

NEWS RELEASE

20 May 2008

EXPRO INTERNATIONAL GROUP PLC
Preliminary results for the year ended 31 March 2008

Expro International Group PLC (“Expro” or “the Group”), the oilfield services company, today announces preliminary results for the year ended 31 March 2008.

- Record set of results
- Upper end of expectations, as highlighted in the pre-close statement
- Significant organic growth
- Record investment in technology development driven by the AX-S rigless progress
- Winner of a RoSPA safety award for fourth consecutive year
- Consistent with previous guidance, outlook remains strong

| | Year ended 31 March 2008 | Year ended 31 March 2007 | Change |
|--|-------------------------------------|-----------------------------|--------|
| Revenue | £609.7m | £518.8m | +18% |
| Underlying operating profit ^a | £93.2m | £72.5m | +29% |
| Underlying operating margin | 15.3% | 14.0% | +1.3pt |
| Underlying EPS ^{*a} | 48.0p | 37.8p | +27% |
| Statutory operating profit | £85.0m | £66.8m | +27% |
| Statutory operating margin | 13.9% | 12.9% | +1.0pt |
| Statutory continuing EPS [*] | 42.7p | 34.1p | +25% |
| Net cash from operating activities | £80.7m | £67.9m | +19% |
| Free cash flow ^b | £43.8m | £18.6m | +135% |
| Net bank borrowings ^c | £140.1m | £170.5m | |

^{*} All references to earnings per share (EPS) are calculated using the basic number of shares.

^a Underlying operating profit and underlying EPS are based on continuing and discontinued operations and are before exceptional items and intangible asset amortisation that arises on business combinations. The basis of these alternative measures and details of exceptional items arising in the year are included within notes 4 and 8.

^b As calculated in the business review.

^c Bank loans of £164.0m (2007: £201.2m) and overdrafts of £nil (2007: £2.1m) less cash of £23.9m (2007: £32.9m), as extracted from the consolidated balance sheet.

Commenting on the results, Graeme Coutts, Chief Executive Officer, said, “I am delighted to announce today a record set of results which reflect the strength of Expro, and the benefits of the strategy that we have been following for five years. Expro is a global top tier supplier of oil and gas services in most of the world’s major upstream markets. Performance during the year showed clear evidence of prior strategic investments converting to financial performance while further enhancing our future outlook. Our portfolio now contains a blend of technology and market reach, that positions us for the prolonged activity levels within the global upstream sector.”

Scheme timetable

On 17th April, the Company announced that it had agreed the terms of a recommended cash offer for the Company from Umbrellastream Limited. The expected timetable of principal events in relation to this offer is set out below.

| | |
|---|----------------------------|
| Scheme Meeting and Extraordinary General Meeting | 2 nd June 2008 |
| The following dates are subject to change. | |
| First Court Hearing to sanction the Scheme | 23 rd June 2008 |
| Dealing in Expro Shares suspended | 24 th June 2008 |
| Second Court Hearing to sanction the Scheme | 25 th June 2008 |
| Scheme Effective Date | 26 th June 2008 |

On 18th April, Halliburton Company announced that it was in discussions with the Company that may or may not lead to it making an offer for the Company. As of 19th May, Halliburton continue to carry out due diligence. There can be no certainty that an offer will ultimately be forthcoming from Halliburton.

- Ends -

For further information please contact:

Expro International Group PLC
Graeme Coutts, Chief Executive Officer
Michael Speakman, Finance Director

On 20 May 2008: 020 7067 0700
Thereafter: 0118 959 1341

Weber Shandwick Financial
Nick Osborne / Rachel Martin / Stephanie Badjonat / Hannah Marwood

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*An analyst meeting will be held at 09.30 this morning at the offices of
Weber Shandwick Financial, Fox Court, 14 Gray's Inn Road, London, WC1X 8WS*

Notes to Editors

Expro's business is well flow management. Expro is a leading provider of products and services that measure, improve, control and process flow from high-value oil and gas wells. Key niche businesses must be able to command and sustain market share leadership through a combination of technological pre-eminence and/or operational economies of scale. They will have a high knowledge and service content and will be able to anticipate, meet and exceed customers' expectations. With its head office in the UK, Expro employs more than 4,000 highly-trained staff in 50 countries. For more information, please visit the Expro website www.exprogroup.com

Chairman's and Chief Executive's Statement

The Board is delighted to report on an outstanding year of performance across Expro and a record set of results for the financial year ended 31 March 2008. This performance is the result of successful execution of our focused strategy and sustained growth momentum across the expanded Expro business. These results include the first full year of contribution from the fully integrated Power Well Services (PWS) acquisition which marked a "step change" in the development of Expro. The new combined entity has created an enhanced platform for Expro to progress future growth strategies.

During the year Expro generated adjusted earnings per share of 48.0 pence, on an underlying basis¹, a 27% increase on the same period last year. The Board has not declared a full year dividend in line with the commitment in the implementation agreement recently signed with Umbrellastream Limited ("Umbrellastream") (a company formed and ultimately owned by a consortium comprising funds managed by Candover Partners Limited, together with Goldman Sachs Capital Partners and Alpinvest Partners N.V.).

Expro has a focused strategy aimed at delivering a balance between short term shareholder performance and long term strategic positioning. The enlarged international business has established Expro as a global top tier supplier of oil and gas services in most of the world's major upstream markets. Performance during the year showed clear evidence of prior strategic investments converting to financial performance while further enhancing our future outlook. Our portfolio now contains a blend of technology and market reach, that positions us for the prolonged activity levels within the global upstream sector.

Market conditions

Market conditions for upstream services remained very positive throughout the year. The commodity oil price reached an all time high, well in excess of \$100/bbl, driven by continued growth in global energy demand, fuelled mainly by the economies of India and China. This in turn has placed a heavy burden on the supply of hydrocarbon energy which has continued to struggle to keep pace with ever growing demand. The period also marked a strong movement by both National and International oil and gas producers toward increasingly difficult hydrocarbon reserves, especially offshore locations at extreme water depths. This movement is particularly evident within the super-major International oil community. Their focus is now clearly on subsea, and particularly deepwater provinces, where they see greater future opportunity. This in turn has fuelled strong demand for high specification floating rigs, capable of meeting our customer's strategic goals to 2012 and beyond. The acute shortage of high-specification rigs has led to a dramatic increase in semi-submersible day rates and an intensive new build campaign to add future capacity for this high value segment.

National oil and gas companies have increased their domestic focus, and consequently their activity levels, as they strive to achieve enhanced oil and gas recovery from ageing assets.

Expro is positioned to take advantage of the increase in global activity in both markets through our enhanced geographic platform and market leading deepwater technology portfolio. Our position and market presence has been enhanced and highly differentiated by the introduction of our new global brand identity.

Technology

The year to 31 March 2008 has by any measure been a record for technological achievement within Expro. Throughout this statement there are numerous regional references to Expro developed technology impacting business performance.

Technology spend in the year reached a record level of £13.3m, with the vast majority of this spend focused on our flagship AX-S™ lightweight intervention system. AX-S™ is designed to enhance productivity and increase recoverable reserves for customers with production in the subsea and deepwater markets. During the year excellent progress was made in the development of AX-S™. A contract to support the commercialisation, with the test and build of the first system, was signed with BP and their commitment to developing this step change technology has been excellent. In addition, Expro signed a letter of intent with Aker Oilfield Services to join forces under an alliance whereby Aker Oilfield Services will provide all the marine components we believe will be necessary to deliver AX-S™ successfully and easily to the global markets. Beyond AX-S™ we continue to support all our businesses with technology enrichment from numerous locations each responsible for providing specialist product focus.

Chairman's and Chief Executive's Statement

Acquisitions and joint ventures

In February of this year we acquired Analytical Data Systems Limited (ADS). ADS are a leading provider of specialised analytical support to the oil and petrochemical industry with a mature water chemistry capability, niche sulphur speciation and mercury services. The acquisition of ADS, underlines Expro's commitment to the oil and gas industry and will ensure the ongoing delivery of quality analysis as well as expanding the portfolio of the Group's capabilities. ADS will be fully integrated with, and complement existing capabilities of, the Expro Fluid Analysis Centre (FAC), which provides laboratory facilities for use in on and offshore fields.

On 1 June 2007 the Group entered into a joint venture with China Oilfield Services Limited (COSL), investing £3.8m during the period. The COSL joint venture further enhances our relationships with national oil companies and indigenous service companies in the growing Asian marketplace.

The Offer

During the year, Expro received an offer for the business from Umbrellastream. The background and details of the proposed transaction are set out in the Scheme Circular sent to shareholders on 9 May 2008 and summarised over the next five paragraphs.

Summary of scheme circular

Expro has grown rapidly in the last five years, both organically and through strategic acquisitions, to become a leading player in well flow management and a leading provider of services and products that measure, improve, control and process flow from high-value oil and gas wells. During this period the Group's revenue has grown by 138% from £217.9 million in the financial year ended 31 March 2003 to £518.8 million in the financial year ended 31 March 2007 and earnings per share from 20.5 pence to 37.8 pence over the same period. Between 31 March 2003 and 16 April 2008 (being the last Business Day prior to the announcement of the Acquisition on 17 April 2008), the market capitalisation of Expro increased from £212 million to £1.46 billion.

¹ Underlying operating profit and underlying EPS are based on continuing and discontinued operations and are before exceptional items and intangible asset amortisation that arises on business combinations. The basis of these alternative measures and details of exceptional items arising in the year are included within the Annual Report and Accounts notes 4 and 8.

On 29 February 2008, Expro announced it had received a very preliminary proposal which may or may not lead to an offer for Expro. This initial offer from the Consortium was taken to Expro's Board and rejected. On 14 March 2008, the Board of Expro received a revised proposal from the Consortium of 1435 pence per Expro Share.

Following this proposal the Board of Expro and its financial adviser, JPMorgan Cazenove, held discussions with the Consortium as well as a number of other parties about their possible interest in making an offer for Expro. As part of these discussions, a number of parties were given the same access to management and due diligence as the Consortium.

As part of the announcement of the Acquisition on 17 April 2008, Expro confirmed that as at that date, one of those parties continued to conduct due diligence on Expro. On 18 April 2008, Halliburton Company confirmed that it had been in discussions with the Board of Expro which may or may not lead to an offer being made for Expro. Furthermore, Halliburton Company announced that any such offer, if made, would be solely in cash and at a premium to the price per share proposed to be offered by Umbrellastream. As at 19 May 2008, Halliburton Company continues to conduct due diligence on Expro. There can be no certainty that a formal offer will ultimately be forthcoming from Halliburton Company.

The Expro Independent Directors believe the price of 1435 pence for each Expro share represents a significant premium to the trading price of Expro Shares prior to Expro's announcement on 29 February 2008 that it had received a proposal that may or may not lead to an offer. The certainty and value of the cash offer today reflect both the current trading performance of the Expro Group and its future potential. Furthermore, the Consortium Members are leading and well established equity providers with extensive experience in the energy sector and intend to work with the Expro Executive Directors to grow the business. The Expro Independent Directors accordingly welcome Umbrellastream's plans for Expro as set out in paragraph 7 of Part Two of the Scheme Circular. The Expro Independent Directors therefore concluded that the price of 1435 pence for each Expro share is fair and reasonable and that the Acquisition should be recommended to Expro Shareholders.

