Company number: 06492082

EXPRO HOLDINGS UK 3 LIMITED

Unaudited Condensed Consolidated
Financial Statements

Quarterly Report

Three months to 30 June 2013

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Financial summary

Q1 FY 2014 vs. Q4 FY 2013	3 months to 30 June 2013 $'000	3 months to 31 March 2013 $'000	Change
Revenue CCR[1]	333,778	325,585	2.5%
Adjusted revenue	333,778	328,318	1.7%
Adjusted operating profit[2]	83,551	83,920	(0.4%)
Adjusted operating margin[3]	25.0%	25.6%	(0.6pts)
Revenue	333,778	328,318	1.7%
Operating profit	46,453	37,052	25.4%

Q1 FY 2014 vs. Q1 FY 2013	3 months to 30 June 2013 $'000	3 months to 30 June 2012 $'000	Change
Revenue CCR[1]	333,778	282,077	18.3%
Adjusted revenue	333,778	284,591	17.3%
Adjusted operating profit[2]	83,551	66,834	25.0%
Adjusted operating margin[3]	25.0%	23.5%	1.5pts
Revenue	333,778	284,591	17.3%
Operating profit	46,453	21,143	119.7%

Financial position, liquidity and capital resources	30 June 2013 $'000	31 March 2013 $'000	Change
Cash	55,647	106,822	(47.9%)
Working capital percentage[4]	16.0%	12.6%	3.4pts
Net debt	1,890,023	1,808,104	4.5%
LTM leverage	6.1x	6.1x	-
Liquidity headroom	162,149	201,036	(19.3%)

[1] "Revenue CCR" is defined as revenue which, for the comparative periods, is restated on a 'constant currency rate' 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. "Adjusted revenue" excludes 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 of adjustments are set out in note 3.

[2] "Adjusted operating profit" is defined as operation 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 quarterly revenue.

[4] "Working capital percentage", "Net debt", "LTM leverage" and "Liquidity headroom" are defined within the business review on page 6 - 7.

Business review

Introduction
This report presents the quarterly results for Expro Holdings UK 3 Limited and its consolidated 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 30 June 2013 compared to three months to 31 March 2013;
- Three months to 30 June 2013 compared to three months to 30 June 2012.

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:

Use of adjusted measures
Adjusted items, be that revenue, costs or operating profit exclude impairment, 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. Full details are set out in note 3.

Disposal of Connectors and Measurements
On 2 May 2012, the Group disposed of its Connectors and Measurements business ("C&M"), comprising the Tronic and Matre brands, to Siemens AG for a purchase consideration of $616.2m, which has been received in full as at 30 June 2013. $10m of the consideration received has been recorded in the three months to 30 June 2013 within exceptional income. The Group incurred $14.7m of transaction costs associated with the sale, leaving net proceeds of $601.5m. The gain on disposal is $230.6m (see note 6).
The C&M results are presented within discontinued operations and excluded from the segmental financial information.

Bond tender offer
On 6 June 2012 the Group completed a tender offer to purchase $425.0m, inclusive of $16.5m of accrued and unpaid interest, of its outstanding 8.5% Senior Secured Notes due 2016.

Capital reduction and loan capitalisation
On 22 March 2013, the Group concluded a restructuring of the financing provided by its shareholders. As a result, the Company issued $4,123.2m of ordinary shares for a consideration of $3.0m cash and the cancellation of $4,120.2m of shareholder loans. Following this capital restructuring the Company also undertook a capital reduction which reduced its share capital to $1,000 and fully extinguished its share premium account in order to create an equivalent amount of distributable reserves.

Bond issue
On 15 July 2013, the Group issued senior secured notes with a nominal value of $100m, a coupon of 8.5% and maturity date of 15 December 2016. The notes were issued at an original issue premium of $4.5m, generating proceeds of $104.5m and incurring $3.5m of transaction costs and are being accounted for under the effective interest rate method.

Revolving Credit Facility maturity
On 15 July 2013, the Group extended maturity date of its Revolving Credit Facility by two years to 21 December 2016 and achieved a reduction in margin.

Quarterly sequential performance

	3 months to 30 June 2013 $'000	3 months to 31 March 2013 $'000	Change
Revenue CCR[1]	333,778	325,585	2.5%
Adjusted revenue[1]	333,778	328,318	1.7%
Adjusted operating profit[2]	83,551	83,920	(0.4%)
Adjusted operating margin[3]	25.0%	25.6%	(0.6pts)
Revenue	333,778	328,318	1.7%
Operating profit	46,453	37,052	25.4%

Business review

Overall trading performance

Adjusted revenue in the three months to 30 June 2013 of $333.8m was up 2.5%, or $8.2m on a constant currency basis compared to prior quarter. This reflected a robust level of activity across most of our business segments.

