Company number: 06492082

EXPRO HOLDINGS UK 3 LIMITED

Unaudited Condensed Consolidated
Financial Statements

Quarterly Report
Three months to 30 June 2010

Contents

Financial highlights

	3 months to June 2010 $'000	3 months to March 2010 $'000	Change
Revenue	232,709	243,144	(4.3%)
Revenue on a constant currency basis[1]	232,709	238,000	(2.2%)
Adjusted operating profit[2]	66,382	61,820	7.4%
Adjusted operating margin	28.5%	25.4%	3.1pts
Operating profit	9,764	(13,632)	(171.6%)
Operating margin	4.2%	(5.6%)	9.8pts
Adjusted free cash flow [3]	28,282	108,994	(74.1%)
Adjusted free cash flow as a percentage of revenue	12.2%	44.8%	(32.6pts)
Cash flow generated by operations	20,321	88,762	(81.4%)

	30 June 2010 $'000	31 March 2010 $'000	Change
Cash	103,425	193,086	(46.4%)
Net debt[3]	(2,045,835)	(1,941,614)	5.4%

	3 months to June 2010 $'000	3 months to June 2009 $'000	Change
Revenue	232,709	264,774	(12.1%)
Revenue on a constant currency basis[1]	232,709	269,823	(13.8%)
Adjusted operating profit[2]	66,382	93,297	(28.8%)
Adjusted operating margin	28.5%	35.2%	(6.7pts)
Operating profit	9,764	47,489	(79.4%)
Operating margin	4.2%	17.9%	(13.7pts)

[1] 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.

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

Business review

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

Financial and operating results
The business review in the quarterly report to 30 June 2010 presents financial and operating results for the following periods:

- Three months to June 2010 compared to three months to March 2010; and

- Three months to June 2010 compared to three months to June 2009.

Three months to June 2010 compared to three months to March 2010

	3 months to June 2010 $'000	3 months to March 2010 $'000	Change %
Revenue	**232,709**	243,144	(4.3%)
Revenue – constant currency[1]	**232,709**	238,000	(2.2%)
Adjusted operating profit[2]	**66,382**	61,820	7.4%
Adjusted operating margin	**28.5%**	25.4%	3.1pts

Overall trading performance

Revenues in the three months to June 2010 of $232.7m were down 4.3% compared to the prior quarter and 2.2% on a constant currency basis. The majority of the revenue reduction was due to a lower level of pass-through revenue which represents third party services passed on to customers at a minimal margin. Adjusted operating profit increased by $4.6m in the period to $66.4m, while the adjusted operating margin was 3.1pts higher at 28.5%.

Segmental revenue

	3 months to June 2010 $'000	3 months to March 2010 Constant currency[1] $'000	Change Constant %
Regional businesses			
Europe CIS	**59,391**	62,216	(4.5%)
South & West Africa	**42,270**	46,386	(8.9%)
Middle East North Africa	**23,691**	25,083	(5.5%)
Asia	**22,917**	27,215	(15.8%)
North America Land[4]	**17,033**	13,254	28.5%
North America Offshore	**19,830**	17,975	10.3%
Latin America	**20,522**	20,434	0.4%
Global businesses			
Connectors & Measurements	**21,768**	21,215	2.6%
Wireless Well Solutions	**357**	1,403	(74.6%)
Equipment Sales	**4,926**	3,849	28.0%
Expro Meters	**349**	238	46.6%
Elimination of intra-group sales	**(345)**	(1,268)	(72.8%)
Revenue	**232,709**	**238,000**	**(2.2%)**

[4] Following a minor restructuring of the business, activities in Mexico are now managed by the North America Land team (previously Mexico was included within the Latin America business) and as such the prior period numbers have been restated to reflect this change.

Business review

Regional Businesses

Europe CIS
Revenues in the three months to June 2010 of $59.4m were 4.5% lower, with the majority being due to lower pass-through revenues. Activity in Norway picked up following the adverse weather conditions seen in the prior quarter, although this was offset by lower well-testing and wireline activity in Holland.

South and West Africa
Revenues in the three months to June 2010 of $42.3m were 8.9% lower, impacted by the completion of subsea safety services for Eni in Nigeria together with lower levels of activity across the Remotes business.

Middle East North Africa
Revenues in the three months to June 2010 of $23.7m were 5.5% lower. After adjusting for a decrease in pass-through revenues, underlying revenues improved marginally reflecting additional well-testing activity in Saudi Arabia.