Chairman's and Chief Executive's Statement

JPMorgan Cazenove, which is regulated in the United Kingdom by the Financial Services Authority, is acting for Expro and no-one else in connection with the Acquisition and will not be responsible to anyone other than Expro for providing the protections afforded to customers of JPMorgan Cazenove or for providing advice in relation to the Transaction or any other matter referred to herein. JPMorgan Cazenove has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which it appears.

Market outlook

Expro has concluded the integration of PWS and following the complete rebranding of the business we are now positioned to grow with both National and International Oil and Gas customers. We have a technology portfolio ideally suited to assist all our customers and an outstanding talent pool of national staff to progress our strategies. Our position in the deepwater markets has come as a result of prior period, and ongoing investments. In these flagship markets, where operating costs are very high, our customers are focused on technical innovation and service quality. These are the strengths of Expro and form the foundation of our focused strategy. The overall outlook for the upstream oil and gas services industry has never been stronger and Expro is well positioned to benefit from a prolonged industry upcycle.

Board

Tim Eggar retired as a non-executive director on 5 July 2007 having served on the Board since March 2004. Bob Bennett joined the board as a non-executive director on 30 May 2007, after serving as Group Finance Director of Northern Rock PLC, a position he held until his retirement in January 2007.

The Board would like to thank Tim for his valuable contribution and welcome Bob to the Board.

Finally, we would like to thank all of Expro's dedicated employees around the world for their continuing enthusiasm and support.

Dr Chris Fay, CBE
Chairman

Graeme Coutts
Chief Executive Officer

Business Review

Overview

The year has seen sustained increases in activity for Expro. Revenue, EPS and investment have again all reached their highest level in the Group's history and the rebranding of Expro together with the Excellence in Operations initiative have been a significant step in the development of the Group from both an operational and financial performance standpoint.

Trading performance

Revenues of £609.7m were up by £90.9m, with the increase of 17.5% generated by a combination of strong organic growth and the full year effect of the PWS acquisition. This level of growth was achieved despite the weaker dollar, with the rate in the year averaging at 2.01 versus a prior year comparison of 1.88.

Underlying operating profit² increased to £93.2m from £72.5m, due to organic growth and also through a continuing improvement in margin over the previous year from pricing and the Group's operating leverage. While Expro continues to benefit from the buoyant market for oil field services, these superior results are also due in part to our determination to provide our customers with services which are excellent, innovative and safe.

Segmental Review

Regional Businesses

Expro delivers operations globally through its Eastern and Western Hemisphere management structure with a total of seven operating regions, each focused on their respective markets. One of our key strategic goals, creating critical-mass operating areas, has been realised with the fully integrated PWS acquisition and this is now a feature of current and future performance.

In the Western Hemisphere, managed from Houston, Expro has established significant presence in both North and South America. Our strategic focus for both regions is clearly on technically appreciative markets with the bulk of our activities focused in three areas, Brazil, deepwater Gulf of Mexico and the unconventional gas plays of North America. Total revenues generated in the Western Hemisphere, were up 24.0% at £119.1m.

In the Eastern Hemisphere, Expro has a now well established operating structure of four regions comprising Europe and the Former Soviet Union (EFSU), North Africa Middle East (NAME), West Africa and Asia Pacific. All our regions are resourced with highly skilled national staff focused on the specific growth characteristics of these individual markets. Overall the Eastern Hemisphere revenues increased by 21.8% over prior year to £275.1m.

North America Land

North America Land market conditions were poor and heavily affected the Western Hemisphere. This market is influenced by seasonal demand for gas in North America which in turn is dominated by climatic events throughout the winter season. As a consequence of a relatively benign winter in 2006/07, demand to utilise stored gas was relatively modest leading to a retained surplus. The effect of this led to a subdued drilling season throughout 2007 resulting in poorer than expected demand for services. The outlook for this market for the coming year is only marginally better. Although the winter of 2007/08 has resulted in far greater requirement for gas, this is somewhat overshadowed by the current uncertainty clouding the economic outlook for the United States. The land market therefore remains volatile and relatively short term in nature although the long term market dynamics remain favourable.

North America Offshore

The deep water North America Offshore market has been far more encouraging. This market is reserved for large strategic International oil and gas operators and their partners. In the period Expro increased revenues by 54.3% over prior year featuring extensive activity in the welltesting and wireline intervention service lines.

Latin America

Expro is heavily focused in Latin America on the Brazilian offshore market. We are now well established in this market and in the period we experienced excellent levels of activity under our new contract with Petrobras. Petrobras is becoming increasingly aware of the capabilities of Expro to assist with their very demanding outlook for deepwater activity out to 2012 and beyond. Elsewhere in the Latin America, operations continued in Venezuela and Mexico.

Business Review

Europe / FSU

Europe/FSU remains our largest operating region and within this regional grouping we have operations in UK, Norway, Continental Europe, Kazakhstan and Russia. Overall Europe/FSU region revenues increased by 22.0% over prior year to £135.9m.

The UK and Norwegian offshore markets, characterised by old infrastructure and remote hydrocarbon accumulations, are suffering declining production through maintenance intensive ageing well infrastructure. This combination supports high activity levels with customers who are technologically minded and appreciative of Expro's core strengths. Highlights in the period include the initial establishment of our Statoil/Hydro welltesting contract and subsequent extension for the coming five years. Activity in the Caspian area, where Expro is now well established, has continued throughout the period. Most notable was the contract award from BP for subsea tools. These will be used to install deepwater wells in the Caspian Sea, a forerunner to future activity perfectly aligned to our core strengths.

² Underlying operating profit and underlying EPS are based on continuing and discontinued operations and are before exceptional items and intangible asset amortisation that arises on business combinations. The basis of these alternative measures and details of exceptional items arising in the year are included within the Annual Report and Accounts on notes 4 and 8.

West Africa

The West Africa region continues to be focused on the two large operating countries of Nigeria and Angola. Our Angolan business is entirely deepwater focused where we have an excellent position providing technology essential to the exploration, development, commissioning and maintenance of deepwater fields. Our blue-chip International customer base has been heavily investing throughout the period. The results of their investments in exploration have been very encouraging with several new large deepwater discoveries which will lead to a prolonged subsea development cycle and a demand for well intervention. This business environment has created an excellent opportunity for Expro.

In Nigeria we have a more diverse business portfolio. In common with Angola, many of the characteristics of the deepwater environment are in play. Expro is also active in the markets of the Niger Delta. The period was characterised by the well publicised community disruption issues, resulting in concerns over security of personnel and assets. Despite this difficult environment our activities continued relatively uninterrupted.

North Africa Middle East

A key product of the PWS integration was the establishment of a material operating presence in the combined markets of North Africa and the Middle East (NAME). Excellent progress has been made establishing an operational head office in Dubai, educating customers in the capabilities and technology offering of Expro, recruiting and training national personnel and investing in new operational assets, particularly for the rapidly expanding market of Saudi Arabia. Our efforts were rewarded with a new contract from Saudi Aramco for the provision of welltesting services and a commitment which underpinned a material investment in multiple, state of the art well logging trucks. These trucks will be capable of deploying all of Expro's propriety cased hole intervention technology. Operations were also ongoing in Algeria, Libya and Egypt. In the latter market we successfully tested the deepest water well to date offshore the Nile Delta in some 7,500 ft of water. This was performed as part of a complete Expro service package and highly trained national crew.

Asia Pacific

In the combined markets of Asia where Expro has established a strong, critical mass operating Region, business performance in the year has been excellent. Our new Region head office located in Kuala Lumpur, Malaysia, is now fully operational. During the period we have been active in recruiting top quality staff to meet the growth in demand for our products and services. In Australia, where Expro has been established for many years, progress in the period was again very good. This market has been very active and Expro has a strong position.

In China our joint venture relationship with China Oilfield Services Limited (COSL) has flourished and is delivering excellent benefits for both parties. Chinese oil and gas companies are becoming increasingly active in deeper water operations as they strive to meet energy demand for their economic growth. This move is showing signs of developing an excellent position for the joint venture and Expro is fully committed to providing state of the art technology to enable this market to develop.

Business Review

Elsewhere in Asia, high points of the year included the successful start of BP's Tangu development in Indonesia, the award of Total's Sisi Nubi project in the same market and the award of an offshore welltesting contract in India for the Oil & Natural Gas Corporation Ltd (ONGC). The latter is seen as a very important landmark for the region and a forerunner to the introduction of our market leading portfolio for the future deepwater field developments.

Global Businesses

In the year Expro has continued to make progress in the three businesses we manage under our Global product offerings.

Connectors and Instrumentation

Our connectors and instrumentation business is completely aligned to the market for new subsea wells. The very positive dynamics and outlook for this market segment are well publicised. New deep water rig and subsea infrastructure capacity will start to arrive in 2009 and continue out beyond 2012. In anticipation of these events we have made material commitment to new infrastructure in the year which will be necessary for our business to meet anticipated future demand for both connectors and seabed instrumentation. During the year we have commissioned and committed to facilities capable of doubling our current capacity in both areas. In addition, the year saw the successful introduction of our new fibre optic subsea connector capable of providing our customers with the ability to instrument their remote subsea infrastructure with high efficiency fibre optic communications. This first deployment was for BP on their King project in the deep water Gulf of Mexico. Revenues for the connectors and measurements business increased by 10.6% to £51.4m in the year compared to the prior period.

Subsea safety systems

Our flagship Subsea Safety Tools business is now seeing the benefits of our previous investments in Technology development. In the period the business grew 65.5% to £95.0 million. Included in this performance were many firsts for Expro and the wider upstream industry. Demand has been driven by the discovery, testing and commissioning of new subsea well developments. We expect these market conditions to prevail for many years to come.

In the Gulf of Mexico the successful commercial introduction of the Tahiti high pressure, electro-hydraulic ultra-deep tools for Chevron in the Gulf of Mexico was a first for the industry as we strive to assist our International customers develop increasingly difficult deepwater reserves. These unique, market leading tools were first successfully utilised during 2007 to install and commission Chevron's flagship Tahiti development in some 4,500ft of water. Subsequently during this financial year the same systems have seen successful runs for the same customer on the adjacent Blind Faith development.

In West Africa our specialised tools have also been extensively deployed in deepwater developments by BP, Total and Chevron. In the period we successfully deployed our industry leading subsea tools into the deepwater market in support of Chevron's Agbami development.

Production Systems

After an exceptional year in 2006/07 which included the highly successful Chayvo project for ExxonMobil in Sakhalin Island, performance was predictably more modest for our Production Systems business.

Highlights during this financial year included the performance of the now well established Dibi barge in Nigeria, which commenced crude oil processing operations in August and has now processed approximately nine million barrels of crude with outstanding operational and safety performance. A further highlight was the completion of the Siri project for Petrobras in Brazil. Work has commenced on the delivery of an advanced welltesting vessel for Pemex in Mexico which will be equipped with specialist Expro welltesting equipment.