The adjusted operating margin was 0.6pts lower than the prior quarter. This was primarily driven by net foreign exchange losses, which are reported within administration expenses.

Segmental revenue

	3 months to 30 June 2013 $'000	3 months to 31 March 2013 constant currency $'000	Change constant currency %
Europe CIS	87,367	76,732	13.9%
Sub-Saharan Africa	71,443	64,808	10.2%
Middle East and North Africa	23,965	23,445	2.2%
Asia	27,404	26,267	4.3%
North America Land	18,391	16,402	12.1%
North America Offshore	31,051	32,181	(3.5%)
Latin America	29,160	36,586	(20.3%)
Expro PTI	41,133	41,171	(0.1%)
Equipment Sales	3,677	8,149	(54.9%)
Other	187	(156)	n/a
Revenue CCR[1]	**333,778**	**325,585**	

Europe CIS
Revenue in the three months to 30 June 2013 of $87.4m was $10.6m higher than the prior quarter, primarily as a result of higher well test, DST and subsea activity in Norway and higher well test activity in Kazakhstan.

Sub-Saharan Africa
Revenue in the three months to 30 June 2013 of $71.4m was $6.6m higher than the prior quarter, reflecting increased activity across a number of product lines in Nigeria, Congo, Kenya and Gabon.

Middle East and North Africa
Revenue in the three months to the 30 June 2013 of $24.0m was higher than the prior quarter, as a result of increased well test activity in Saudi Arabia offset by lower well test and fluids activity in Algeria.

Asia
Revenue in the three months to the 30 June 2013 of $27.4m was $1.1m higher than the prior quarter, with increased subsea activity in China and higher activity across multiple product lines in Malaysia offset by reduced subsea activity in Japan.

North America Land
Revenue in the three months to the 30 June 2013 of $18.4m was $2.0m higher than the prior quarter, reflecting power chokes activity which was previously classified within equipment sales.

North America Offshore
Revenue in the three months to the 30 June 2013 of $31.1m was $1.1m lower than the prior quarter, reflecting lower well test and subsea activity in the Gulf of Mexico and Alaska, partially offset by increased TCP activity in the Gulf of Mexico and well test and subsea activity in Canada.

Latin America
Revenue in the three months to the 30 June 2013 of $29.2m was $7.4m lower than the prior quarter, primarily as a result of lower activity across several product lines in Brazil.

Business review

Expro PTI
Revenue in the three months to the 30 June 2013 of $41.1m was $0.1m lower than the prior quarter, with the lower revenue in Venezuela offset by higher equipment sales in Malaysia.

Equipment Sales
Revenue in the three months to the 30 June 2013 of $3.7m was $4.4m lower than the prior quarter, as a result of the reclassification of power chokes into a regional product line.

Quarterly performance compared to prior year

	3 months to 30 June 2013 $'000	3 months to 30 June 2012 $'000	Change
Revenue CCR[1]	333,778	282,077	18.3%
Adjusted revenue[2]	333,778	284,591	17.3%
Adjusted operating profit[3]	83,551	66,834	25.0%
Adjusted operating margin[4]	25.0%	23.5%	1.5pts
Revenue	333,778	284,591	17.3%
Operating profit	46,453	21,143	119.7%

Overall trading performance

Adjusted revenue in the three months to 30 June 2013 of $333.8m was up 18.3%, or $51.7m on a constant currency basis compared to the same quarter last year. This is primarily due to increased activity in Sub Saharan Africa across a number of product lines and increased activity in Expro PTI due to production equipment sales contracts.

The adjusted operating margin was 1.5pts higher than the same period last quarter, due to the leverage impact of increased subsea activity in Sub-Saharan Africa, equipment sales in Expro PTI and overall increased activity in North America Offshore.

Segmental revenue

	3 months to 30 June 2013 $'000	3 months to 30 June 2012 constant currency $'000	Change constant currency %
Europe CIS	87,367	80,697	8.3%
Sub-Saharan Africa	71,443	56,692	26.0%
Middle East and North Africa	23,965	18,152	32.0%
Asia	27,404	22,684	20.8%
North America Land	18,391	15,212	20.9%
North America Offshore	31,051	22,439	38.4%
Latin America	29,160	31,180	(6.5%)
Expro PTI	41,133	23,982	71.5%
Equipment Sales	3,677	11,355	(67.6%)
Other	187	(316)	n/a
Revenue CCR[1]	**333,778**	**282,077**	

Europe CIS
Revenue in the three months to the 30 June 2013 of $87.4m was $6.7m higher than the same period last year, with the increased DST and well test activity in Norway partially offset by the completion of a Subsea contract in the East Mediterranean.

Business review

Sub-Saharan Africa
Revenue in the three months to 30 June 2013 of $71.4m was $14.7m higher than the same period last year, reflecting increased activity in Kenya across the majority of product lines, increased subsea activity in Nigeria and increased well test activity in Congo.