Asia
Revenues in the three months to June 2010 of $22.9m were 15.8% lower, a significant element again related to lower pass-through revenues, but the region was also impacted by low activity in Vietnam.

North America Land
Revenues in the three months to June 2010 of $17.0m were 28.5% higher. Activity levels increased consistent with the rise in the number of drilling rigs in North America and the stabilisation of domestic gas prices.

North America Offshore
Revenues in the three months to June 2010 of $19.8m were 10.3% higher, with the majority of the quarter on quarter growth coming from East Coast Canada and Alaska. Overall revenues in the Gulf of Mexico (“GoM”) were down marginally, with increased activity in intervention services offsetting lower subsea activity following the drilling moratorium.

Latin America
Revenues in the three months to June 2010 of $20.5m were 0.4% higher, with activity in Brazil continuing to increase, but offset by lower levels of activity in Argentina and Bolivia.

Global Businesses

Connectors and Measurements
Revenues in the three months to June 2010 of $21.8m were 2.6% higher predominantly as a result of a draw down on the order book.

Other global businesses
The Group’s other global business revenues in total were broadly in line with the previous quarter.

Three months to June 2010 compared to three months to June 2009

	3 months to June 2010 $’000	**3 months to June 2009 $’000**	**Change %**
Revenue	**232,709**	264,774	(12.1%)
Revenue – constant currency[1]	**232,709**	269,823	(13.8%)
Adjusted operating profit[2]	**66,382**	93,297	(28.8%)
Adjusted operating margin	**28.5%**	35.2%	(6.7pts)

Business review

Overall trading performance

Revenues in the three months to June 2010 of $232.7m were down 12.1% compared to the same period last year and 13.8% 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 6.7pts lower reflecting the margin impact of the above contracts and the operational gearing impact of lower revenues.

Segmental revenue

	3 months to June 2010 $'000	3 months to June 2009 Constant currency[1] $'000	Change Constant currency %
Regional businesses			
Europe CIS	**59,391**	69,932	(15.1%)
South & West Africa	**42,270**	62,377	(32.2%)
Middle East North Africa	**23,691**	23,691	-
Asia	**22,917**	33,872	(32.3%)
North America Land[6]	**17,033**	17,890	(4.8%)
North America Offshore	**19,830**	18,828	5.3%
Latin America	**20,522**	17,034	20.5%
Global businesses			
Connectors & Measurements	**21,768**	24,568	(11.4%)
Wireless Well Solutions	**357**	1,157	(69.1%)
Equipment Sales	**4,926**	-	-
Expro Meters	**349**	474	(26.4%)
Elimination of intra-group sales	**(345)**	-	-
Revenue	**232,709**	**269,823**	**(13.8%)**

Regional Businesses

Europe CIS
Revenues in the three months to June 2010 of $59.4m were 15.1% lower than revenues for the same period in the prior year. Lower well-test and subsea activity in Holland and lower subsea activity in the UK were offset by additional levels of well-testing and sampling in Norway.

South and West Africa
Revenues in the three months to June 2010 of $42.3m were 32.2% 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 have meant that current revenues primarily reflect operational and maintenance services. This revenue decline has been partially offset by the provision of subsea services to Tullow in Ghana and wireline services to Shell in Gabon.

Middle East North Africa
Revenues in the three months to June 2010 of $23.7m were consistent when compared to the same period last year.

Asia
Revenues in the three months to June 2010 of $22.9 were down 32.3%, reflecting the end of a contract with Santos in Australia and the completion of a testing programme for bp in Indonesia.

North America Land
Revenues in the three months to June 2010 of $17.0m were 4.8% lower. While activity remained consistent across the US and Canada, revenue in Mexico fell by $1.0m reflecting the sale of burner booms in the prior year, a product line which now forms part of the Equipment Sales business unit.

Business review

North America Offshore
Revenues in the three months to June 2010 of $19.8m were 5.3% higher, due to increased levels of well-testing and subsea activity with Encana in Canada and with Exxon Mobil in Alaska. GoM subsea activity was down $1.4m on a comparative basis.

Latin America
Revenues in the three months to June 2010 of $20.5m were up 20.5%, where revenues in Brazil increased due to additional levels of well-testing and subsea activity with Anadarko and Repsol.

Global Businesses

Connectors and measurements
Revenues in the three months to June 2010 of $21.8m were down 11.4%. The variance was largely due to phasing of projects within the Connectors business while core production levels remained broadly consistent.