Measuring performance

Within our annual report reference is made to our non-statutory measures of underlying operating profit¹ and underlying EPS. The underlying measures exclude exceptional items which management has identified and disclosed as material one-off or unusual items together with intangible asset amortisation that arises on business combinations. This is consistent with the way that financial performance is measured by management and we believe assists in providing a meaningful analysis of the trading results of the Group.

Business Review

Investment

Research and development

Expro continues to fund record levels of development, primarily through the on-going development and build of the first AX-S™ lightweight intervention system being built for BP. We expect to increase this level of investment next year as the technology develops.

Capital expenditure

Capital expenditure decreased from £60.0m last financial year to £40.5m. The decrease in capital expenditure was due to the delivery to market of the Tahiti systems and commissioning of the Dibi barge in Nigeria. The economies of scale provided through the PWS acquisition last year meant that Expro was able to leverage a larger and more flexible asset pool in servicing our customers' needs. Despite this decrease, capital expenditure was still significant with completion of the construction of the Agbami systems along with the ongoing construction of a subsea landing string for deployment in the Abo oilfield, offshore Nigeria. There has also been a significant expansion in our wireline fleet in the North Africa / Middle East region.

Taxation

The tax charge of £26.7m represents an effective rate of 36.6%, a reduction of 1.3% on the prior year. When the impact of exceptional items and amortisation is eliminated the underlying¹ effective tax rate is 35.9% compared to 37.6% in the prior year. Expro's operations have a wide geographic coverage, resulting in differing taxation regimes depending on the location in which those activities take place. The effective rate reflects this broad geographic spread of profits, unrecoverable losses in certain territories, a variety of imputed and higher rate overseas tax regimes and non-deductible items. Tax continues to be a key priority for the Group, particularly the careful management of the long-term underlying tax rate.

Earnings per share (EPS)

Underlying EPS¹ increased by 27% to 48.0p. Continuing EPS increased by 25% to 42.7p.

Free cash flow

Despite high levels of capital investment, Expro again achieved its objective of delivering improved free cash flow and allowed it to achieve its stated objective of covering the dividend paid in the year by a factor of at least 150%.

| | 2008 £m | 2007 £m |
|---|-------------|-------------|
| Net cash from operating activities | 80.7 | 67.9 |
| Interest received | 1.0 | 1.9 |
| Proceeds on disposal of property, plant and equipment | 1.6 | 5.2 |
| Purchases of property, plant and equipment | (39.4) | (56.2) |
| Purchases of intangible assets | (0.1) | (0.2) |
| Free cash flow | 43.8 | 18.6 |
| Dividends paid | (13.2) | (9.4) |
| Dividend cover | 332% | 199% |

Dividends

The Board has not declared a full year dividend in line with the commitment in the Implementation Agreement recently signed with Umbrellastream.

Acquisitions and disposals

This year featured the acquisition of Analytical Data Systems Limited (ADS), on a cash free debt free basis, for £2.7m. ADS will be integrated with the Fluids Analysis Centre to develop our service capability in this area.

On 1 June 2007 the Group entered into a joint venture with China Oilfield Services Limited (COSL), investing £3.8m during the period. The COSL joint venture further enhances our relationships with national oil companies and indigenous service companies in the growing Asian marketplace.

¹Underlying operating profit and underlying EPS are based on continuing and discontinued operations and are before exceptional items and intangible asset amortisation that arises on business combinations. The basis of these alternative measures and details of exceptional items arising in the year are included within the Annual Reports and Accounts on notes 4 and 8.

Business Review

Exceptional items

The following items have been classified as exceptional by management:

Impairment of investment

In the prior year, the Group disposed of Expro Group Canada Inc. to Enseco Energy Services Corporation, receiving part of the consideration in the form of a convertible debenture. During the current period Enseco exercised its right to convert this debenture into 2.8m ordinary shares with a par value of CAD 3.50. Market conditions in the Canadian oil and gas services sector have continued to deteriorate and as a result, the Group has impaired its investment, resulting in a charge of £1,102,000 included within administration expenses. The carrying value of the investment at 31 March 2008 is £195,000 (2007: £1,297,000).

Post tax gain from disposal of joint ventures

In the year ended 31 March 2006, the Group disposed of its shares in the Quantx joint ventures to Baker Hughes Inc. for £15.7m, generating a profit on disposal of £9.7m. During the current period, the Group reached agreement with Baker Hughes Inc. regarding the final consideration due. Additional proceeds of £2.5m were received, and after the deduction of additional costs of £0.2m, an additional profit on disposal of £2.3m was recorded.

Financial risk management

Expro has significant overseas operations whose principal transactional and functional currencies are US Dollars. The Group has US Dollar denominated revenues of approximately 56% (2007: 58%), sterling denominated revenues of approximately 25% (2007: 26%) and other currency revenues of 19% (2007: 16%). Mitigating the Group's exposure to currency risk continues to be a key priority. In order to minimise this exposure, the Group has a policy of natural hedging and this partially mitigates the impact of currency movements in terms of profits, cash and net assets. In addition, the Group also has foreign currency loans, principally US Dollars, which mitigate its exposure to foreign currency denominated net assets. Further details in respect of the Group's financial risks are set out within the notes to the accounts.

Pensions

The Group's pension scheme deficit decreased from £17.5m to £17.0m. The UK defined benefit section closed to new members on 1 October 1999.

Acknowledgement

The directors would like to take this opportunity to acknowledge the commitment, professionalism and enthusiasm of the Expro teams across all parts of the business. The safe and profitable business growth of the business is a credit to a great team effort.

Consolidated Income Statement

Year ended 31 March 2008

| | Note | 2008 £'000 Underlying performance | 2008 £'000 Exceptional items and amortisation ^a | 2008 £'000 Total | 2007 £'000 Underlying performance | 2007 £'000 Exceptional items and amortisation ^a | 2007 £'000 Total |
|---|------|--|--|------------------------|--|--|------------------------|
| Continuing operations | | | | | | | |
| Revenue | 5,6 | 609,730 | - | 609,730 | 518,820 | - | 518,820 |
| Cost of sales | | (496,905) | (7,119) | (504,024) | (427,798) | (5,733) | (433,531) |
| Gross profit | | 112,825 | (7,119) | 105,706 | 91,022 | (5,733) | 85,289 |
| Administration expenses | | (19,635) | (1,102) | (20,737) | (18,480) | - | (18,480) |
| Operating profit | 6 | 93,190 | (8,221) | 84,969 | 72,542 | (5,733) | 66,809 |
| Post tax share of results of associates and joint ventures | 19 | 1,182 | - | 1,182 | 102 | - | 102 |
| Operating profit including Associates and joint ventures | | 94,372 | (8,221) | 86,151 | 72,644 | (5,733) | 66,911 |
| Investment income | 5,10 | 5,628 | - | 5,628 | 6,327 | - | 6,327 |
| Finance costs | 11 | (17,472) | - | (17,472) | (18,133) | - | (18,133) |
| Net finance costs | | (11,844) | - | (11,844) | (11,806) | - | (11,806) |
| Profit before tax | 7 | 82,528 | (8,221) | 74,307 | 60,838 | (5,733) | 55,105 |
| Tax | 12 | (29,208) | 2,469 | (26,739) | (22,831) | 1,985 | (20,846) |
| Profit after tax | | 53,320 | (5,752) | 47,568 | 38,007 | (3,748) | 34,259 |
| Discontinued operations | | | | | | | |
| Post tax gain from disposal of joint ventures | 8 | - | 2,258 | 2,258 | - | - | - |
| Profit for the year | | 53,320 | (3,494) | 49,826 | 38,007 | (3,748) | 34,259 |
| Attributable to: | | | | | | | |
| Equity holders of the parent | | 52,813 | (3,494) | 49,319 | 37,875 | (3,748) | 34,127 |
| Minority interest | | 507 | - | 507 | 132 | - | 132 |
| | | 53,320 | (3,494) | 49,826 | 38,007 | (3,748) | 34,259 |
| Earnings per share | | | | | | | |
| From continuing and discontinued operations | | | | | | | |
| Basic | 14 | 48.0p | | 44.8p | 37.8p | | 34.1p |
| Diluted | 14 | 47.5p | | 44.4p | 37.3p | | 33.6p |
| From continuing operations | | | | | | | |
| Basic | 14 | | | 42.7p | | | 34.1p |
| Diluted | 14 | | | 42.4p | | | 33.6p |

^a Underlying performance is based on continuing and discontinued operations and is before exceptional items and intangible asset amortisation that arises on business combinations. The basis of these alternative measures is included under note 4 and details of exceptional items arising in the year are included under note 8.

Consolidated Statement of Recognised Income and Expense

Year ended 31 March 2008

| | Note | 2008 £'000 | 2007 £'000 |
|--|------|---------------|-----------------|
| Loss on cash flow hedges | | - | (3,563) |
| Exchange differences on translation of foreign operations | 31 | (1,131) | (16,931) |
| Actuarial gains on defined benefit pension schemes | 35 | 937 | 2,165 |
| Tax on items taken directly to equity | 26 | (531) | (732) |
| Net expense recognised directly in equity | | (725) | (19,061) |
| Transfers | | | |
| Transferred to profit and loss on disposal of subsidiaries | | - | (344) |
| Transferred to profit and loss on maturity of cash flow hedges | | - | 273 |
| Profit for the year | | 49,826 | 34,259 |
| Total recognised income and expense for the year | | 49,101 | 15,127 |
| Attributable to: | | | |
| Equity holders of the parent | | 48,594 | 14,995 |
| Minority interest | | 507 | 132 |
| | | 49,101 | 15,127 |

Consolidated Balance Sheet

At 31 March 2008

| | Note | 2008 £'000 | 2007 £'000 |
|---|-------|------------------|------------------|
| Non-current assets | | | |
| Goodwill | 16 | 179,419 | 180,438 |
| Intangible assets | 17 | 92,452 | 99,458 |
| Property, plant and equipment | 18 | 171,607 | 194,307 |
| Available for sale investments | 8 | 195 | 1,297 |
| Interests in associates and joint ventures | 19 | 5,671 | 278 |
| Deferred tax assets | 26 | 8,218 | 7,536 |
| | | 457,562 | 483,314 |
| Current assets | | | |
| Inventories | 20 | 36,575 | 31,685 |
| Trade and other receivables | 22 | 186,101 | 161,646 |
| Cash | 23 | 23,895 | 32,872 |
| | | 246,571 | 226,203 |
| Total assets | | 704,133 | 709,517 |
| Current liabilities | | | |
| Bank overdraft | 23 | - | (2,142) |
| Bank loans | 25 | - | (294) |
| Trade and other payables | 24 | (103,147) | (108,697) |
| Current tax liabilities | | (30,941) | (28,427) |
| Finance leases | 28 | (1,452) | (1,607) |
| Provisions | 29 | (179) | (55) |
| | | (135,719) | (141,222) |
| Non-current liabilities | | | |
| Bank loans | 25 | (164,005) | (200,911) |
| Retirement benefit obligation | 35 | (16,981) | (17,490) |
| Deferred tax liabilities | 26 | (30,137) | (31,573) |
| Finance leases | 28 | (8,440) | (8,088) |
| Provisions | 29 | (377) | (848) |
| | | (219,940) | (258,910) |
| Total liabilities | | (355,659) | (400,132) |
| Net assets | | 348,474 | 309,385 |
| Equity | | | |
| Share capital | 30,31 | 11,044 | 10,958 |
| Share premium | 31 | 5,589 | 3,796 |
| Other reserve | 31 | 60,677 | 60,677 |
| Hedging and translation reserve | 31 | (18,625) | (17,494) |
| Equity reserve | 31 | 2,123 | 1,544 |
| Retained earnings | 31 | 286,979 | 249,724 |
| Equity attributable to equity holders of the parent | | 347,787 | 309,205 |
| Minority interest | 31 | 687 | 180 |
| Total equity | | 348,474 | 309,385 |