Middle East and North Africa
Revenue in the three months to the 30 June 2013 of $24.0m was $5.8m higher than the same period last year, primarily due to the increase in well test activity in Saudi Arabia and Libya and increased activity across a number of product lines in Iraq.

Asia
Revenue in the three months to the 30 June 2013 of $27.4m was $4.7m higher than the same period last year, reflecting increased subsea activity in China and Australia and increased wireline activity in Indonesia.

North America Land
Revenue in the three months to the 30 June 2013 of $18.4m was $3.2m higher than the same period last year, driven by increased power chokes and TCP activity.

North America Offshore
Revenue in the three months to the 30 June 2013 of $31.1m was $8.6m higher than the same period last year, reflecting increased well test and tube convey perforation work in the Gulf of Mexico and Alaska.

Latin America
Revenue in the three months to the 30 June 2013 of $29.2m was $2.0m lower than the same period last year, primarily a result of lower subsea activity in Mexico and Brazil partially offset by increased activity on a significant wireline contract which commenced last year.

Expro PTI
Revenue in the three months to the 30 June 2013 of $41.1m was $17.2m higher than the same period last year reflecting increased production solutions equipment sales in Malaysia and activity in Africa.

Equipment Sales
Revenue in the three months to the 30 June 2013 of $3.7m was $7.7m lower than the same period last year, primarily resulting from the reclassification of power chokes to a regional product line and the sale of burner booms in the same period last year.

Foreign exchange rates

Foreign exchange rates at the reporting date

	30 June 2013 $1 equals	**31 March 2013 $1 equals**
AUD (Australian Dollar)	1.0358	0.9651
BRL (Brazilian Real)	2.0894	1.8334
EUR (Euro)	0.7699	0.7518
GBP (Pound Sterling)	0.6593	0.6287
NOK (Norwegian Kroner)	5.8651	5.7405

Business review

Average foreign exchange rates

	3 months to 30 June 2013 $1 equals	3 months to 31 March 2013 $1 equals	3 months to 30 June 2012 $1 equals
AUD (Australian Dollar)	0.9869	0.9549	0.9809
BRL (Brazilian Real)	2.0359	1.7764	1.9088
EUR (Euro)	0.7717	0.7595	0.7700
GBP (Pound Sterling)	0.6549	0.6387	0.6284
NOK (Norwegian Kroner)	5.8434	5.8072	5.8336

Financial position, liquidity and capital resources

Working capital

A key performance indicator for the Group is working capital as a percentage of quarterly annualised sales. This relative measure has increased to 16% from 12.6%, driven by the temporary increase to certain accounts receivable balances combined with a reduced level of payables and accruals, which resulted in the indicator being outside the Group's target range of 13% to 15%. We do not have any concerns over the recoverability of these receivable balances.

	30 June 2013 $'000	31 March 2013 $'000	Change $'000
Adjusted revenue for the quarter	333,778	328,318	5,460
Annualised adjusted revenue (Adjusted revenue x4)	**1,335,112**	**1,313,272**	**21,840**
Working capital[5]	209,741	140,425	69,316
Add back accrued interest	3,777	24,815	(21,038)
Adjusted working capital	**213,518**	**165,240**	**48,278**
Working capital percentage[6]	**16.0%**	**12.6%**	**3.4%**

Capital expenditure

	3 months to 30 June 2013 $'000	3 months to 31 March 2013 $'000	Change from prior quarter $'000	3 months to 30 June 2013 $'000	3 months to 30 June 2012 $'000	Change from prior year $'000
Capital expenditure[7]	40,549	33,242	7,307	40,549	39,706	843

Relative to the preceding three month period, the Group has increased its capital expenditure reflecting contract awards and opportunities in the sector. Capital expenditure is broadly flat relative to the same period last year.

Net debt

	30 June 2013 $'000	31 March 2013 $'000	Change $'000
Finance leases	(8,114)	(8,495)	381
Senior secured notes	(953,667)	(951,691)	(1,976)
Other interest bearing loans	(983,889)	(954,740)	(29,149)
Less cash	55,647	106,822	(51,175)
Total net debt	**(1,890,023)**	**(1,808,104)**	**(81,919)**

[5] "Working capital" is defined as inventories, trade and other receivables and asset held for sale, less trade and other payables as set out within the condensed consolidated statement of financial position.

[6] "Working capital percentage" is the ratio of adjusted working capital over annualised adjusted revenue

[7] "Capital expenditure" is the equivalent of cash outflow on the purchase of property, plant and equipment as set out within the consolidated statement of financial position

Business review

Leverage

During the three months to 30 June 2013, the Group's net debt increased marginally to 6.1 times its adjusted operating profit, as set out below.

