Exchange difference	60	16	76
At 31 December 2010	**26,992**	**11,178**	**38,170**
Included in current liabilities	26,260	9,582	35,842
Included in non-current liabilities	732	1,596	2,328
	26,992	**11,178**	**38,170**

As detailed in note 7, a contingent liability of $24.0m has been recognised on the acquisition of PTI. A discount charge of $1.9m has been included in contingent consideration as at 31 December 2010.

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.

The provisions released during the period relate to a number of disputes that have been settled at amounts less than originally anticipated. The amounts utilised during the period relate to payments in relation with issues provided for in the last financial year. Except for the items disclosed above, the Group had no material contingent liabilities as at 31 December 2010.

12. Interest bearing loans

	Effective interest rate %	Maturity date	31 December 2010 $'000	31 March 2010 $'000
Senior secured notes	9.91%	15 December 2016		
Principal			(1,400,000)	(1,400,000)
Original issue discount			47,349	51,685
Transaction costs			27,166	28,770
			(1,325,485)	**(1,319,545)**
Loans				
Mezzanine	USD LIBOR +10.75%	15 July 2018	(842,032)	(801,569)
Revolving credit facility	USD LIBOR +3%	21 December 2014	(50,000)	-
Principal			(892,032)	(801,569)
Transaction costs			21,814	24,167
			(870,218)	**(777,402)**
Total interest bearing loans (excluding shareholder loan)			**(2,195,703)**	**(2,096,947)**
Shareholder loan	14%	15 July 2019	(3,037,906)	(2,746,880)
	25%	15 July 2019	(33,172)	-
			(3,071,078)	**(2,746,880)**
Total interest bearing loans (including shareholder loan)			**(5,266,781)**	**(4,843,827)**

Notes to the condensed consolidated financial statements

Period ended 31 December 2010

On 31 August 2010 $53.3m of the revolving credit facility was drawn, this was used to partially finance the acquisition of PTI and was repaid on 7 September 2010. At 31 December 2010 $50.0m of the revolving credit facility was drawn to finance capital expenditure and temporarily fund working capital following delays from certain customers due to regulatory issues.

On 7 September 2010 a new shareholder loan of $30.8m was issued to partially finance the acquisition of PTI. The shareholder loan consists of an unsecured term loan due to the parent company of Expro Holdings UK 3 Ltd at a rate fixed at 25%. Interest compounds into the principal and the loans mature on 15 July 2019.

On 16 November 2010 a new shareholder loan of $4.2m was issued. The shareholder loan consists of an unsecured term loan due to the parent company of Expro Holdings UK 3 Ltd at a rate fixed at 14%. Interest compounds into the principal and the loan mature on 15 July 2019.

13. Retirement benefit schemes

In the nine months to December 2010 the Group has accounted for its defined benefit obligation using the assumptions in the IAS19 valuation at March 2010. The defined benefit plan assets have been calculated in line with expected returns at the start of the year and allowing for actual cash flows. Defined benefit obligations have been calculated allowing for expected interest costs, service cost and cash flows. This method does not include actual market returns and does not allow for any changes in market conditions since the IAS19 valuation at March 2010.

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

	31 December 2010 $'000	31 March 2010 $'000
Present value of defined benefit obligations	(173,988)	(162,041)
Fair value of scheme assets	157,128	142,142
Deficit recognised in the statement of financial position under non-current liabilities	**(16,860)**	**(19,899)**

14. Non cash items

	9 months to December 2010 Total $'000	9 months to December 2009 Total $'000
Adjustments for:		
Impairment of goodwill	213,100	-
Impairment of intangible asset	15,000	-
Amortisation of intangible asset	81,544	83,578
Profit on disposal of intangible asset	-	(14,571)
Depreciation of property, plant and equipment	58,046	63,628
Loss on disposal of property, plant and equipment	556	4,189
Impairment of held for sale asset	489	-
Gain on disposal of asset held for sale	(187)	-
Share based payments	(235)	43
Retirement benefit	2,461	1,026
Unrealised foreign exchange	(2,129)	358
Non cash items	**368,645**	**138,251**

Notes to the condensed consolidated financial statements

Period ended 31 December 2010

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 December 2010 costs of $0.5m (nine months to December 2009: $0.7m) 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. Costs include directors' fees incurred by the Investor-nominated directors of Expro International Group Holdings Ltd, the Company's principal holding company.