The financial statements were approved by the Board of Directors and authorised for issue on 19 May 2008. They were signed on behalf of the board by:

G Coutts
Chief Executive Officer

M Speakman
Group Finance Director

Consolidated Cashflow Statement

Year ended 31 March 2008

| | Note | 2008 £'000 | 2007 £'000 |
|--|------|-----------------|---------------|
| Operating profit | | 84,969 | 66,809 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 18 | 54,528 | 39,545 |
| Loss/(gain) on disposal of property, plant and equipment | | 416 | (2,398) |
| Amortisation of intangible assets | 17 | 7,939 | 6,679 |
| Impairments and write back of deferred consideration | | 5,447 | 1,216 |
| Share-based payments | 34 | 1,307 | 910 |
| Retirement benefit charge/(credit) | | 112 | (471) |
| Operating cash flows before movements in working capital | | 154,718 | 112,290 |
| Increase in inventories | | (4,286) | (2,587) |
| Increase in receivables | | (25,574) | (25,689) |
| (Decrease)/increase in payables | | (4,717) | 11,840 |
| Cash generated by operations | | 120,141 | 95,854 |
| Income taxes paid | | (27,023) | (15,580) |
| Interest paid | | (12,376) | (12,341) |
| Net cash from operating activities | | 80,742 | 67,933 |
| Investing activities | | | |
| Interest received | | 916 | 1,916 |
| Purchases of property, plant and equipment | | (39,362) | (56,222) |
| Proceeds on disposal of property, plant and equipment | | 1,574 | 5,198 |
| Purchases of intangible assets | | (147) | (235) |
| Net cash outflow on acquisition of subsidiaries | 32 | (2,142) | (175,000) |
| Investment in associates and joint ventures | 19 | (3,835) | (185) |
| Proceeds on disposal of subsidiary | | - | 1,718 |
| Proceeds on disposal of subsidiary in prior year | | 481 | - |
| Payments on disposal of joint ventures | | - | (996) |
| Proceeds on disposal of joint ventures in prior year | 8 | 2,258 | - |
| Payment of deferred consideration | 29 | (32) | (115) |
| Net cash used in investing activities | | (40,289) | (223,921) |
| Financing activities | | | |
| Issue of share capital | | 1,879 | 130,915 |
| Proceeds on the exercise of options over own shares | | - | 629 |
| Dividends paid | 13 | (13,198) | (9,355) |
| Initial drawing of loans under new facility | | - | 271,539 |
| Repayment of loan under old facility | | - | (60,913) |
| Repayment of loan assumed on acquisition | | - | (135,140) |
| Repayment of loan under new facility | | (33,613) | (52,983) |
| Repayments of finance leases | | (2,292) | (1,980) |
| Net cash from financing activities | | (47,224) | 142,712 |
| Net decrease in cash | | (6,771) | (13,276) |
| Cash and cash equivalents at beginning of year | 23 | 30,730 | 45,642 |
| Effect of foreign exchange rate changes | | (64) | (1,636) |
| Cash and cash equivalents at end of year | 23 | 23,895 | 30,730 |

Notes to the Consolidated Accounts

Year ended 31 March 2008

1. General information

Expro International Group PLC ('the Group') is a company incorporated in England and Wales under the Companies Act 1985 and is domiciled in the United Kingdom. These financial statements are presented in pounds sterling because that is the currency of the parent company which is domiciled in the United Kingdom.

The financial information set out above does not constitute the Company's statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts of the Company for the year ended 31 March 2007 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statements under Section 237(2) or (3) of the Companies Act 1985.

The auditors' report for the year ended 31 March 2008 is unqualified and does not contain any statements under Section 237(2) or (3) of the Companies Act 1985. These accounts have been prepared in accordance with the accounting policies set out below. The statutory accounts for the year ended 31 March 2008 are consistent with the financial information presented by the directors in this preliminary announcement, and will be delivered to the Registrar of Companies following the Company's annual general meeting.

Recent accounting developments

The following standards and interpretations have been adopted by the Group for the first time in these financial statements:

| | | |
|----------|---|--|
| IFRS 7 | - | Financial instruments: Disclosures and the related amendments to IAS 1 on capital disclosures. As these are disclosure standards, there is no impact on the results of the Group for the year. The additional disclosures can be found specifically in note 3 and in other relevant areas of the accounts. |
| IFRIC 8 | - | Scope of IFRS 2. This interpretation has not had any impact on the recognition of share-based payments in the Group. |
| IFRIC 9 | - | Re-assessment of embedded derivatives. The Group does not have any embedded derivatives and accordingly this interpretation has not had any impact on the Group. |
| IFRIC 10 | - | Interim financial reporting and impairment. This interpretation has not had any impact on the Group's Financial statements. |
| IFRIC 11 | - | IFRS 2 - Group and treasury share transactions. This interpretation has not had any impact on the Group. |

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

| | | |
|----------|---|---|
| IFRS 2 | - | Share-based payment (revised) |
| IFRS 3 | - | Business combinations (revised) |
| IFRS 8 | - | Operating segments |
| IAS 1 | - | Presentation of financial statements (revised) |
| IAS 23 | - | Borrowing costs (revised) |
| IAS 27 | - | Consolidation and separate financial statements (revised) |
| IAS 28 | - | Investment in associates (revised) |
| IAS 31 | - | Interests in joint ventures (revised) |
| IAS 32 | - | Financial instruments (amended) |
| IFRIC 12 | - | Service concession arrangements |
| IFRIC 13 | - | Customer loyalty programmes |
| IFRIC 14 | - | IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction |

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group, except where noted below.

IFRS 8 Operating segments replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 April 2009. The expected impact is still being assessed in detail by management.

IFRS 3 Business combinations (revised) is an amendment to the standard and is still subject to endorsement by the European Union. This standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. The standard is applicable to business combinations occurring in accounting periods beginning on or after 1 July 2009.

2. Significant accounting policies

Basis of preparation

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in June 2008.

The financial statements have been prepared on the historic cost basis, except for the revaluation of certain financial instruments. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial information includes the results, cash flows and assets and liabilities of Expro International Group PLC (the Company) and the enterprises under its control (its subsidiaries). Control is defined as the ability to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Notes to the Consolidated Accounts

Year ended 31 March 2008

2. Significant accounting policies (continued)

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. The Group has elected not to apply IFRS 3: Business Combinations to business combinations that took place before 1 April 2004.

Interests in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or jointly control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit or loss in the period of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is defined as when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. The Group reports its interests in joint ventures using the equity method.

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquiree. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment with any impairment being charged to the income statement as it arises.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit. Any remainder is then allocated to the assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or joint venture operation, the attributable amount of goodwill is included in the determination of the gain on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. With the exception of goods sold under construction contracts, sales of goods are normally recognised when goods are delivered and title has passed.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. Stage of completion is determined by reference to the extent to which obligations identified at the commencement of the contract are considered to have been met. These obligations may be contractual or non-contractual. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that it is probable that contract costs incurred will be recovered. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense.

Notes to the Consolidated Accounts

Year ended 31 March 2008

2. Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of the individual companies that comprise the Group, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, income statements of foreign operations are translated into sterling at monthly average rates which approximate to the actual rate for the relevant accounting periods. Assets and liabilities are translated at exchange rates ruling at the balance sheet date. Exchange differences on all balances, except foreign currency loans accounted for as net investment hedges, are taken to the income statement. Exchange differences arising on consolidation of the net investments in overseas subsidiaries and joint ventures, together with those on foreign currency loans accounted for as net investment hedges, are taken to equity.

An intra-group monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the Group's net investment in the foreign operation. Exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation is recognised in a separate component of equity.

On disposal of foreign operations, the cumulative amount of exchange differences previously recognised directly in equity for that foreign operation are to be transferred to the income statement as part of the profit or loss on disposal. As permitted by IFRS 1, the Group reset these cumulative translation differences to zero on the transition to IFRS.

Retirement benefits

The Group provides pensions to its employees and directors through defined benefit and defined contribution pension schemes. The schemes are wholly funded and their assets are held independently by trustees.

Payments to defined contribution benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit pension schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits have already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds in future contributions to the plan.

Taxation

The tax expense represents the sum of the current tax payable and deferred tax.

The current tax payable is based on the taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary undertakings and jointly controlled entities except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Consolidated Accounts

Year ended 31 March 2008

2. Significant accounting policies (continued)

Intangible assets

Intangible assets, which include patents, licences and capitalised software expenditure, are stated at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis over the useful life of the asset as follows:

| | | |
|--------------------------------------|---|------------------------|
| Patents and licences | - | between 1 and 35 years |
| Trade names | - | between 1 and 15 years |
| Customer relationships and contracts | - | between 1 and 15 years |
| Other | - | between 1 and 10 years |

Intangible assets arising from a business combination whose fair value can be reliably measured are separated from goodwill and amortised on a straight-line basis over their useful economic lives. Provision is made for any impairment.

Property, plant and equipment

Property, plant and equipment are shown at historical cost, net of accumulated depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

| | | |
|---------------------|-------------|--------------------------------|
| Property | - leasehold | - over the period of the lease |
| | - freehold | - 50 years |
| Plant and equipment | - | between 3 and 12 years |

Assets in the course of construction are shown at historical cost less any provision for impairment. Depreciation on these assets commences when they are placed in service.

Assets attributable to specific projects are depreciated over the useful life of the relevant project. Assets held under finance leases are depreciated over their expected useful lives on the same basis as equivalent owned assets or, where shorter, over the term of the relevant lease. Freehold land is not depreciated.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Research and development

Expenditure on research activities is charged as an expense in the period in which it is incurred. Development costs which are expected to generate probable future economic benefits would be capitalised in accordance with IAS 38 Intangible Assets and amortised on a straight-line basis over their useful economic lives. All other development expenditure is charged to the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and overheads that have been incurred in bringing the inventories to their current location and condition. Cost is calculated using the average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Detailed below are accounting policies regarding financial instruments which are relevant to the Group.