Other Global Businesses
Wireless Well Solutions revenues of $0.4m were down $0.8m and Expro Meters revenues of $0.3m were down $0.1m. Equipment Sales revenues for the quarter were $4.9m reflecting the transfer of this product line from out of the regional businesses.

Foreign exchange rates

Foreign exchange rates at the Balance Sheet date

	30 June 2010 $1 equals	31 March 2010 $1 equals	Change %
AUD (Australian dollar)	1.1673	1.0875	7.3%
BRL (Brazilian real)	1.8076	1.7952	0.7%
EUR (Euro)	0.8191	0.7432	10.2%
GBP (Pound Sterling)	0.6635	0.6635	-
NOK (Norwegian Krone)	6.4851	5.9737	8.6%

Average foreign exchange rates

	3 months to June 2010 $1 equals	3 months to March 2010 $1 equals	3 months to June 2009 $1 equals
AUD (Australian dollar)	1.1185	1.1199	1.3799
BRL (Brazilian real)	1.7867	1.8112	2.1760
EUR (Euro)	0.7705	0.7175	0.7448
GBP (Pound Sterling)	0.6693	0.6332	0.6701
NOK (Norwegian Krone)	6.1300	5.8750	6.5953

Finance costs

The Group's net finance costs were $158.8m in the period to June 2010 (period to June 2009: $131.5m). On an adjusted basis which excludes material non-cash items as set out in note 3, the Group's net finance costs were $57.1m in the period to June 2010 (period to June 2009: $43.8m). The senior secured notes issued in December 2009 carry a fixed coupon of 8.5% and are payable semi-annually. Interest on 90% of the Group's variable rate loans is fixed at 6.27% through the use of interest rate swaps. The Group's shareholder loan is held at a fixed rate of 14%, compounded into the loan principal annually.

Business review

Taxation

The Group's tax charge of $4.1m in the period to June 2010 (period to June 2009: $11.0m) 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 at $12.1m (period to June 2009: $19.7m) is stated before the reduction in deferred tax liability of $7.2m (period to June 2009: $8.1m) due to amortisation of the intangibles arising on business combinations and the tax effect of adjustments to operating profit and finance costs $0.7m (period to June 2009: $0.6m). 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.

Financial position, liquidity and capital resources

Net cash flow

	3 months to June 2010 $'000	**3 months to March 2010 $'000**	**Change $'000**
Adjusted cash flow generated by operations	**33,483**	117,612	(84,129)
Purchase of property, plant and equipment	**(5,217)**	(8,694)	3,477
Proceeds on disposal of property, plant and equipment	**16**	76	(60)
Adjusted free cash flow	**28,282**	**108,994**	**(80,712)**

Adjusted free cash flow decreased significantly in the period to June 2010 compared to the prior quarter. The variance of $80.7m in adjusted free cash flow is the result of a significant improvement in the working capital management in the prior quarter with a partial decline in the current quarter. The cash flow in the current quarter reflects collection delays with a small number of customers and since the period end significant progress has been made with full resolution anticipated in the coming months. Despite the current quarter decline, working capital continues to be a key priority for the Group, and the position represents an improvement over the six month period.

Net debt

	30 June 2010 $'000	**31 March 2010 $'000**	**Change $'000**
Finance leases	**(36,786)**	(37,753)	967
Senior secured notes	**(1,321,117)**	(1,319,545)	(1,572)
Bank and other interest bearing loans	**(791,357)**	(777,402)	(13,955)
Less cash	**103,425**	193,086	(89,661)
Total net debt excluding shareholder loan	**(2,045,835)**	**(1,941,614)**	**(104,221)**

Net debt increased by $104.2m in the period to June 2010 which was primarily driven by a decrease in cash as a result of interest payments and an increase in bank and other loans through payment in kind interest.