At 31 December 2010 the Group held a 50% stake in a joint venture, COSL – Expro Testing Services (Tianjin) Co. Limited ("CETS") and a 49% stake in PV Drilling Production Testers International Company Limited ("PVD-PTI") which was acquired as part of PTI (note 7). PVD-PTI qualifies as a joint venture under IAS 31 as the unanimous consent of all parties is required when making strategic financial and operating decisions.

Trading transactions

During the nine months to December 2010, 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
Expro AX-S Technology Limited	140	8,615	677	28
CETS	4,248	37	-	-
PVD-PTI	314	-	214	-
Key management personnel of the Group	-	-	1,477	-
At 31 December 2010	**4,702**	**8,652**	**2,368**	**28**
Expro AX-S Technology Limited	79	5,927	117	1,463
CETS	4,517	104	1,434	-
At 31 December 2009	**4,596**	**6,031**	**1,551**	**1,463**

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 amounts owed by related parties.

At 31 December 2010 the Group owed $3,071.1m (December 2009: $2,679.7m) to Expro Holdings UK 2 Limited, of which $289.2m of interest has been expensed during the nine months to December 2010 (December 2009: $253.3m).

During the nine months to December 2009 the Group sold part 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.

During the nine months to December 2010, the Group sold the AX-S lightweight, deepwater intervention prototype to Expro AX-S Technology Limited for $23.7m, following a valuation on an arms length basis by an independent third party. While conditional on future events the additional amount due was prepaid to the Group after the balance sheet date.

Notes to the condensed consolidated financial statements

Period ended 31 December 2010

16. Events after the reporting date

After the balance sheet date, the Group received a pre-payment of $31.9m in respect of the sale of the AX-S prototype, with the transaction remaining conditional on future events. There were no other events between the reporting date and the date the financial statements were authorised for issue that require disclosure.

Quarterly summary

Period ended 31 December 2010

	3 months to December 2010 $'000	3 months to September 2010 $'000	3 months to June 2010 $'000	3 months to March 2010 $'000	3 months to December 2009 $'000
Adjusted revenue	244,262	244,893	232,425	242,862	255,267
Adjusted operating profit	60,954	63,033	66,382	61,820	73,465
Adjusted operating margin	25.0%	25.7%	28.6%	25.5%	28.8%
Adjustments[5]:					
AX-S	(163)	(14,822)	7,852	14,213	14,688
Expro Meters	1,302	1,757	1,939	2,095	1,882
Impairment of goodwill	213,100				
Impairment of intangible asset	15,000				
Amortisation of intangible asset	27,931	27,091	26,522	26,825	26,573
Property, plant and equipment depreciation	19,632	19,455	18,959	19,152	19,117
Loss on disposal of property, plant and equipment	123	408	25	559	4,275
Impairment of inventory	28,000	-	-	-	-
Impairment of asset held for sale	489	-	-	-	-
Profit on disposal of asset held for sale	(187)	-	-	-	-
Formation costs in respect of the management incentive plan	2,786				
Business improvement initiatives	245	416	-	171	454
Business rationalisation and other (income)/costs	(28)	(51)	-	13,469	2,240
Acquisition related (income)/costs	(126)	912	1,321	(1,053)	2,043
Share based payment	-	(235)	-	21	16
	308,104	34,931	56,618	75,452	71,288
Operating profit/(loss)	(247,150)	28,102	9,764	(13,632)	2,177

[5] Details of adjustments are included in Note 3