

EXPLORATION AND PRODUCTION SERVICES (HOLDINGS) LIMITED

Report and Financial Statements
Year to 31 March 2011

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Directors' report

Year ended 31 March 2011

The directors present their annual report and the financial statements of Exploration and Production Services (Holdings) Limited (the "Company") for the year ended 31 March 2011

Corporate structure

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Umbrellastream Limited Partnership Incorporated, an entity registered in Guernsey. The same entity is the parent undertaking of the largest group for which consolidated financial statements are prepared and which includes the Company. The parent company of the smallest group for which consolidated financial statements are prepared and which includes the Company is Expro Holdings UK 3 Limited ("EHUK3"). The corporate structure that exists between EHUK3 and the ultimate parent Company takes the form of a sequence of holding companies incorporated in England and Wales, Guernsey and Luxembourg. Expro International Group Holdings Ltd ("EIGHL") is the largest entity incorporated in England and Wales, for which consolidated accounts are prepared.

Principal activity

The principal activity of the Company is to be a holding company of subsidiaries which provide well flow management services and products to the upstream oil and gas industry.

The directors are satisfied with the performance of the subsidiaries during the year and consider them to be well placed to exploit opportunities by expanding their existing product lines and introducing new products.

Results and dividend

The loss for the year, after taxation, amounted to \$62.1m (2010: \$48.2m). No dividend has been proposed (2010: \$nil).

Management of risks and uncertainties

The following risks could materially affect the business of EHUK3 and its consolidated subsidiaries (the "Group") of which the Company is a part, its financial position and the results of its subsidiaries' operations. Controls are put in place for the mitigation of internal risks and management seeks to identify risks that are not within its control.

Oil price

The market conditions for upstream well flow management services are closely linked to the price for oil and gas. Price is a factor of supply and demand, and in the short-term this is impacted by immediate issues such as the global economic and geopolitical environments. Recent unrest in the Middle East caused price increases and there is still concern in the market about the reliance on Middle East supply. In addition, militant attacks on platforms and pipelines, and strikes can affect production and price.

In the medium to long-term, reserve levels and views on alternative energy have an impact. While short-term price is important, it is the impact of that price on Company's customers which has a direct impact on activity levels in the upstream oil and gas sector. The prevailing price for oil, as well as the expectations in respect of future prices, will therefore directly impact the Company's revenues, adjusted operating profit and cash flows.

Weather conditions can also affect supply and therefore price, for example Hurricane Katrina or the recent conditions in the US.

Regulatory risk

Since the lifting of the moratorium on deepwater oil drilling, the Bureau of Ocean Energy Management, Regulation and Enforcement has started to approve permits in the Gulf of Mexico, and there is an expectation that recovery in the region will be retracted although stricter regulations will benefit oilfield service companies with experience, reputation for safety and up-to-date equipment.

Foreign currency risk

The Company faces exposure to transactional foreign currency risk as a result of transactions in currencies other than functional currency, and translational foreign currency risk on the revaluation of net monetary assets and liabilities, including working capital balances. The Group monitors its exposure to foreign exchange risk on an ongoing basis through analysis of the profile of its monetary assets and liabilities, and has a policy of natural hedging which substantially mitigates the impact of currency movements in terms of profits, cash and net assets.

Directors' report

Year ended 31 March 2011

Credit risk

The Group is not subject to significant concentrations of credit risk with exposure spread across a large number of counterparties across the world. In addition, many of the Group's customers are either government owned or controlled national oil companies or independent oil companies, or their subsidiaries, which reduces the Group's exposure to credit risk.

Future developments

The Company's business activities and principal risks and uncertainties are detailed above. Liquidity is managed at group level using long term group bank facilities. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review of the accounts of Expro Holdings UK 3 Limited and the principal risks and uncertainties that affect the Group are detailed on page 14 to 16 of the accounts of Expro Holdings UK 3 Limited.