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The fair value of non-derivative financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. The fair value of other non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of derivative financial assets and financial liabilities is determined using quoted market prices (mark-to-market values) where available. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments are commodities involved.

All financial assets and liabilities are recognised at the trade date and for financial assets and liabilities with short maturity periods, their fair value approximates to book value.

Financial Assets

Available for sale financial assets

Gains and losses arising from changes in fair value are recognised directly in equity with the exception of impairment losses which are recognised directly in profit and loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Financial assets classified as available for sale are assessed for indicators of impairment at each balance sheet date and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets classified as available for sale, a decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Notes to the Consolidated Accounts

Year ended 31 March 2008

2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade receivables

Trade receivables are measured at fair value, with appropriate allowances for estimated irrecoverable amounts recognised in the income statement.

Financial liabilities and equity

Trade payables

Trade payables are initially measured at fair value.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. The Group does not capitalise any interest with respect to bank borrowings.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease rentals are charged to the income statement on a straight-line basis over the term of the lease.

Assets held under finance leases are recognised as assets at the lower of their fair value and the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as finance leases. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures although no such instruments were in place at the balance sheet date. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provides written principles on the use of financial derivatives.

Changes in fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment of forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with gains or losses reported in the income statement.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 which had not vested as of 1 January 2005.

The Group operates a number of equity-settled share-based payment schemes under which shares are issued to certain employees. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period. For schemes with only market based performance conditions, those conditions are taken into account in arriving at the fair value at the grant date. Accordingly, no subsequent adjustment to the amortised fair value is made for achievement or otherwise of those conditions. For schemes that include non-market based conditions or no conditions, a "true-up" model is applied to the expense at each reporting date based on the expected number of shares that will eventually vest.

Fair value is measured by use of a "Black Scholes" model which takes into account exercise price, share price at date of grant, expected life, expected volatility of the share price, risk free interest rate and the expected dividend yield.

Notes to the Consolidated Accounts

Year ended 31 March 2008

2. Significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a significant impact on the financial statements. The most critical of these are:

Useful economic lives of property, plant and equipment

In order to carry out the Group's operations, it is necessary for it to hold significant amounts of property, plant and equipment. At 31 March 2008, the carrying value of property, plant and equipment was £171.6m (2007: £194.3m). These assets are depreciated in accordance with the policy outlined within this note. Management reviews the appropriateness of assets' useful economic lives at least annually and assesses any changes which could affect prospective depreciation rates and asset carrying values. Management believes that its approach to assessing useful economic lives, and in particular its assessment of whether assets are attributable to specific projects, is appropriate.

Goodwill and intangible asset impairments

The Group supplies a number of products and services, some of which arise from internal development expenditure or through the acquisition of specific businesses. Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate cash-generating units (CGUs), and also in estimating the timing and value of underlying cash flows within the value-in-use calculation. Subsequent changes to the CGU allocation or to the timing of asset cash flows could impact the respective assets.

Impairment of trade receivables

The Group's operations have wide geographic coverage, resulting in differing commercial environments depending on the location in which those activities take place. Certain of these environments have inherent characteristics that result in the period to recover trade receivables being longer than in others. When considering impairment of trade receivables, management assess individual overdue trade receivables on a case by case basis.

Taxation

The Group's operations have wide geographic coverage, resulting in differing taxation regimes depending on the location in which those activities take place. The effective rate reflects this broad geographic spread of profits, irrecoverable losses in certain territories, a variety of imputed and higher rate overseas tax regimes and non-deductible items.

Accounting provision must be made for taxation liabilities before tax returns are filed, and review or audit of these returns by the local taxation authorities can take place several years later. Management makes provision for taxation liabilities on what it believes to be a fair and reasonable calculation of the probable liability, which includes recognition of deferred tax assets or liabilities on temporary differences between accounting and taxable profit. Changes in the underlying assumptions regarding the reversal of these differences, or in the tax regime where the differences arise, could result in significant changes in the carrying value of tax assets or liabilities.

3. Financial risk management

Adoption of IFRS 7

In the current year, the Group has adopted IFRS 7 Financial Instruments: Disclosures, which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendments to IAS 1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

Financial risk factors

The Group's operations expose it to several financial risks, principally market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

Foreign currency risk

Mitigating the Group's exposure to foreign currency risk continues to be a key priority and the Group has a policy of natural hedging which partially mitigates the impact of currency movements in terms of profits, cash and net assets. The Group has significant overseas operations whose functional currency is US Dollars and subsequently the Group is exposed to foreign exchange risk on the translation of these operations. To mitigate this risk the Group uses borrowings denominated in US Dollars as a net investment hedge on the Group's net investment in overseas subsidiaries.

Interest rate risk

The Group's \$550m committed five year revolving borrowing facility is at a floating rate, with interest fixed for periods of between one and ten months, and exposes the Group to cashflow interest rate risk. The Group has elected not to hedge this risk.

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 ("NOCs") or large multinational International Oil Companies ("IOCs") or their subsidiaries, which reduces the Group's exposure to credit risk.

Liquidity risk

The Group's borrowing facility is sufficient to meet projected borrowing requirements, with sufficient headroom to protect against variability of cashflows and fund small to medium sized acquisitions. Key ratios are monitored to ensure continued compliance with covenants included in the borrowing facility credit agreement. There were no breaches of these covenants during the current or prior year. Cash balances are held in a variety of currencies to meet the Group's immediate operating and administrative expenses or to comply with local currency regulations.

Notes to the Consolidated Accounts

Year ended 31 March 2008

3. Financial risk management (continued)

Sensitivity analysis

The Group's principal exposures to market risk relate to the impact of changes in exchange rates on the translation of the income statements and balance sheets of overseas operations with a functional currency of US Dollars into Pounds Sterling and to the impact of changes in US Dollar LIBOR interest rates.

The sensitivity rate used when reporting foreign currency risk internally to key management personnel is 5% and represents management's assessment of the reasonable possible change in foreign exchange rates. If the US Dollar:Pounds Sterling exchange rate had been 5% higher or lower and all other variables were held constant, the Group's profit for the year ended 31 March 2008 would decrease/increase by £1.4m (2007: £0.3m) on translation of the income statements of overseas operations with a functional currency of US Dollars. Equity would decrease/increase by £8.4m (2007: increase/decrease by £1.1m) on translation of the balance sheets of the same operations. The Group's natural hedging policy means that there would be no material exposure to transactional foreign exchange as a result of a 5% variance in the US Dollar:Pounds Sterling exchange rate in the current year.

As the Group's loans are all at floating rate the sensitivity to US Dollar LIBOR interest rates has been derived by varying the interest charge for US Dollar bank loans for the period by 10%, which management assesses is the reasonable possible change in US Dollar LIBOR interest rates. If US Dollar LIBOR interest rates had been 10% higher or lower and all other variables were held constant, the Group's profit for the year ended 31 March 2008 would decrease/increase by £1m (2007: £0.9m).

Capital risk management

The Group's objective when managing its capital structure is to minimise the cost of capital while maintaining adequate capital to protect against volatility in earnings and net asset values. The strategy is designed to maximise shareholder return over the long term. The relative proportion of debt to equity will be adjusted over the medium term depending on the cost of debt compared to equity and the level of uncertainty facing the industry and the Group.

The capital structure of the Group at the balance sheet date was as follows:

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Obligations under finance leases – current | 1,452 | 1,607 |
| Obligations under finance leases – non-current | 8,440 | 8,088 |
| Bank borrowings - current | - | 294 |
| Bank borrowings - non-current | 164,005 | 200,911 |
| Less cash and bank overdraft | (23,895) | (30,730) |
| Total net debt | 150,002 | 180,170 |
| Total equity | 348,474 | 309,385 |
| Debt/equity (%) | 43% | 58% |

4. Use of adjusted measures

As permitted by IAS 1: Presentation of financial statements, the Group has elected to classify certain items as exceptional and present them separately on the face of the Income Statement. Exceptional items are classified as those which management has identified and disclosed as material one-off or unusual items and which are not considered to be part of the core operations of the Group. In addition, the Group has separately disclosed intangible asset amortisation that arises on business combinations which is added back to arrive at underlying performance. Management focuses on underlying performance in order to compare performance over time and believes that this gives a useful additional measure of profit and earnings. Exceptional items arising in the period are disclosed under note 8.

5. Revenue

An analysis of the Group's revenue is as follows:

| | 2008 £'000 | 2007 £'000 |
|-------------------------------------|---------------|---------------|
| Rendering of services | 535,302 | 431,557 |
| Sale of goods | 45,490 | 59,980 |
| Revenue from construction contracts | 28,938 | 27,283 |
| | 609,730 | 518,820 |
| Investment income (see note 10) | 5,628 | 6,327 |
| | 615,358 | 525,147 |

Notes to the Consolidated Accounts

Year ended 31 March 2008

6. Business and geographical segments

For management purposes, the Group is organised into two operating divisions – Regional businesses and Global businesses. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Regional businesses provide services which are primarily driven by customer operating expenditure. Customer requirements are often for a short period of time, and delivery is made through, and supported by, the Group's locally established infrastructure.

Global businesses provide products and services which are primarily driven by customer capital expenditure. These products and services, which are often based upon bespoke engineering or technology based solutions, are delivered remotely over a longer term period of time and are typically for offshore projects.

Segment information about these businesses is presented below:

| | Regional businesses 2008 £'000 | Global businesses 2008 £'000 | Total 2008 £'000 | Regional businesses 2007 £'000 | Global businesses 2007 £'000 | Total 2007 £'000 |
|---|---|---------------------------------------|------------------------|---|---------------------------------------|------------------------|
| Continuing operations | | | | | | |
| Segment revenue | | | | | | |
| External revenue | 394,197 | 215,533 | 609,730 | 321,944 | 196,876 | 518,820 |
| Segment result | | | | | | |
| Underlying gross profit ^a | 75,643 | 46,882 | 122,525 | 48,983 | 45,546 | 94,529 |
| Intangible asset amortisation - business combinations | (6,424) | (695) | (7,119) | (5,129) | (604) | (5,733) |
| Segment gross profit | 69,219 | 46,187 | 115,406 | 43,854 | 44,942 | 88,796 |
| Unallocated expenses | | | (30,437) | | | (21,987) |
| Operating profit | | | 84,969 | | | 66,809 |

In the current year, joint ventures and associates, which are accounted for under the equity method, are all attributable to the Regional businesses segment.

AX-S™ research and development expenditure is disclosed within unallocated and prior year costs of £3.5m have been reallocated accordingly.