	30 June 2013 $'000	31 March 2013 $'000	Change $'000
Net debt	1,890,023	1,808,104	81,919
Adjusted operating profit from continuing operations over last 12 months	307,524	290,807	16,717
Adjusted operating profit from discontinued operations over last 12 months	-	6,535	(6,535)
Total adjusted operating profit over last 12 months	307,524	297,342	10,182
LTM leverage	**6.1x**	**6.1x**	**-**

Liquidity

During the three months to 30 June 2013, the Group's total liquidity headroom decreased by $38.9m to $162.2m, as set out below.

	30 June 2013 $'000	31 March 2013 $'000	Change $'000
Cash	55,647	106,822	(51,175)
Undrawn loan facilities	120,637	132,337	(11,700)
Ring-fenced cash	(20,748)	(34,165)	13,417
Trapped cash	(5,087)	(3,958)	(1,129)
Liquidity headroom	**150,449**	**201,036**	**(50,587)**

Covenants

The Group has maintenance covenants on its mezzanine loan and revolving credit facility. During the period under review and at 30 June 2013, the Group was in compliance with these covenants, and continues to closely monitor these covenants against its financial projections.

As at 30 June 2013, the Group held ring-fenced cash of $20.7m. This amount has been ring-fenced in order to settle the liability of the interest rate swaps connected to the Group's Mezzanine loan.

Outlook and risk factors

The Group's performance continues to be encouraging. Adjusted revenue in the quarter to 30 June 2013 is 18.3% higher compared to the same quarter in the prior year.

As regards the next nine months, the Group remains cautiously optimistic and expects to see a continued improvement in performance, reflecting the continued strengthening in the international oil and gas sector and the benefits of our capital expenditure programme. This anticipated near term improvement is, however, subject to the timing of significant offshore oil and gas developments, which in turn are subject to the decision making processes of both International and National Oil Companies.

In the longer term, the Group continues to believe it has excellent growth prospects reflecting the opportunities arising from the continued demand for hydrocarbons, the tightening of supply and its position within the Oil Field Service sector.

Condensed consolidated income statement

Period ended 30 June 2013

	Note	3 months to 30 June 2013 Adjusted $'000	3 months to 30 June 2013 Adjustments[8] $'000	3 months to 30 June 2013 Total $'000	3 months to 30 June 2012 Adjusted Restated $'000	3 months to 30 June 2012 Adjustments[10] Restated $'000	3 months to 30 June 2012 Total Restated $'000
Continuing operations							
Revenue	3	333,778	-	333,778	284,591	-	284,591
Cost of sales		(237,448)	(45,568)	(283,016)	(209,417)	(43,706)	(253,123)
Gross profit		**96,330**	**(45,568)**	**50,762**	**75,174**	**(43,706)**	**31,468**
Administration expenses		(15,878)	8,470	(7,408)	(12,507)	(1,985)	(14,492)
Post tax share of results from joint venture		3,099	-	3,099	4,167	-	4,167
Operating profit	3	**83,551**	**(37,098)**	**46,453**	**66,834**	**(45,691)**	**21,143**
Net finance costs	4			(52,516)			(189,168)
Loss before tax				**(6,063)**			**(168,025)**
Tax	5			(7,212)			(11,602)
Loss after tax				**(13,275)**			**(179,627)**
Discontinued operations							
Profit after tax	6			-			219,411
(Loss)/profit for the period				**(13,275)**			**39,784**
Attributable to:							
Equity holders of the parent				**(13,275)**			**39,784**

[8] Details of adjustments are included in note 3.

Condensed consolidated statement of comprehensive income

Year ended 30 June 2013

	Note	3 months to 30 June 2013 $'000	3 months to 30 June 2012 $'000
Loss for the period		**(13,275)**	**(142,309)**
Transferred to income statement on cash flow hedges	4	(275)	3,293
Actuarial loss on defined benefit pension		(20)	-
Other comprehensive (loss)/income for the period, net of tax		**(295)**	**3,293**
Total comprehensive loss for the period, net of tax		**(13,570)**	**(139,016)**
Attributable to Equity holders of the parent		(13,570)	(139,016)