Condensed consolidated income statement

Period ended 30 June 2010

	Note	3 months to June 2010 Adjusted $'000	3 months to June 2010 Adjustments* $'000	3 months to June 2010 Total $'000	3 months to June 2009 Adjusted $'000	3 months to June 2009 Adjustments* $'000	3 months to June 2009 Total $'000
Continuing operations							
Revenue		232,709	-	232,709	264,774	-	264,774
Cost of sales		(159,447)	(54,515)	(213,962)	(169,719)	(43,033)	(212,752)
Gross profit		73,262	(54,515)	18,747	95,055	(43,033)	52,022
Administration expenses		(6,880)	(2,103)	(8,983)	(1,758)	(2,775)	(4,533)
Operating profit/(loss)		**66,382**	**(56,618)**	**9,764**	**93,297**	**(45,808)**	**47,489**
Post tax share of results from joint venture		959	-	959	1,028	-	1,028
		67,341	(56,618)	10,723	94,325	(45,808)	48,517
Net finance costs	4	(57,103)	(101,722)	(158,825)	(43,787)	(87,710)	(131,497)
Profit/(loss) before tax		**10,238**	**(158,340)**	**(148,102)**	**50,538**	**(133,518)**	**(82,980)**
Tax	5	(12,068)	7,922	(4,146)	(19,691)	8,715	(10,976)
(Loss)/profit after tax		**(1,830)**	**(150,418)**	**(152,248)**	**30,847**	**(124,803)**	**(93,956)**
Attributable to Equity holders of the parent		**(1,830)**	**(150,418)**	**(152,248)**	**30,847**	**(124,803)**	**(93,956)**

*Details of adjustments are included in Note 3.

Condensed consolidated statement of comprehensive income

Period ended 30 June 2010

	Note	3 months to June 2010 $'000	3 months to June 2009 $'000
Loss for the period		**(152,248)**	**(93,956)**
Fair value (loss)/gain on cash flow hedges	9	(23,107)	10,453
Transferred to income statement on cash flow hedges	4	17,096	13,361
Actuarial loss on defined benefit pension		(8,395)	(23,637)
Other comprehensive (loss)/profit for the period, net of tax		**(14,406)**	**177**
Total comprehensive loss for the period, net of tax		**(166,654)**	**(93,779)**
Attributable to Equity holders of the parent		**(166,654)**	**(93,779)**

Condensed consolidated statement of financial position

At 30 June 2010

	Note	30 June 2010 $'000	31 March 2010 $'000
Non-current assets			
Goodwill		2,570,376	2,570,376
Intangible assets		1,188,157	1,213,045
Property, plant and equipment	6	295,835	309,383
Investments		837	837
Interest in joint venture		10,275	9,316
Deferred tax assets		16,423	16,423
		4,081,903	4,119,380
Current assets			
Inventories		64,308	64,393
Trade and other receivables		267,631	253,496
Cash		103,425	193,086
Asset classified as held for sale		1,988	1,988
		437,352	512,963
Current liabilities			
Trade and other payables		(159,207)	(206,332)
Derivative financial instruments	9	(42,115)	(42,815)
Finance leases		(2,541)	(2,497)
Tax liabilities		(61,429)	(67,003)
Provisions	7	(17,698)	(25,084)
		(282,990)	(343,731)
Net current assets		**154,362**	**169,232**
Non-current liabilities			
Derivative financial instruments	9	(91,933)	(77,698)
Finance leases		(34,245)	(35,256)
Senior secured notes	8	(1,321,117)	(1,319,545)
Other interest bearing loans	8	(791,357)	(777,402)
Shareholder loan	8	(2,834,101)	(2,746,880)
Provisions	7	(3,230)	(3,159)
Deferred tax		(343,231)	(350,765)
Pension deficit	10	(25,697)	(19,899)
		(5,444,911)	(5,330,604)
Total assets less total liabilities		**(1,208,646)**	**(1,041,992)**
Total assets less total liabilities excluding shareholder loan*		**1,625,455**	**1,704,888**
Equity attributable to owners of the parent			
Share capital		200	200
Translation reserve		(53,404)	(53,404)
Hedging reserve		(32,745)	(26,734)
Equity reserve		235	235
Retained earnings		(1,122,932)	(962,289)
Total equity		**(1,208,646)**	**(1,041,992)**
Total equity and shareholder loan*		**1,625,455**	**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 board of directors and authorised for issue on 25 August 2010.