^a Underlying performance is based on continuing and discontinued operations and is before exceptional items and intangible asset amortisation that arises on business combinations. The basis of these alternative measures is included under note 4 and details of exceptional items arising in the period are included under note 8.

| | Regional businesses 2008 £'000 | Global businesses 2008 £'000 | Unallocated 2008 £'000 | Total 2008 £'000 | Regional businesses 2007 £'000 | Global businesses 2007 £'000 | Unallocated 2007 £'000 | Total 2007 £'000 |
|-------------------------------|---|---------------------------------------|------------------------------|------------------------|---|---------------------------------------|------------------------------|------------------------|
| Other information | | | | | | | | |
| Non-current asset additions | 27,326 | 15,849 | 1,605 | 44,780 | 323,599 | 107,924 | 5,572 | 437,095 |
| Depreciation and amortisation | 28,833 | 30,631 | 3,003 | 62,467 | 23,751 | 20,225 | 2,248 | 46,224 |
| Impairment losses | 1,507 | 3,163 | 1,102 | 5,772 | 498 | - | - | 498 |
| Balance sheet | | | | | | | | |
| Total assets | 499,828 | 160,401 | 43,904 | 704,133 | 488,707 | 170,770 | 50,040 | 709,517 |
| Total liabilities | (66,307) | (28,897) | (260,455) | (355,659) | (59,853) | (31,052) | (309,227) | (400,132) |
| Total net assets | 433,521 | 131,504 | (216,551) | 348,474 | 428,854 | 139,718 | (259,187) | 309,385 |

Unallocated segment assets and liabilities primarily comprise the Group's cash, borrowing facilities, corporation tax liabilities and deferred tax assets and liabilities.

Notes to the Consolidated Accounts

Year ended 31 March 2008

6. Business and geographical segments (continued)

Geographical segments

The Group's operations are analysed between Europe and FSU^a, West Africa, North Africa and Middle East, Asia^b, North America Land, North America Offshore and Latin America. The following table provides an analysis of the Group's revenues by geographical market:

| | 2008 | 2007 |
|------------------------------|----------------|---------|
| | £'000 | £'000 |
| Europe and FSU ^a | 220,708 | 189,024 |
| West Africa | 96,469 | 80,629 |
| North Africa and Middle East | 51,492 | 46,593 |
| Asia ^b | 70,082 | 72,583 |
| North America Land | 63,517 | 62,081 |
| North America Offshore | 66,241 | 34,809 |
| Latin America | 41,221 | 33,101 |
| | 609,730 | 518,820 |

The following is an analysis of the carrying amount of segment assets, and additions to goodwill, property, plant and equipment, and intangible assets, analysed by the geographical area in which the assets are located:

| | Carrying value of assets | | Non-current asset additions | |
|------------------------------|---------------------------------|---------|------------------------------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| | £'000 | £'000 | £'000 | £'000 |
| Europe and FSU ^a | 199,600 | 173,008 | 10,126 | 77,809 |
| West Africa | 94,941 | 98,741 | 9,351 | 62,816 |
| North Africa and Middle East | 69,239 | 62,414 | 6,565 | 56,234 |
| Asia ^b | 56,773 | 54,500 | 3,534 | 29,893 |
| North America Land | 146,381 | 135,723 | 6,382 | 91,972 |
| North America Offshore | 50,158 | 85,823 | 5,766 | 74,270 |
| Latin America | 43,137 | 49,268 | 1,451 | 42,180 |
| Unallocated | 43,904 | 50,040 | 1,605 | 1,921 |
| | 704,133 | 709,517 | 44,780 | 437,095 |

^a Former Soviet Union.

^b Sakhalin Island is included within Asia for segmental reporting purposes

Notes to the Consolidated Accounts

Year ended 31 March 2008

7. Profit before tax

| Profit before tax has been arrived at after charging/(crediting): | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Net foreign exchange losses | 476 | 2,547 |
| Gains arising on maturity of forward currency contracts | - | (1,155) |
| Research and development costs | 13,264 | 5,418 |
| Amortisation of purchased intangible assets | 820 | 946 |
| Amortisation of intangible assets arising on business combinations | 7,119 | 5,733 |
| Depreciation of property, plant and equipment | 54,528 | 39,545 |
| Loss/(gain) on disposal of property, plant and equipment | 416 | (2,398) |
| Intangible asset impairment | - | 159 |
| Property, plant and equipment impairment | 4,670 | 339 |
| Investment impairment | 1,102 | - |
| Inventory impairment | - | 1,165 |
| Cost of inventories | 92,829 | 87,416 |
| Staff costs (see note 9) | 174,065 | 148,472 |
| Fees payable to the company's auditor for the audit of the Group | 500 | 479 |
| Share of post-tax results from associates and joint ventures | (1,182) | (102) |

Amounts payable to Deloitte & Touche LLP and their associates by the company and its UK subsidiary undertakings in respect of non-audit services were £298,000 (2007: £141,000).

| A more detailed analysis of auditors' remuneration on a worldwide basis is provided below: | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Audit of the company's annual accounts | 30 | 30 |
| Fees payable to the company's auditor and its associates for other services: | | |
| The audit of the company's subsidiaries pursuant to legislation | 470 | 449 |
| Other services pursuant to legislation | 100 | - |
| Tax services | 493 | 358 |
| Litigation services | 8 | - |
| All other services | 80 | - |
| | 1,151 | 807 |
| | 1,181 | 837 |

In the prior year £1,044,680 was paid to Deloitte & Touche LLP in connection with the acquisition of Power Well Services and these amounts were included within the cost of the acquisition.

A description of the work of the audit committee is set out in the corporate governance statement and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

8. Exceptional items

The following items have been classified as exceptional by management:

Impairment of investment

In the prior year, the Group disposed of Expro Group Canada Inc. to Enseco Energy Services Corporation, receiving part of the consideration in the form of a convertible debenture. During the current period Enseco exercised its right to convert this debenture into 2.8m ordinary shares with a par value of CAD 3.50. Market conditions in the Canadian oil and gas services sector have continued to deteriorate and as a result, the Group has impaired its investment, resulting in a charge of £1,102,000 included within administration expenses. The carrying value of the investment at 31 March 2008 is £195,000 (2007: £1,297,000).

Post tax gain from disposal of joint ventures

In the year ended 31 March 2006, the Group disposed of its shares in the Quantx joint ventures to Baker Hughes Inc. for £15.7m, generating a profit on disposal of £9.7m. During the current period, the Group reached agreement with Baker Hughes Inc. regarding the final consideration due. Additional proceeds of £2.5m were received, and after the deduction of additional costs of £0.2m, an additional profit on disposal of £2.3m was recorded.

Notes to the Consolidated Accounts

Year ended 31 March 2008

9. Staff costs

The average monthly number of employees including directors was:

| | 2008 | 2007 |
|----------------|---------------|--------|
| | Number | Number |
| Operational | 4,152 | 3,644 |
| Administrative | 120 | 120 |
| | 4,272 | 3,764 |

| | 2008 | 2007 |
|---|----------------|---------|
| | £'000 | £'000 |
| Their aggregate remuneration comprised: | | |
| Wages and salaries | 153,179 | 130,847 |
| Social security costs | 14,012 | 11,588 |
| Other pension costs | 6,874 | 6,037 |
| | 174,065 | 148,472 |

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate:

| | 2008 | 2007 |
|------------------------------|--------------|-------|
| | £'000 | £'000 |
| Short-term employee benefits | 3,203 | 2,463 |
| Post-employment benefits | 184 | 116 |
| Share-based payments | 473 | 390 |
| | 3,860 | 2,969 |

The number of directors who are members of the Group's retirement benefit schemes are set out below:

| | 2008 | 2007 |
|-----------------------------|---------------|--------|
| | Number | Number |
| Defined benefit scheme | 1 | 1 |
| Defined contribution scheme | 3 | 3 |
| | 4 | 4 |

10. Investment income

| | 2008 | 2007 |
|--|--------------|-------|
| | £'000 | £'000 |
| Interest on bank deposits | 879 | 1,603 |
| Fair value gains on interest rate swap and cap | - | 124 |
| Other interest receivable | 25 | 189 |
| Expected return on defined benefit plan assets | 4,724 | 4,411 |
| | 5,628 | 6,327 |

11. Finance costs

| | 2008 | 2007 |
|---|---------------|--------|
| | £'000 | £'000 |
| Interest on bank overdrafts and loans | 11,595 | 12,837 |
| Interest on finance leases | 777 | 714 |
| Finance cost on retirement benefit obligation | 4,739 | 4,302 |
| Unwinding of discount on provisions | 90 | 170 |
| Other interest payable | 271 | 110 |
| | 17,472 | 18,133 |

Notes to the Consolidated Accounts

Year ended 31 March 2008

12. Tax

| | 2008 £'000 | 2007 £'000 |
|-------------------------|----------------|----------------|
| Current tax: | | |
| UK corporation tax | 1,615 | 2,463 |
| Foreign tax | 27,824 | 20,837 |
| | <u>29,439</u> | <u>23,300</u> |
| Deferred tax (note 26): | | |
| Current year | (2,075) | (1,376) |
| Prior year | (625) | (1,078) |
| | <u>(2,700)</u> | <u>(2,454)</u> |
| | <u>26,739</u> | <u>20,846</u> |

UK corporation tax is calculated at 30% (2007: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows:

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Profit before tax | 74,307 | 55,105 |
| Less: Post tax profit from associates | (1,182) | (102) |
| | <u>73,125</u> | <u>55,003</u> |
| Tax at the UK corporation tax rate of 30% (2007: 30%) | 21,937 | 16,501 |
| Tax effect of expenses that are not deductible in determining taxable profit | 678 | 995 |
| Tax effect of non-utilisation of tax losses | 5,414 | 3,201 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (2,142) | 809 |
| Adjustments to prior year provisions | 880 | (1,018) |
| Other | (28) | 358 |
| Tax expense for the year | <u>26,739</u> | <u>20,846</u> |

13. Dividends

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Amounts recognised as distributions to equity holders in the year: | | |
| Final dividend for the year ended 31 March 2007 of 8.0p per share (2006: 7.1p per share) | 8,781 | 5,192 |
| Interim dividend for the year ended 31 March 2008 of 4.0p per share (2007: 3.8p per share) | 4,417 | 4,163 |
| | <u>13,198</u> | <u>9,355</u> |
| Proposed final dividend for the year ended 31 March 2008 of nil (2007: 8.0p per share) | - | 8,766 |

Notes to the Consolidated Accounts

Year ended 31 March 2008

14. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Earnings | | |
| Profit for the year | 49,826 | 34,259 |
| Less minority interest | (507) | (132) |
| Earnings attributable to equity holders of the parent – continuing and discontinued ^a | 49,319 | 34,127 |
| Less post tax gain from disposal of joint venture | (2,258) | - |
| Earnings for the purpose of basic earnings per share – continuing ^b | 47,061 | 34,127 |
| Amortisation of intangible assets arising from acquisitions | 7,119 | 5,733 |
| Impairment of investment | 1,102 | - |
| Less tax on the above | (2,469) | (1,985) |
| Earnings for the purpose of underlying earnings per share ^c | 52,813 | 37,875 |
| | 2008 | 2007 |
| | Number | Number |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 110,114,085 | 100,226,082 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | 1,002,337 | 1,442,331 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 111,116,422 | 101,668,413 |
| Earnings per share | | |
| From continuing and discontinued operations ^a | | |
| Basic | 44.8p | 34.1p |
| Diluted | 44.4p | 33.6p |
| From continuing operations ^b | | |
| Basic | 42.7p | 34.1p |
| Diluted | 42.4p | 33.6p |
| From discontinued operations | | |
| Basic | 2.1p | - |
| Diluted | 2.0p | - |
| Underlying ^c | | |
| Basic | 48.0p | 37.8p |
| Diluted | 47.5p | 37.3p |

Underlying performance is based on continuing and discontinued operations and is before exceptional items and intangible asset amortisation that arises on business combinations. The basis of these alternative measures is included under note 4 and details of exceptional items arising in the period are included under note 8.