Key Performance Indicators ("KPIs")

The board of EIGHL uses a number of KPIs to review and monitor the Group's (including this company's) performance on a monthly basis. The key financial data, highlighted to the board, is provided using revenue, adjusted operating profit, adjusted operating margin and free cash flow KPIs, which are shown in detail in the annual report of EIGHL. A wide variety of other information is presented to provide additional clarity for decision-making at board level. In addition, other significant KPIs, relating to health and safety, environmental and service quality performance, are subject to Board review on a bi-monthly basis. The two major non-financial KPIs by which the Board monitors the performance of the management team are Lost Time Incidents (LTIs) and Total Recordable Case Frequencies (TRCFs), which are separately detailed in the Business Review in the annual report of EIGHL.

Going concern

Having considered the risks outlined above and the current economic environment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Donations

No charitable or political donations were made in the year (2010: nil).

Directors

The directors who served during the year and to the date of this report were:

Current

M R Collis (appointed 26 January 2011)

L J W McAlister

M J Speakman

C N Woodburn (appointed 25 November 2010)

Past

M L Crump (resigned 26 January 2011)

G F Coutts (resigned 31 July 2011)

Events after the balance sheet date

There were no events between the balance sheet date and the date that these financial statements were authorised for issue that require disclosure.

Company's policy for payment of creditors

The Company is a holding company. As it does not participate in any trading activities it does not have any trade creditors.

Disclosure of information to the auditor

So far as each of the persons who was a director at the date of this report was aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor was unaware. Having made enquires of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to be make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report

Year ended 31 March 2011

Re-appointment of auditor

Ernst and Young LLP have been appointed as auditor by resolution of the Company's sole shareholder and have expressed their willingness to continue in office as auditor

Directors' Responsibilities Statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law. The directors have chosen to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UKGAAP")

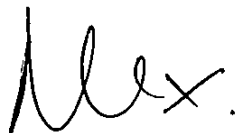
The directors are required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company. In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Date 19 August 2011



Melanie Cox
Secretary
Davidson House
Forbury Square
Reading
Berkshire
RG1 3EU

Exploration and Production Services (Holdings) Limited
Registered in England & Wales with number 1461021
Registered office c/o Expro, First Floor, Davidson House, Forbury Square, Reading, Berkshire, RG1 3EU

Independent Auditor's Report

Year ended 31 March 2011

Independent auditor's report to the members of Exploration and Production Services (Holdings) Limited

We have audited the financial statements of Exploration and Production Services (Holdings) Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Statement of recognised gains and losses, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement (set out on page 3), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the statement of the Company's affairs as at 31 March 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Kevin Harkin (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Registered Auditors

Reading, United Kingdom

Date: 19 August 2011

Profit and Loss account

Year ended 31 March 2011

	Note	March 2011 \$'000	March 2010 \$'000
Administrative expenses		(7,144)	(11,978)
Operating loss	2	(7,144)	(11,978)
Income from fixed asset investments	13	6,306	28,669
Impairment of investments	6	-	(18,340)
Interest receivable	4	72,723	60,823
Interest payable	4	(133,007)	(106,824)
Loss on ordinary activities before taxation		(61,122)	(47,650)
Tax on loss on ordinary activities	5	(947)	(563)
Loss on ordinary activities after taxation	11	(62,069)	(48,213)

All amounts relate to continuing operations

There are no other recognised gains and losses other than as stated in the profit and loss account