Condensed consolidated cash flow statement

Period ended 30 June 2010

	Note	3 months to June 2010 Adjusted $'000	3 months to June 2010 Adjustments* $'000	3 months to June 2010 Total $'000	3 months to June 2009 Adjusted $'000	3 months to June 2009 Adjustments* $'000	3 months to June 2009 Total $'000
Operating profit/(loss)		66,382	(56,618)	9,764	93,297	(45,808)	47,489
Non cash items	11	(1,544)	45,506	43,962	(3,431)	38,701	35,270
Operating cash flows before movements in working capital		64,838	(11,112)	53,726	89,866	(7,107)	82,759
Decrease/(increase) in inventories		84	-	84	(165)	-	(165)
(Increase)/decrease in receivables		(15,110)	-	(15,110)	2,779	-	2,779
Decrease in payables		(15,628)	-	(15,628)	(24,853)		(24,853)
(Decrease)/Increase in provision		(701)	(2,050)	(2,751)	69	(1,481)	(1,412)
Cash generated by operations		**33,483**	**(13,162)**	**20,321**	**67,696**	**(8,588)**	**59,108**
Income taxes paid		(13,597)	-	(13,597)	(9,939)	-	(9,939)
Interest paid		(80,537)	-	(80,537)	(41,144)	-	(41,144)
Net cash from operating activities		**(60,651)**	**(13,162)**	**(73,813)**	**16,613**	**(8,588)**	**8,025**
Investing activities							
Interest received				29			88
Purchase of property, plant and equipment	6			(5,217)			(12,365)
Proceeds on disposal of property, plant and equipment				16			950
Purchase of intangible assets				(1,629)			(335)
Proceeds on disposal of intangible asset	12			-			14,571
Contribution to defined benefit scheme				(2,595)			-
Payment of deferred consideration				-			(2,157)
Dividend received from joint venture				1,055			-
Net cash used in investing activities				**(8,341)**			**752**
Financing activities							
Exercise of share options				-			4
Bond transaction fees				(6,358)			-
Repayment of borrowings				-			(28,918)
Repayment of finance leases				(611)			(1,820)
Net cash from financing activities				**(6,969)**			**(30,734)**
Net decrease in cash				(89,123)			(21,957)
Cash at beginning of period				193,086			163,293
Effect of foreign exchange				(538)			9,149
Cash at end of period				**103,425**			**150,485**

*Details of adjustments are included in Note 3.

Condensed consolidated statement of changes in equity

Period ended 30 June 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 loss	-	-	(6,011)	-	(160,643)	(166,654)
At 30 June 2010	**200**	**(53,404)**	**(32,745)**	**235**	**(1,122,932)**	**(1,208,646)**

Period ended 30 June 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)	-	-	23,814	-	(117,593)	(93,779)
At 30 June 2009	**200**	**(53,404)**	**(96,099)**	**171**	**(421,350)**	**(570,482)**

Notes to the condensed consolidated financial statements
Period ended 30 June 2010

1. Corporate information
The condensed consolidated financial statements of the Group for the three months ended 30 June 2010 were authorised for issue by the Company's Directors on 25 August 2010. 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 three months ended 30 June 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 three months ended 30 June 2010 and three months ended 30 June 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.

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 June 2010 $'000	**3 months to June 2009 $'000**
Operating profit	**9,764**	**47,489**
AX-S	7,852	4,128
Expro Meters	1,939	1,690
Property, plant and equipment depreciation	18,959	23,002
Loss on disposal of property, plant and equipment	25	198
Amortisation of intangible assets	26,522	30,072
Profit on sale of intangible asset	-	(14,571)
Business improvement initiatives	-	749
Business rationalisation and other costs	-	314
Acquisition related costs	1,321	226
Adjusted operating profit	**66,382**	**93,297**

Notes to the condensed consolidated financial statements

Period ended 30 June 2010

	3 months to June 2010 $'000	3 months to June 2009 $'000
Net cash from operating activities	**(73,813)**	**8,025**
AX-S	7,852	4,128
Expro Meters	1,939	1,690
Business improvement initiatives	-	749
Business rationalisation	-	314
Acquisition related costs	1,321	226
Cash outflow on certain issues from the acquisition	2,050	1,481
Adjusted net cash from operating activities	**(60,651)**	**16,613**

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. 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.

Business improvement initiatives

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

Business rationalisation

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 period to June 2010 include legal and professional fees in connection with the acquisition of Production Testers International business (note 13). Acquisition related costs in the period to June 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 June 2010 $'000	3 months to June 2009 $'000
Net finance costs	**(158,825)**	**(131,497)**
Fair value loss on cash flow hedges	1,331	-
Mezzanine loan payment in kind interest	13,170	10,973
Shareholder loan interest	87,221	76,737
Adjusted net finance costs	**(57,103)**	**(43,787)**

Notes to the condensed consolidated financial statements

Period ended 30 June 2010

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 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.

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.