Notes to the Consolidated Accounts

Year ended 31 March 2008

15. Subsidiaries

A list of the significant investments in subsidiaries, including the name, place of incorporation and proportion of ownership interest, is given in note 41 to the Company's separate financial statements.

16. Goodwill

| | £'000 |
|--|----------------|
| Cost | |
| At 1 April 2006 | 25,880 |
| Acquisition of subsidiary | 175,513 |
| Disposal of subsidiary | (1,416) |
| Adjustment to cost in respect of prior year acquisitions | (1,198) |
| Exchange differences | (13,471) |
| | <hr/> |
| At 1 April 2007 | 185,308 |
| Acquisition of subsidiary (note 32) | 1,227 |
| Adjustment to cost in respect of prior year acquisitions | (173) |
| Exchange differences | (2,139) |
| | <hr/> |
| At 31 March 2008 | 184,223 |
| | <hr/> |
| Accumulated impairment losses | |
| At 1 April 2006 | 5,369 |
| Exchange differences | (499) |
| | <hr/> |
| At 1 April 2007 | 4,870 |
| Exchange differences | (66) |
| | <hr/> |
| At 31 March 2008 | 4,804 |
| | <hr/> |
| Carrying amount | |
| At 31 March 2008 | 179,419 |
| | <hr/> |
| At 31 March 2007 | 180,438 |
| | <hr/> |

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill, which is comprised of several CGUs, had been allocated as follows:

| | 2008 | 2007 |
|---------------------|----------------|---------|
| | £'000 | £'000 |
| Regional businesses | 163,037 | 165,720 |
| Global businesses | 21,186 | 19,588 |
| | <hr/> | <hr/> |
| | 184,223 | 185,308 |
| | <hr/> | <hr/> |

The recoverable amounts of the CGUs are determined from value in use calculations.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial forecasts for the next two years and extrapolates cash flows for the following three years based on an estimated growth rate which does not exceed the average long-term growth rate for the relevant markets.

A pre-tax discount rate of 13.5% is used.

Notes to the Consolidated Accounts

Year ended 31 March 2008

17. Intangible assets

| | Patents and licences £'000 | Customer Relationships and contracts £'000 | Trade names £'000 | Technology £'000 | Software £'000 | Total £'000 |
|---------------------------|-------------------------------------|---|-------------------------|---------------------|-------------------|----------------|
| Cost | | | | | | |
| At 1 April 2006 | 7,074 | 2,366 | 1,509 | - | 2,364 | 13,313 |
| Additions | 76 | - | - | - | 1,221 | 1,297 |
| Acquisition of subsidiary | - | 78,663 | 6,233 | 16,990 | 2,538 | 104,424 |
| Disposals of subsidiary | (288) | - | - | - | - | (288) |
| Exchange differences | (493) | (6,161) | (602) | (1,300) | (315) | (8,871) |
| At 1 April 2007 | 6,369 | 74,868 | 7,140 | 15,690 | 5,808 | 109,875 |
| Additions | 95 | - | - | - | 1,552 | 1,647 |
| Acquisition of subsidiary | - | 822 | - | 474 | - | 1,296 |
| Disposals | (1) | - | - | - | (1,061) | (1,062) |
| Exchange differences | (59) | (888) | (9) | (252) | 147 | (1,061) |
| At 31 March 2008 | 6,404 | 74,802 | 7,131 | 15,912 | 6,446 | 110,695 |
| Amortisation | | | | | | |
| At 1 April 2006 | 2,521 | 244 | 116 | - | 1,211 | 4,092 |
| Charge for the year | 367 | 3,965 | 473 | 1,009 | 865 | 6,679 |
| Disposal of subsidiary | (91) | - | - | - | - | (91) |
| Impairment | 159 | - | - | - | - | 159 |
| Exchange differences | (208) | (121) | (23) | (28) | (42) | (422) |
| At 1 April 2007 | 2,748 | 4,088 | 566 | 981 | 2,034 | 10,417 |
| Charge for the year | 335 | 4,970 | 569 | 1,277 | 788 | 7,939 |
| Disposals | - | - | - | - | (232) | (232) |
| Exchange differences | (29) | 54 | 15 | (6) | 85 | 119 |
| At 31 March 2008 | 3,054 | 9,112 | 1,150 | 2,252 | 2,675 | 18,243 |
| Carrying amount | | | | | | |
| At 31 March 2008 | 3,350 | 65,690 | 5,981 | 13,660 | 3,771 | 92,452 |
| At 31 March 2007 | 3,621 | 70,780 | 6,574 | 14,709 | 3,774 | 99,458 |

The remaining amortisation period in respect of the above assets is between 3 and 32 years.

Notes to the Consolidated Accounts

Year ended 31 March 2008

18. Property, plant and equipment

| | Land and buildings £'000 | Plant and equipment £'000 | Assets in the course of construction £'000 | Total £'000 |
|---------------------------------|-----------------------------|------------------------------|---|----------------|
| Cost | | | | |
| At 1 April 2006 | 9,636 | 198,773 | 20,692 | 229,101 |
| Additions | 824 | 34,872 | 24,333 | 60,029 |
| Transfers | - | 33,014 | (33,014) | - |
| Acquisition of subsidiary | 2,120 | 93,712 | - | 95,832 |
| Disposal of subsidiary | - | (3,186) | - | (3,186) |
| Exchange differences | (344) | (21,126) | (1,484) | (22,954) |
| Disposals | - | (39,224) | - | (39,224) |
| At 1 April 2007 | 12,236 | 296,835 | 10,527 | 319,598 |
| Additions | 841 | 26,627 | 12,996 | 40,464 |
| Transfers | - | 12,871 | (12,871) | - |
| Acquisition of subsidiary | - | 146 | - | 146 |
| Exchange differences | (84) | (1,217) | 68 | (1,233) |
| Disposals | - | (6,214) | - | (6,214) |
| At 31 March 2008 | 12,993 | 329,048 | 10,720 | 352,761 |
| Accumulated depreciation | | | | |
| At 1 April 2006 | 2,388 | 131,290 | - | 133,678 |
| Charge for the year | 865 | 38,680 | - | 39,545 |
| Impairment | - | 339 | - | 339 |
| Disposal of subsidiary | - | (2,129) | - | (2,129) |
| Exchange differences | (54) | (9,664) | - | (9,718) |
| Disposals | - | (36,424) | - | (36,424) |
| At 1 April 2007 | 3,199 | 122,092 | - | 125,291 |
| Charge for the year | 879 | 53,649 | - | 54,528 |
| Impairment | - | 4,670 | - | 4,670 |
| Exchange differences | (9) | 916 | - | 907 |
| Disposals | - | (4,242) | - | (4,242) |
| At 31 March 2008 | 4,069 | 177,085 | - | 181,154 |
| Carrying amount | | | | |
| At 31 March 2008 | 8,924 | 151,963 | 10,720 | 171,607 |
| At 31 March 2007 | 9,037 | 174,743 | 10,527 | 194,307 |

The carrying amount of the Group's land and buildings and plant and equipment in respect of assets held under finance leases is as follows:

| | 2008 £'000 | 2007 £'000 |
|---------------------|---------------|---------------|
| Land and buildings | 6,951 | 7,000 |
| Plant and equipment | 606 | 774 |
| | 7,557 | 7,774 |

At 31 March 2008, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £15.1m (2007: £18.7m).

During the year, a subsidiary of the group entered into a 25 year finance lease arrangement in respect of a commercial property. At 31 March 2008 no work had been performed by the lessor and as a result no values have been included within the accounts. The total lease payments due under this arrangement amount to £31.2m.

Notes to the Consolidated Accounts

Year ended 31 March 2008

19. Interests in associates and joint ventures

| | 2008 £'000 | 2007 £'000 | | 2008 £'000 | 2007 £'000 |
|----------------------------|---------------------------|----------------------------------|--------------|---------------------------|----------------------------------|
| | Interest in associates | Interest in joint ventures | Total | Interest in associates | Interest in joint ventures |
| Premium on investment | - | 2,605 | 2,605 | - | - |
| Total share of assets | 1,757 | 3,955 | 5,712 | 559 | - |
| Total share of liabilities | (1,623) | (1,023) | (2,646) | (281) | - |
| | <u>134</u> | <u>5,537</u> | <u>5,671</u> | <u>278</u> | <u>-</u> |
| Share of revenues | 919 | 4,105 | 5,024 | 386 | - |
| Share of costs | (1,055) | (2,362) | (3,417) | (228) | - |
| Share of tax | - | (425) | (425) | (56) | - |
| (Loss) / profit after tax | <u>(136)</u> | <u>1,318</u> | <u>1,182</u> | <u>102</u> | <u>-</u> |

On 1 June 2007 the Group entered into a joint venture with China Oilfield Services Limited (COSL) and invested £3.8m during the period. This investment entitled the Group to a 50% share of the net assets of the joint venture. The amounts disclosed represent the results of the entity for the ten months from the date of the initial investment.

At 31 March 2008 the Group had no capital commitments in respect of either the associates or the joint ventures.

20. Inventories

| | 2008 £'000 | 2007 £'000 |
|------------------|---------------|---------------|
| Raw materials | 4,565 | 4,207 |
| Consumables | 27,141 | 23,402 |
| Work-in-progress | 4,869 | 4,076 |
| | <u>36,575</u> | <u>31,685</u> |

21. Construction contracts

| | 2008 £'000 | 2007 £'000 |
|--|---------------|----------------|
| Contracts in progress at balance sheet date: | | |
| Amounts due from contract customers included in trade and other receivables | 7,858 | 201 |
| Amounts due to contract customers included in trade and other payables | (2,945) | (5,007) |
| | <u>4,913</u> | <u>(4,806)</u> |
| Contract costs incurred plus recognised profits less recognised losses to date | 51,929 | 24,301 |
| Less: progress billings | (47,016) | (29,107) |
| | <u>4,913</u> | <u>(4,806)</u> |

Current year advances amount to £429,000 (2007: £2,669,000) and there were no customer retentions in either the current or preceding year. Trade receivables arising from construction contracts are all due for settlement within one year.