Condensed consolidated statement of financial position

At 30 June 2013

	Note	30 June 2013 $'000	31 March 2013 $'000
Non-current assets			
Goodwill		1,265,732	1,265,732
Intangible assets		768,878	789,758
Property, plant and equipment	7	420,513	421,392
Interest in joint venture		25,257	22,158
Deferred tax assets		3,143	2,562
		2,483,523	**2,501,602**
Current assets			
Inventories		47,374	48,002
Trade and other receivables		407,775	383,968
Tax receivables		11,140	12,079
Cash		55,647	106,822
Asset held for sale		463	463
		522,399	**551,334**
Current liabilities			
Derivative financial instruments	10	(27,721)	(40,860)
Trade and other payables		(245,408)	(291,545)
Finance leases		(1,655)	(1,643)
Tax liabilities		(72,707)	(72,203)
Provisions	8	(12,992)	(12,799)
		(360,483)	**(419,050)**
Net current assets		**161,916**	**132,284**
Non-current liabilities			
Finance leases		(6,459)	(6,852)
Senior secured notes	9	(953,667)	(951,691)
Other interest bearing loans	9	(983,889)	(954,740)
Provisions	8	(1,661)	(1,770)
Deferred tax		(208,338)	(213,870)
Pension deficit		(22,169)	(22,137)
		(2,176,183)	**(2,151,060)**
Total assets less total liabilities		**469,256**	**482,826**
Equity attributable to owners of the parent			
Share capital		1	1
Other reserves		(49,705)	(49,430)
Accumulated profit		518,960	532,255
Total equity		**469,256**	**482,826**

The financial statements were approved by the directors and authorised for issue on 15 August 2013.

Condensed consolidated cash flow statement

Period ended 30 June 2013

	Note	3 months to 30 June 2013 Total $'000	3 months to 30 June 2012 Total $'000
Operating profit from continuing operations		46,453	21,143
Operating profit from discontinued operations	6	-	6,261
Operating profit		**46,453**	**27,704**
Non cash items before movements in working capital	11	34,884	41,057
Operating cash flows before movements in working capital		**81,337**	**68,461**
Decrease/(Increase) in inventories		627	(2,809)
Increase in receivables		(27,908)	(49,543)
(Decrease)/increase in payables		(5,311)	20,548
Decrease in provisions and defined benefit contributions		(56)	(3,213)
Cash generated by operations		**48,689**	**33,444**
Income taxes paid		(12,873)	(10,874)
Interest paid		(67,702)	(82,901)
Net cash used in operating activities		**(31,886)**	**(60,331)**
Investing activities			
Interest received		36	49
Purchase of property, plant and equipment		(40,549)	(39,706)
Proceeds on disposal of property, plant and equipment		96	311
Purchase of intangible assets		(2,497)	(1,367)
Net cash inflow on disposal of subsidiary		10,000	575,154
Payment of deferred consideration		-	(34)
Dividend received from joint venture		2,189	2,324
Net cash (used in)/from investing activities		**(30,725)**	**536,731**
Financing activities			
Proceeds from borrowings	9	11,700	121,810
Repayment of borrowings	9	-	(531,769)
Payment of transaction costs		(21)	-
Repayment of finance leases		(416)	(432)
Net cash from/(used in) financing activities		**11,263**	**(410,391)**
Net change in cash		(51,348)	66,009
Cash at beginning of period		106,822	44,018
Cash from discontinued operations classified as held for sale at the beginning of the period		-	8,005
Effect of foreign exchange		173	155
Cash at end of period		**55,647**	**118,187**

Condensed consolidated statement of changes in equity

Period ended 30 June 2013

	Share capital	Share premium	Translation reserve	Hedging reserve	Equity reserve	Accumulated deficit	Attributed to equity holders of parent
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 April 2013	1	-	(53,404)	820	3,154	532,255	482,826
Loss during the period	-	-	-	-	-	(13,275)	(13,275)
Other comprehensive loss	-	-	-	(275)	-	(20)	(295)
At 30 June 2013	**1**	**-**	**(53,404)**	**545**	**3,154**	**518,960**	**469,256**

Period ended 30 June 2012

	Share capital	Share premium	Translation reserve	Hedging reserve	Equity reserve	Accumulated deficit	Attributed to equity holders of parent
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 April 2012	200	-	(53,404)	(6,625)	4,710	(1,941,814)	(1,996,933)
Other comprehensive income/(loss)	-	-	-	3,293	-	(142,309)	(139,016)
Share issue	-	223,627	-	-	-	-	223,627
At 30 June 2012	**200**	**223,627**	**(53,404)**	**(3,332)**	**4,710**	**(2,048,123)**	**(1,912,322)**

Notes to the condensed consolidated financial statements

Period ended 30 June 2013

1. Corporate information

The condensed consolidated financial statements of the Group for the three months ended 30 June 2013 were authorised for issue by the Company's directors on 15 August 2013. The Company is a limited company incorporated in Great Britain and domiciled 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 2013 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 2013 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 2013.

The figures for the three months ended 30 June 2013 and three months ended June 2012 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 2013, 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 s.498(2) or s.498(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 2013. 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 2013.

The comparatives have been restated in line with a change of accounting policy made in the Group's annual financial statement for the year ended 31 March 2013, as follows:

Change of accounting policy – classification of equity accounted results of joint ventures

The Group has changed its accounting policy for the classification of equity accounted results of joint ventures and associates within its income statement. The new policy is to record equity accounted results of joint ventures and associates within its operating profit whereas under the previous policy these were reported below operating profit. The impact of the change of policy is to increase operating profit in the period to 30 June 2013 by $3.1m and in the period to 30 June 2012 by $4.2m. There is no impact on any of the other lines in either the income statement or other primary statements.