Balance sheet

As at 31 March 2011

	Note	31 March 2011 \$'000	31 March 2010 \$'000 *Restated
Fixed assets			
Investments in subsidiaries	6	1,149,658	1,149,547
		<u>1,149,658</u>	<u>1,149,547</u>
Current assets			
Debtors amounts falling due after more than one year	7	876,643	662,710
Debtors amounts falling due within one year	7	55,005	5,520
Cash at bank		39,802	149,140
		<u>971,450</u>	<u>817,370</u>
Current liabilities			
Creditors amounts falling due within one year	8	(92,248)	-
		<u>879,202</u>	<u>817,370</u>
Net current assets			
		<u>879,202</u>	<u>817,370</u>
Non current liabilities			
Creditors amounts falling due after more than one year	8	(1,724,687)	(1,600,676)
		<u>304,173</u>	<u>366,242</u>
Total assets less total liabilities			
		<u>304,173</u>	<u>366,242</u>
Capital and reserves			
Called up share capital	10	1,231	1,231
Share premium account		98,224	98,224
Other reserves		(1,651)	(1,651)
Profit and loss account	11	206,369	268,438
		<u>304,173</u>	<u>366,242</u>
Shareholder's funds	12	<u>304,173</u>	<u>366,242</u>

*Details of restatement are set out in note 6, 11 and 12

The financial statements were approved and authorised for issue by the Board of Directors on 19 August 2011 and were signed on its behalf by



Mike Speakman
Director

Notes to the financial statements

As at 31 March 2011

1. Basis of preparation and accounting policies

Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with applicable accounting standards. These have been applied consistently throughout the current and preceding year. The Company's business activities and principal risks and uncertainties are detailed in the Directors' report.

Prior year adjustment

The comparative balance sheet has been restated to account for an additional investment in Power Well Services Holdings Luxembourg Sarl ("PWS") which was received by way of a distribution from Power Well Service Holdings LP ("PWSH LP") in 2008. The investment was consequently contributed to Expro Benelux Limited in exchange for an equity investment. These adjustments arose as a result of a Group restructuring in 2008 and have been reflected in reserves in the year to March 2009 (note 11).

Consolidated accounts

The parent company of the smallest group for which consolidated financial statements are prepared and which includes the Company is EHUK3. The Company has therefore taken advantage of the exemption from the obligation to prepare and deliver group accounts. Accordingly the financial statements present information about the Company as an individual undertaking and not about its group.

Turnover

The geographical analysis of turnover has been omitted as the Company is a holding company, and the activities are not relevant for segmental disclosure.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates that have been enacted or substantively enacted by the balance sheet date.

The taxation liabilities of the Company are reduced wholly or in part by the surrender of tax losses to fellow group undertakings. Deferred taxation is accounted for in accordance with FRS 19 'Deferred Tax' on a non-discounted basis. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pass less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Foreign currency translation and reporting currency

Transactions denominated in foreign currencies are translated at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the end of the financial year. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Notes to the financial statements

As at 31 March 2011

Cash flow statement and related party disclosures

The Company has not prepared a cash flow statement in accordance with the exemptions available to it under FRS 1 Cash Flow Statements

The Company is a wholly owned subsidiary of EHUK3, whose consolidated financial statements include the results of the Company and are publicly available. The Company has taken advantage of the exemption conferred by FRS 8 Related Parties not to disclose related party transactions with other Group companies. Related party transactions with companies outside of the Group are disclosed in note 31 in EHUK 3 Group accounts.

2. Operating loss

The operating loss is stated after charging/(crediting)

	March 2011 \$'000	March 2010 \$'000
Foreign exchange gains	766	5,540
Other administrative costs	(7,910)	(17,518)
	<u>(7,144)</u>	<u>(11,978)</u>

The audit fees for the year have been borne by another Group company. Full disclosure of the Group audit fee is set out in note 8 to the accounts of EHUK3.

There were no employees of the Company in the current year.

3. Directors' emoluments

All of the Company's directors were also directors of EHUK3. The remuneration of EHUK3's directors is set out in note 9 to the accounts of EHUK3. The directors' services to the Company do not occupy a significant amount of their time. As such the directors do not consider it appropriate to allocate their remuneration in respect of their services provided to the Company for the year under review.