4. Net finance costs

	3 months to June 2010 $'000	**3 months to June 2009 $'000**
Finance income:		
Bank interest receivable	29	88
Expected return on defined benefit pension assets	2,182	1,611
Other finance income	2,515	-
	4,726	**1,699**
Finance Costs:		
Senior secured notes interest	29,750	-
Senior loan interest	-	16,132
Mezzanine loan cash settled interest	9,200	10,439
Mezzanine loan payment in kind interest	13,170	10,973
Shareholder loan interest	87,221	76,737
Amortisation of financing costs	2,852	2,193
Commitment fees	352	680
Finance leases	485	496
Other interest payable	-	37
Total interest expense	**143,030**	**117,687**
Transferred to income statement on cash flow hedges	17,096	13,361
Finance cost on defined benefit pension obligation	2,094	2,048
Fair value loss on cash flow hedges	1,331	-
Other payable	-	100
Total finance costs	**163,551**	**133,196**
Net finance costs	**158,825**	**131,497**

Notes to the condensed consolidated financial statements

Period ended 30 June 2010

5. Tax

	3 months to June 2010 $'000	3 months to June 2009 $'000
Current tax:		
Current period	(13,478)	(19,054)
Prior period	2,094	-
	(11,384)	(19,054)
Deferred tax:		
Current period	7,238	8,078
	(4,146)	**(10,976)**

The effective income tax rate in the period to June 2010 (before the inclusion of post tax profits from joint ventures and associates) is -2.8% (period to June 2009: -19.3%), 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 three month period.

6. Property, plant and equipment

During the period to June 2010, the Group acquired plant and equipment with a cost of $5.4m of which $0.2m relates to new finance leases (year ended 31 March 2010: $65.8m additions of which $26.2m relates to finance leases).

Assets with a minimal net book value were disposed of by the Group during the period to June 2010 (year ended 31 March 2010: $6.3m).

As at 30 June 2010 the Group entered into contractual commitments for the acquisition of property, plant and equipment with an expected capitalised value of $24.8m.

Notes to the condensed consolidated financial statements

Period ended 30 June 2010

7. 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	(54)	(4,026)	(4,080)
Unused amounts reversed	(155)	(3,171)	(3,326)
Increase in period	107	-	107
Exchange difference	1	(17)	(16)
At 30 June 2010	**2,498**	**18,430**	**20,928**
Included in current liabilities	1,707	15,991	17,698
Included in non-current liabilities	791	2,439	3,230
	2,498	**18,430**	**20,928**
Contracted, undiscounted cash flows:			
Within one year	1,707	15,991	17,698
In the second to fifth years inclusive	673	2,439	3,112
After five years	884	-	884
	3,264	**18,430**	**21,694**

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.

Except for the items disclosed above, the Group had no material contingent liabilities as at 30 June 2010.

Notes to the condensed consolidated financial statements

Period ended 30 June 2010

8. Interest bearing loans

	Effective interest rate %	Maturity date	30 June 2010 $'000	31 March 2010 $'000
Senior secured notes	9.91%	15 December 2016		
Principal			(1,400,000)	(1,400,000)
Original issue discount			50,366	51,685
Transaction costs			28,517	28,770
			(1,321,117)	**(1,319,545)**
Loans				
Mezzanine	USD LIBOR +10.75%	15 July 2018	(814,739)	(801,569)
Revolving credit facility	USD LIBOR +3%	21 December 2014	-	-
Principal			(814,739)	(801,569)
Transaction costs			23,382	24,167
			(791,357)	**(777,402)**
Total interest bearing loans (excluding shareholder loan)			**(2,112,474)**	**(2,096,947)**
Shareholder loan	14%	15 July 2019	**(2,834,101)**	**(2,746,880)**
Total interest bearing loans (including shareholder loan)			**(4,946,575)**	**(4,843,827)**

9. Derivative financial instruments

The Group's mezzanine term loan is at 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 30 June 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 $733.3m and a fair value liability of $134.0m.

The swaps were assessed to be highly effective at the 30 June 2010, i.e. within the 80-125% range permitted by *IAS 39 – Financial Instruments: Recognition and Measurement*. In the period to June 2010 a fair value loss of $23.1m has been recognised in the consolidated statement of comprehensive income and a fair value loss of $1.3m has been recognised in profit and loss, representing ineffective element of the swaps.