3. Adjustments

Adjusted revenue

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 30 June 2013 $'000	**3 months to 30 June 2012 $'000**
Revenue	333,778	284,591
Adjustments	-	-
Adjusted revenue	**333,778**	**284,591**

Notes to the condensed consolidated financial statements

Period ended 30 June 2013

3. Adjustments (continued)

Adjusted operating profit

Adjusted operating profit is defined as operating profit excluding impairment, 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 30 June 2013 $'000	3 months to 30 June 2012 (restated) $'000
Operating profit from continuing operations	**46,453**	**21,143**
Amortisation of intangible assets	23,427	23,196
Property, plant and equipment depreciation	22,894	21,355
Loss on disposal of property, plant and equipment	(131)	(92)
Release of property, plant and equipment impairment provision	-	(91)
Proceeds on disposal	(10,000)	-
Business rationalisation	524	724
Business improvement initiatives	323	802
Other costs	61	(203)
Adjusted operating profit from continuing operations	**83,551**	**66,834**

Business rationalisation

Business rationalisation costs relate mainly to redundancy costs.

Business improvement initiatives

Costs are primarily third party consultancy fees in relation to specific projects focused on facilitating change.

Proceeds in disposal

This income in the three months to 30 June 2013 relates to the final purchase consideration received in relation to the sale of the Connectors and Measurements business. This has been recorded in administrative expenses.

Notes to the condensed consolidated financial statements

Period ended 30 June 2013

4. Net finance costs

	3 months to 30 June 2013 $'000	3 months to 30 June 2012 $'000
Finance income:		
Bank interest receivable	36	49
Expected return on defined benefit pension assets	2,445	2,546
Total finance income	**2,481**	**2,595**
Finance Costs:		
Senior secured notes interest	(21,069)	(27,339)
Revolving credit facility interest	(32)	(425)
Mezzanine loan cash settled interest	(11,271)	(10,779)
Mezzanine loan payment in kind interest	(16,194)	(14,847)
Amortisation of financing costs	(3,232)	(17,768)
Commitment fees	(541)	(375)
Finance leases	(295)	(251)
Shareholder loan interest	-	(115,630)
Other interest payable	(56)	(605)
Total interest expense	**(52,690)**	**(188,019)**
Fair value loss on cash flow hedges	(291)	(671)
Transferred to income statement on cash flow hedges	275	(711)
Finance cost on defined benefit pension obligation	(2,206)	(2,271)
Other payable	(85)	(91)
Total finance costs	**(54,997)**	**(191,763)**
Net finance costs	**(52,516)**	**(189,168)**

5. Tax

	3 months to 30 June 2013 $'000	3 months to 30 June 2012 $'000
Current tax:		
Current period	(11,665)	(8,932)
Prior period	(1,656)	(1,714)
	(13,321)	(10,646)
Deferred tax:		
Current period	6,109	(956)
	(7,212)	**(11,602)**

The effective income tax rate in the three months to 30 June 2013 is -119.0% (three months to 30 June 2012: -6.9%). 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.

Notes to the condensed consolidated financial statements

Period ended 30 June 2013

6. Discontinued operations

On 2 May 2012, the Group sold its C&M business, comprising the Tronic and Matre brands, to Siemens AG for a purchase consideration of $616.2m. As at the year ended 31 March 2013, the Group had received $606.2m and incurred transaction costs of $14.7m, leaving net proceeds at $591.5m. The remaining $10m was received in the three month period to 30 June 2013 and recorded within exceptional income. The C&M business is a market leader in the design, manufacture, assembly and installation of subsea electrical power and data connectors and temperature and pressure sensors.

Results from discontinued operations were as follows:

	3 months to 30 June 2013 $'000	3 months to 30 June 2012 $'000
Revenue	-	12,754
Cost of sales	-	(6,602)
Administration expenses	-	109
Operating profit from discontinued operations	**-**	**6,261**
Net finance costs	-	(126)
Tax	-	105
Trading profit after tax from discontinued operations	**-**	**6,240**
Gain on sale of business	-	213,171
Profit after tax from discontinued operations	**-**	**219,411**

Major classes of assets and liabilities of the C&M business classified as held for sale as at 30 June 2013 were as follows:

	At 30 June 2013 $'000	At 31 March 2013 $'000
Assets		
Goodwill	-	-
Intangible assets	-	-
Property, plant and equipment	463	463
Deferred tax	-	-
Inventory	-	-
Trade and other receivable	-	-
Cash	-	-
Assets classified as held for sale	**463**	**463**
Liabilities		
Trade and other payables	-	-
Finance lease	-	-
Tax liabilities	-	-
Deferred tax arising on intangible assets	-	-
Pension deficit	-	-
Liabilities classified as held for sale	**-**	**-**
Net assets associated with the disposal group	**463**	**463**