4. Interest payable and receivable

	March 2011 \$'000	March 2010 \$'000
Interest receivable		
On cash at bank and on deposit	23	181
On amounts due from group undertakings	72,700	60,642
	<u>72,723</u>	<u>60,823</u>
Interest payable		
On amounts due to group undertakings	133,007	106,824
	<u>133,007</u>	<u>106,824</u>

Notes to the financial statements

As at 31 March 2011

5. Tax

	March 2011 \$'000	March 2010 \$'000
UK corporation tax charge on loss for the year	(947)	(563)
	<u>(947)</u>	<u>(563)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (28%). The differences are explained below

	March 2011 \$'000	March 2010 \$'000
Loss on ordinary activities before tax	(61,122)	(47,650)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 28%)	<u>(17,114)</u>	<u>(13,342)</u>
Effects of		
Non-taxable release of loan from related party	(796)	1,463
Non-creditable overseas taxes	947	(563)
Losses surrendered to subsidiaries and carried forward	17,910	11,879
Adjustment for UK corporation tax of prior years	-	-
Current tax credit for the year (see note above)	<u>947</u>	<u>(563)</u>

Factors that may affect future tax charges

In his budget of 23 March 2011, the Chancellor of the Exchequer announced Budget tax changes, which, if enacted in the proposed manner, may have a significant effect on the Company's future tax position

The Budget proposed a decrease in the rate of UK corporation tax from 28% to 26%, effective 1 April 2011, together with further 1% reductions effective from 1 April 2012, 1 April 2013 and 1 April 2014, bringing the tax rate down to 23% from 1 April 2014. This first reduction in rate, from 28% to 26%, was substantively enacted on 29 March 2011 and, to the extent that deferred tax arises on timing differences subject to UK taxation, the 26% rate has been used to value the arising asset or liability. The additional 1% reductions will be enacted annually.

As the Company recognises no deferred tax arising from timing differences subject to UK taxation, there will be no measurable impact of the reduction in the tax rate to 23% on the Company's deferred tax. The effect on the Company of these proposed changes to the UK tax system will be reflected in the Company's financial statements in future years, as appropriate, once the proposals have been substantively enacted.

Notes to the financial statements

As at 31 March 2011

6. Fixed asset investments

	\$'000
Investment	
At 1 April 2010 as previously disclosed	1,099,687
Prior year adjustment	49,860
At 1 April 2011 (restated)	1,149,547
Addition	111
At 31 March 2011	1,149,658

Prior year adjustment

The comparative balance sheet has been restated to recognise an additional investment in Expro Benelux Limited of \$49.9m, as assets of Power Well Services Holdings LP were omitted from the original investment as part of the Group restructuring process in March 2008. The adjustment has been recorded in reserves in the year ended 31 March 2009 (note 11).

Addition

The investment in Expro Group Malaysia Sdn was adjusted against amounts due to group undertakings during the year.

Impairment

During the year to March 2010 Power Well Services Holdings LP was liquidated and the net assets were distributed to the Company at a value of \$18.3m and an impairment was recognised against the remaining investment for \$18.3m.

Joint venture

At 31 March 2011 the fixed asset investments included a 50% stake in a joint venture COSL – Expro Testing Services (Tianjin) Co Ltd ("CETS").

Subsidiary undertakings

A list of principal subsidiaries at 31 March 2011 is set out below. The Company has restricted the information to its principal subsidiaries, as full compliance with section 409 of the Companies Act 2006 would result in a statement of excessive length.

Name of subsidiary	Place of incorporation and ownership (or registration)
Expro Benelux Limited**	UK
Expro International BV	Netherlands
Expro International Ltd**	Guernsey
Expro North Sea Limited*,**	UK
Expro Gulf Limited*	Cyprus
Expro Worldwide BV*	Netherlands
Tronic Limited**	UK
Expro Eurasia Limited*,**	UK

* In addition to its place of incorporation, operates in other countries

** Direct holding, all other entities are subsidiaries via indirect holdings

All of the above companies are 100% wholly owned subsidiaries

All of the companies are involved in the provision of well flow management services and products to the upstream oil and gas industry.