Notes to the condensed consolidated financial statements

Period ended 30 June 2010

10. Retirement benefit schemes

The defined benefit plan assets have been updated to reflect their market value as at 30 June 2010. The Group has updated its assumptions, including a decrease in the discount rate from 5.6% as at 31 March 2010 to 5.4% as at 30 June 2010 and a decrease in the expected rate of salary increases from 3.7% as at 31 March 2010 to 3.3% as at 30 June 2010.

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

	30 June 2010 $'000	**31 March 2010 $'000**
Present value of defined benefit obligations	(158,282)	(162,041)
Fair value of scheme assets	132,585	142,142
Deficit recognised in the balance sheet under non-current liabilities	**(25,697)**	**(19,899)**

11. Non cash items

	3 months to June 2010 Total $'000	**3 months to June 2009 Total $'000**
Adjustments for:		
Depreciation of property, plant and equipment	18,959	23,002
Loss on disposal of property, plant and equipment	25	198
Amortisation of intangible asset	26,522	30,072
Profit on disposal of intangible asset	-	(14,571)
Retirement benefit	395	1,536
Unrealised foreign exchange	(1,939)	(4,967)
Non cash items	**43,962**	**35,270**

12. 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 period to June 2010 costs of $0.2m (period to June 2009: $0.1m) 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, and board observers connected to, Expro International Group Holdings Ltd, the Company's principal holding company.

At 30 June 2010 the Group held a 50% stake in a joint venture, COSL – Expro Testing Services (Tianjin) Co. Ltd ("CETS").

Notes to the condensed consolidated financial statements

Period ended 30 June 2010

Trading transactions

During the period to June 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	-	1,471	33	487
CETS	1,335	44	1,632	-
At 30 June 2009	**1,335**	**1,516**	**1,665**	**487**
Expro AX-S Technology Limited	64	5,263	494	4,374
CETS	1,486	22	1,808	-
At 30 June 2010	**1,550**	**5,285**	**2,302**	**4,374**

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 30 June 2010 the Group owed $2,834.1m to Expro Holdings UK 2 Limited, of which $87.2m of interest has been expensed during the period to June 2010 (period to June 2009: $50.7m).

During the period to June 2009, the Group acquired shares in Umbrellastream Limited Partnership Incorporated, the Company's ultimate parent company and ultimate controlling party, for $0.8m (£0.5m).

During the period to June 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.

13. Events after the balance sheet date

On the 23 July 2010, Expro entered into an agreement to conditionally acquire the Production Testers International business ("PTI") from Production Testers International HK Ltd and Production Testers International Ltd. PTI, based in Asia, is a leading well services business providing fast track production systems to the upstream oil and gas industry. PTI primarily designs, installs, commissions and operates production facilities and production optimisation systems for use in oilfield developments.

The consideration for the acquisition is up to $120m in cash, including a one year earn-out of up to $30m. The PTI business will be bought on a debt free, cash free basis. Completion is subject to the fulfillment of a number of conditions which are expected to be satisfied within the period ended 30 September 2010.

On 25 August 2010, Expro appointed Charles Woodburn as Chief Executive Officer of the Expro International Group Holdings Limited group of companies, with effect from 1 September 2010.

Quarterly summary

Period ended 30 June 2010

	3 months to June 2010 $'000	3 months to March 2010 $'000	3 months to December 2009 $'000	3 months to September 2009 $'000	3 months to June 2009 $'000
Revenue	232,709	243,144	255,754	255,229	264,774
Adjusted operating profit	66,382	61,820	73,465	74,739	93,297
Adjusted operating margin	28.5%	25.4%	29.0%	29.3%	35.2%
Adjustments[5]:					
AX-S	7,852	14,213	14,688	10,129	4,128
Expro Meters	1,939	2,095	1,882	1,976	1,690
Property, plant and equipment depreciation	18,959	19,152	19,117	21,508	23,002
Loss/(profit) on disposal of property, plant and equipment	25	559	4,275	(284)	198
Amortisation of intangible assets	26,522	26,825	26,573	26,933	30,072
Profit on sale of intangible assets	-	-	-	-	(14,571)
Business rationalisation and other costs	-	13,468	2,240	162	314
Business improvement initiatives	-	172	454	1,042	749
Acquisition related costs	1,321	(1,053)	2,043	127	226
Share based payment	-	21	16	27	-
	56,618	75,452	71,288	61,619	45,808
Operating profit/(loss)	9,764	(13,632)	2,177	13,120	47,489

[5] Details of adjustments are included in Note 3