Notes to the condensed consolidated financial statements

Period ended 30 June 2013

6. Discontinued operations (continued)

Net cash flows relating to discontinued operations, excluding intercompany transactions, were as follows:

	3 months to 30 June 2013 $'000	3 months to 30 June 2012 $'000
Net cash inflow from operating activities	-	2,354
Net cash outflow from investing activities	-	(12)
Net cash inflow/(outflow) from financing activities	-	550
Net cash increase from discontinued operations	**-**	**2,892**

The gain on disposal is as follows:

	$'000
Proceeds on disposal, net of transaction costs	578,440
Net assets on completion	(365,269)
Gain on disposal	**213,171**

7. Property, plant and equipment

During the three month period to 30 June 2013, the Group acquired plant and equipment with a cost of $22.6m (year ended 31 March 2013: $137.5m) and the movement in the capital expenditure creditor totalled $17.9m (year ended 31 March 2013: $8.6m)

Assets with a net book value of $0.2m were disposed of by the Group during the three months to 30 June 2013 (year ended 31 March 2013: $22.1m).

During the three months to 30 June 2013, the Group's contractual commitments for the acquisition of property, plant and equipment increased by $3.0m from $45.6m to $48.6m.

8. Provisions

	Deferred and contingent consideration $'000	Legal and other provisions $'000	Total $'000
At 1 April 2013	729	13,840	14,569
Payments or amounts utilised	-	(633)	(633)
Released	(7)	-	(7)
Increase including unwinding of discounted consideration	87	692	779
Exchange difference	8	(63)	(55)
At 30 June 2013	**817**	**13,836**	**14,653**
Included in current liabilities	376	12,616	12,992
Included in non-current liabilities	441	1,220	1,661
	817	**13,836**	**14,653**

Notes to the condensed consolidated financial statements

Period ended 30 June 2013

8. Provisions (continued)

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 potential adverse outcome of various legal claims and unfavourable tax assessments in foreign jurisdictions. The likely timing of cash outflows relating to these matters is uncertain.

The Group had no material contingent liabilities as at 30 June 2013.

9. Interest bearing loans

	Effective interest rate %	Maturity date	30 June 2013 $'000	31 March 2012 $'000
Senior secured notes				
Principal	9.91%	15 December 2016	(991,493)	(991,493)
Original issue discount			23,943	25,204
Transaction costs			13,883	14,598
			(953,667)	**(951,691)**
Loans				
Mezzanine	USD LIBOR +10.75%	15 July 2018	(991,072)	(974,878)
Revolving credit facility	USD LIBOR +2.75%	21 December 2016	(11,700)	-
Principal			(1,002,772)	(974,878)
Transaction costs			18,883	20,138
			(983,889)	**(954,740)**
Total interest bearing loans			**(1,937,556)**	**(1,906,431)**

During the three months to 30 June 2013, a series of drawdowns on the Revolving Credit Facility totalling $11.7m were made.

On 6 June 2012, the Group settled $425.0m, inclusive of $16.5m accrued and unpaid interest, of its outstanding 8.5% Senior Notes due 2016. As a result of the repurchase, an additional $8.9m of the discount and $5.3m of the transaction costs were amortised to the income statement in the prior year.

On 15 July 2013, the Group extended the maturity date of its Revolving Credit Facility to 21 December 2016.

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 2012, the Group held interest rate swaps designated as cash flow hedges with a fixed swap rate of 6.27%. Interest payable or receivable under the swap is the difference between the prevailing 3 month US Dollar LIBOR rate and the fixed swap rate. The swaps re-price on a quarterly basis when contractual cash flows fall due.

The Group assessed the hedge effectiveness of its swaps both prospectively and retrospectively at 31 March 2011; the swaps were assessed to be ineffective retrospectively and as a result, hedge accounting ceased from 1 January 2011. The hedging reserve relating to the swaps is being amortised through profit and loss over the remaining life of the instruments. A fair value loss of $0.3m has been recognised in the income statement in the three month period to 30 June 2013 (30 June 2012: $0.7m).

Notes to the condensed consolidated financial statements

Period ended 30 June 2013

11. Non-cash items before movements in working capital

	3 months to 30 June 2013 $'000	3 months to 30 June 2012 $'000
Adjustments for:		
Release of PPE impairment provision	-	(307)
Amortisation of intangible assets	23,427	23,196
Depreciation of property, plant and equipment	22,894	21,903
(Profit)/Loss on disposal of property, plant and equipment	(131)	(92)
Retirement benefit credit	-	(115)
Gain on disposal of subsidiary	(10,000)	(115)
Post tax share of results from joint venture	(3,099)	(4,167)
Unrealised foreign exchange	1,793	639
Non-cash items	**34,884**	**41,057**

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.