Notes to the financial statements

As at 31 March 2011

7. Debtors

	31 March 2011 \$'000	31 March 2010 \$'000
Amounts falling due after more than one year		
Amounts owed by group undertakings	876,643	662,710
	876,643	662,710
Amounts falling due within one year		
Other debtors	7,767	5,486
Amounts owed by group undertakings	47,238	-
Prepayments	-	34
	55,005	5,520

Interest is charged on amounts owed from Group undertakings at the Group's internal rate of interest of 10%. In specific instances where it would be illegal or to the overall disadvantage of the Group, no interest has been charged.

8. Creditors

	31 March 2011 \$'000	31 March 2010 \$'000
Amounts falling due after more than one year		
Amounts due to group undertakings	1,724,687	1,600,676
	1,724,687	1,600,676
Amounts falling due within one year		
Amounts due to group undertakings	92,248	-
	92,248	-

Amounts due to group undertakings falling due after more than one year include \$4.4m of shareholder loan issued on 16 November 2010 which bears interest at 14%. Interest compounds into the principal annually and the loan matures on 15 July 2019.

Interest is charged on all other amounts owed to Group undertakings at the Group's internal rate of interest of 10%. In specific instances where it would be illegal or to the overall disadvantage of the Group, no interest has been charged.

9. Collateral

As at 31 March 2011 the Company held a cash balance of \$1.3m (2010, \$4m) pledged as security for performance guarantees. The Group's senior secured notes, mezzanine loan and revolving credit facility are secured by fixed and floating charges over the assets of Group companies including Exploration and Production Services (Holdings) Limited.

Notes to the financial statements

As at 31 March 2011

10. Share Capital

	31 March 2011 £'000	31 March 2010 £'000		
Authorised				
1,000,000 Ordinary shares of £1 each	1,000	1,000		
2,500,000 6 5% redeemable cumulative preference shares of £1 each	2,500	2,500		
	3,500	3,500		
	31 March 2011 £'000	31 March 2011 \$'000	31 March 2010 £'000	31 March 2010 \$'000
Allotted, called up and fully paid				
800,001 Ordinary shares of £1 each	800	1,231	800	1,231
	800	1,231	800	1,231

11. Reserves

	Profit and loss account \$'000
As at April 2010 as previously reported	218,578
Prior year adjustment (note 6)	49,860
	268,438
At 1 April 2010 (Restated)	268,438
Loss for the year	(62,069)
	206,369
At 31 March 2011	206,369

12. Reconciliation of movement in shareholders' funds

	31 March 2011 \$'000	31 March 2010 Restated \$'000	Prior year adjustment \$'000	31 March 2010 As previously reported \$'000
Opening shareholders' funds	366,242	414,455	49,860	364,595
Loss for the year	(62,069)	(48,213)	-	(48,213)
	304,173	366,242	49,860	316,382

Notes to the financial statements

As at 31 March 2011

13. Related party transactions

During the year ended 31 March 2011, the Company recognised a dividend of \$4.7m (year to March 2010 \$10.3m) from its 50% stake in COSL – Expro Testing Services (Tianjin) Co Ltd, a joint venture. \$3.3m of the dividend receivable was outstanding at year end (2010 \$4.7m).

During the year ended 31 March 2011, the Company recognised a dividend of \$1.6m (year to March 2010 nil) from Expro Benelux Limited, a subsidiary undertaking.

On liquidation of Power Well Services Holdings LP net assets of \$18.3m were distributed to the Company during the prior year.

During the year, the Company made a payment to an Employee Benefit Trust on behalf of Group directors by way of an interest free loan. Amounts owed to the Company by Group directors at March 2011 were \$1.5m. Amounts owed to the Company by the Employee Benefit Trust at March 2011 were \$3.0m.

14. Post balance sheet events

There were no events between the balance sheet date and the date the financial statements were authorised for issue that require disclosure.

15. Ultimate parent company and controlling party

The immediate parent company at the year end was Expro International Group Limited, a company incorporated in England and Wales. Copies of the financial statements of Expro International Group Limited are available from the UK Registrar of Companies.

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Umbrellastream Limited Partnership Incorporated, an entity registered in Guernsey.