The current structure of the Group was formed by a consortium comprising funds managed or advised by Arle Capital Partners ("Arle") together with Goldman Sachs Capital Partners ("Goldman Sachs") and AlpInvest Partners N.V. ("AlpInvest").

During the three month period to 30 June 2013, costs of $0.3m (30 June 2012: $0.1m) were charged to the Group by Arle, Goldman Sachs 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 2013 the Group held a 50% stake in a joint venture, COSL – Expro Testing Services (Tianjin) Co. Ltd ("CETS") and a 49% stake in a joint venture, PV Drilling Production Testers International Company Limited ("PVD-PTI"). During the three months to 30 June 2013, a dividend of $2.2m was received from CETS. As at 30 June 2013 there were dividend receivable amounts of $2.6m and $0.2m due from CETS and PVD-PTI respectively (30 June 2012: $2.4 and $nil respectively).

On 22 March 2013, the Group restructured the financing received from its shareholders. As a result of this capital restructuring $4,120.2m of shareholder loans were settled for consideration of an equivalent value ordinary share.

Notes to the condensed consolidated financial statements

Period ended 30 June 2013

Trading transactions

During the three month period to 30 June 2013, the Group entered into transactions with related parties who were not members of the Group:

		Goods and services provided to related party $'000	Goods and services provided by related party $'000	Amounts owed by related party $'000	Amounts owing to related party $'000
Umbrellastream Ltd Partnership Inc	Ultimate parent company	-	-	880	-
Expro International Group Holdings Limited	Company under common control	4	-	2,527	-
Expro Holdings UK 2 Limited	Company under common control	-	-	1	-
CETS	Joint venture	3,130	-	3,781	-
PVD-PTI	Joint venture	174	-	-	-
Group directors	Key management personnel	-	-	286	-
At 30 June 2013		**3,308**	**-**	**7,475**	**-**
Umbrellastream Ltd Partnership Inc	Ultimate parent company	-	-	706	-
Expro International Group Holdings Limited	Company under common control	716	-	1,545	-
Expro Holdings UK 2 Limited	Company under common control	-	-	1	-
Expro AX-S Technology Limited	Company under common control	187	53	4,124	-
CETS	Joint venture	4,075	37	4,093	-
PVD-PTI	Joint venture	346	-	-	-
Group directors	Key management personnel	-	-	1,718	-
At 30 June 2012		**5,324**	**90**	**12,187**	**-**

The amounts outstanding as at 30 June 2013 are unsecured and will be settled in cash. No guarantees have been given or received. A provision for doubtful debts of $0.1m has been made in respect of the amounts owed by a related party.

13. Events after the reporting date

On 15 July 2013, the Group issued senior secured notes with a nominal value of $100m, a coupon of 8.5% and maturity date of 15 December 2016. The notes were issued at an original issue premium of $4.5m, generating proceeds of $104.5m and incurring $3.5m of transaction costs and are being accounted for under the effective interest rate method.

On 15 July 2013, the Group extended the maturity date of its Revolving Credit Facility to 21 December 2016 and achieved a reduction in margin of 0.25%, from 3.0% to 2.75%.

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 2012

	3 months to 30 June 2013 (Unaudited) $'000	3 months to 31 March 2013 (Unaudited) $'000	3 months to 31 December 2012 (Unaudited) $'000	3 months to 30 September 2012 (Unaudited) $'000	3 months to 30 June 2012 (Unaudited) $'000
Adjusted revenue	333,778	328,318	288,234	299,559	284,591
Adjusted operating profit	83,551	83,920	68,804	71,249	66,834
Adjusted operating margin	25.0%	25.6%	23.9%	23.2%	23.5%
Adjustments[9]:					
Impairment of property, plant and equipment	-	2,384	-	-	-
Release of property, plant and equipment impairment provision	-	(1,203)	-	-	-
Amortisation of intangible assets	(23,427)	(20,656)	(26,017)	(21,608)	(23,196)
Property, plant and equipment depreciation	(22,894)	(24,168)	(21,868)	(22,092)	(21,355)
Profit/(loss) on disposal of property, plant and equipment	131	(551)	(230)	(278)	92
Gain on sale of business	10,000	-	-	-	-
Business improvement initiatives	(323)	(210)	(731)	(259)	(802)
Business rationalisation	(524)	(547)	(1,492)	(3)	(724)
Costs in respect of the management incentive plan	-	(509)	-	-	-
Other costs/(income)	(61)	(1,329)	(540)	590	203
Share based payment	-	(79)	-	-	-
	(37,098)	(46,868)	(50,878)	(42,820)	(45,691)
Operating profit/(loss)	46,453	37,052	24,675	28,429	21,143

[9] Details of adjustments are included in note 3.