Notes to the Consolidated Accounts

Year ended 31 March 2008

22. Trade and other receivables

| | 2008 £'000 | 2007 £'000 |
|--|----------------|----------------|
| Trade receivables | 150,944 | 133,568 |
| Impairment provision | (4,871) | (7,555) |
| | <u>146,073</u> | <u>126,013</u> |
| Accrued income | 25,127 | 25,838 |
| Prepayments | 7,193 | 6,724 |
| Receivables from associates and joint ventures | 2,451 | 302 |
| Other receivables | 5,257 | 2,769 |
| | <u>186,101</u> | <u>161,646</u> |

At 31 March 2008 and 31 March 2007 there were no significant risk weighted concentrations of credit risk with exposure spread over a large number of customers and counter-parties. The Group's year end debtor days as calculated from the financial statements amounted 88 days (2007: 89 days).

The Group's trade receivables are stated after a provision for impairment of £4.9m (2007: £7.6m). Other balances within trade and other receivables do not contain impaired assets. The provision for impairment against trade receivables is based on a specific risk assessment carried out by management and is analysed as follows:

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| At 1 April | 7,555 | 2,663 |
| Movement in provision during the period | (847) | 4,763 |
| Provisions for impairments acquired under business combinations | - | 908 |
| Exchange movements | (107) | (105) |
| Amounts recovered against debts previously provided for | 38 | 3 |
| Amounts written off, previously provided for | (1,768) | (677) |
| At 31 March | <u>4,871</u> | <u>7,555</u> |

The movement in the income statement is included within operating profit.

As at 31 March 2008, trade receivables of £77.6m (2007: £63.1m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| | 2008 £'000 | 2007 £'000 |
|----------------------------|---------------|---------------|
| Less than 90 days past due | 61,537 | 51,557 |
| More than 90 days past due | 16,030 | 11,588 |
| | <u>77,567</u> | <u>63,145</u> |

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The directors consider that, due to the short maturity period of receivables, their fair value approximates to book value.

23. Cash and bank overdraft

| | 2008 £'000 | 2007 £'000 |
|------------------------------------|---------------|---------------|
| Cash | 23,895 | 32,872 |
| Bank overdraft repayable on demand | - | (2,142) |
| | <u>23,895</u> | <u>30,730</u> |

Net cash and cash equivalents

Cash is comprised of cash held by the Group and short-term bank deposits with an original maturity of three months or less, and is subject to floating interest rates. The overdraft in the prior period, which relates to a subsidiary and was secured over the assets of that subsidiary, has now been settled in full. The directors consider that, due to the short maturity periods of cash and cash equivalents and overdrafts, their fair value approximates to book value.

Notes to the Consolidated Accounts

Year ended 31 March 2008

24. Trade and other payables

| | 2008 £'000 | 2007 £'000 |
|---|----------------|----------------|
| Trade payables | 29,180 | 34,090 |
| Accruals | 61,888 | 55,331 |
| Deferred income | 2,536 | 14,158 |
| Payables to associates and joint ventures | 2,985 | 761 |
| Other tax and social security | 4,691 | 2,736 |
| Other payables | 1,867 | 1,621 |
| | <u>103,147</u> | <u>108,697</u> |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 60 days. The directors consider that, due to the short maturity periods of payables, their fair value approximates to book value.

25. Bank loans

| | 2008 £'000 | 2007 £'000 |
|-------------------------------------|----------------|----------------|
| Bank loans | 165,155 | 202,687 |
| Prepaid arrangement facility fee | (1,150) | (1,482) |
| | <u>164,005</u> | <u>201,205</u> |
| Included in current liabilities | - | 294 |
| Included in non-current liabilities | 164,005 | 200,911 |
| | <u>164,005</u> | <u>201,205</u> |

Analysis of bank loans by currency and average interest rates paid:

| | 2008 £'000 | 2008 % | 2007 £'000 | 2007 % |
|----------------------------------|----------------|-----------|----------------|-----------|
| US Dollars | 165,155 | 5.6 | 183,393 | 6.6 |
| Sterling | - | 6.3 | 19,000 | 5.8 |
| Norwegian Kroner | - | - | 294 | 7.0 |
| Gross borrowings | <u>165,155</u> | | <u>202,687</u> | |
| Prepaid arrangement facility fee | (1,150) | | (1,482) | |
| Book value of borrowings | <u>164,005</u> | | <u>201,205</u> | |

Weighted average interest rates paid:

| | 2008 % | 2007 % |
|------------|------------|------------|
| Bank loans | <u>5.6</u> | <u>6.4</u> |

The Group's primary funding is provided by a \$550m five year multi-currency revolving credit facility which was entered into in July 2006. The facility expires on 30 June 2011 and is secured by fixed and floating charges over the assets of the Group. Interest on the \$550m facility is calculated at 0.55% (2007: 0.70%) above LIBOR. The amounts drawn on the facility at the balance sheet date re-price at a frequency of between one week and ten months and all contractual cashflows are due within this period. At 31 March 2008 the Group had \$221m of committed borrowing facilities available. As the facility is arranged at floating interest rates it exposes the Group to cash flow interest rate risk. The fair value of the facility is nominal value, as mark to market differences would be minimal given frequency of resets.

The main facility is collectively a designated net investment hedge against the Group's overseas subsidiaries. Foreign exchange movements in the fair value of the facility loans are recognised directly in equity, offset against foreign exchange movements in the net investment.

At 31 March 2007, current liabilities included a mortgage of NOK 0.8m and a government loan of NOK 2.3m. The government loan carried an interest charge of 7.15% and the mortgage carried a half yearly re-fixing rate of Nibor plus 0.45%. The Group settled the loan and mortgage in the year ended 31 March 2008.

Notes to the Consolidated Accounts

Year ended 31 March 2008

26. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and previous years.

| | Accelerated tax depreciation £'000 | Tax losses £'000 | Retirement benefit obligations £'000 | Business combinations £'000 | Other £'000 | Total £'000 |
|---------------------------|---|------------------------|---|-----------------------------------|----------------|-----------------|
| At 1 April 2006 | 1,295 | - | 5,681 | (2,506) | (533) | 3,937 |
| Credit/(charge) to income | (3,419) | 762 | (86) | 1,208 | 3,989 | 2,454 |
| Acquisition of subsidiary | (8,001) | 6,948 | 252 | (30,148) | (1,046) | (31,995) |
| Charge to equity | - | - | (663) | - | (69) | (732) |
| Exchange differences | 333 | (532) | (20) | 2,487 | 31 | 2,299 |
| At 1 April 2007 | (9,792) | 7,178 | 5,164 | (28,959) | 2,372 | (24,037) |
| Credit/(charge) to income | 343 | (273) | 65 | 1,525 | 1,040 | 2,700 |
| Acquisition of subsidiary | - | - | - | (363) | - | (363) |
| Charge to equity | - | - | (531) | - | - | (531) |
| Exchange differences | 41 | (160) | 21 | 324 | 86 | 312 |
| At 31 March 2008 | (9,408) | 6,745 | 4,719 | (27,473) | 3,498 | (21,919) |

Certain deferred tax assets and liabilities have been offset in the table above.

The following is the analysis of the deferred tax balances for financial reporting purposes:

| | 2008 £'000 | 2007 £'000 |
|--------------------------|-----------------|-----------------|
| Deferred tax assets | 8,218 | 7,536 |
| Deferred tax liabilities | (30,137) | (31,573) |
| | (21,919) | (24,037) |

At the balance sheet date, the Group has unused tax losses of £32.0m (2007: £26.3m) available for offset against future profits. A deferred tax asset has not been recognised in respect of £12.7m of these losses due to the unpredictability of future profit streams (2007: £5.8m). These losses will expire in 2025.

The amount of £0.4m included within business combinations, relates to the deferred tax arising on the fair value adjustment following the acquisition of Analytical Data Services Limited ("ADS").

27. Derivative financial instruments

Currency derivatives

During the prior period the Group utilised currency derivatives to hedge significant future transactions and cash flows. The Group entered into forward foreign currency contracts, designated as hedging instruments when the conditions specified by IAS 39 were met, based upon highly probable forecast foreign currency cash flows to minimise currency exposures that arise on sales denominated in foreign currencies, predominantly US Dollars. These arrangements were designed to address exchange exposures in the year ended 31 March 2007 and were renewed on a revolving basis as required. No such derivatives were in place as at 31 March 2007 or 31 March 2008. As such the total notional amount of outstanding forward foreign exchange contracts in place at the balance sheet date is £Nil (2007: £Nil) and the fair value of the Group's forward foreign exchange contracts designated as cash flow hedging instruments is £Nil (2007: £Nil).

Interest rate derivatives

The borrowings as at 31 March 2008 are floating rate bank borrowings which bear interest fixed for periods between one and ten months based upon LIBOR and as such are subject to cash flow interest rate risk.

Interest rate swap

The Group had a five year interest rate swap which expired on 15 May 2007 for £12 million at a fixed rate of 5.62%. Interest payable or receivable under the swap during the year is the difference between three month LIBOR and the fixed swap rate. This amount has been included in finance charges.

At 31 March 2007 the swap had no fair value. The swap was not a designated hedging instrument and as such it was accounted for as at fair value through profit and loss.

Interest rate cap

The Group had a five year US Dollar interest rate cap for \$40m at 6.25% which expired on 15 May 2007. At 31 March 2007 the cap had no fair value. The cap was not a designated hedging instrument and as such it was accounted for as at fair value through profit and loss.

Notes to the Consolidated Accounts

Year ended 31 March 2008

28. Finance leases

| | Minimum lease payments 2008 £'000 | Future finance charges 2008 £'000 | Present value of lease payments 2008 £'000 | Minimum lease payments 2007 £'000 | Future finance charges 2007 £'000 | Present value of lease payments 2007 £'000 |
|--|---|---|--|---|---|--|
| Leases expiring: | | | | | | |
| Within one year | 2,107 | (655) | 1,452 | 2,275 | (668) | 1,607 |
| In the second to fifth years inclusive | 5,964 | (1,951) | 4,013 | 6,573 | (2,106) | 4,467 |
| After five years | 5,297 | (870) | 4,427 | 4,354 | (733) | 3,621 |
| | 13,368 | (3,476) | 9,892 | 13,202 | (3,507) | 9,695 |
| Included in current liabilities | | | 1,452 | | | 1,607 |
| Included in non-current liabilities | | | 8,440 | | | 8,088 |
| | | | 9,892 | | | 9,695 |

The average lease term is 9 years (2007: 7 years).

For the year ended 31 March 2008, the average effective borrowing rate was 8.42% (2007: 9.81%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates to their carrying amount. For certain properties, lease payments increase in line with market rental rates.

29. Provisions

| | Deferred acquisition consideration £'000 |
|--|---|
| At 1 April 2007 | 903 |
| Payment | (32) |
| Movement in valuation | (498) |
| Unwinding of discount on provisions | 90 |
| Additions | 100 |
| Exchange difference | (7) |
| At 31 March 2008 | 556 |
| Included in current liabilities | 179 |
| Included in non-current liabilities | 377 |
| | 556 |
| Contracted, undiscounted cashflows: | |
| Within one year | 190 |
| In the second to fifth years inclusive | 328 |
| After five years | 480 |
| | 998 |

The deferred acquisition consideration provision is in respect of estimated sales-related deferred payments due on acquisitions made in prior years. Payments are based on the number of units sold or on percentage of revenue, with forecast sales calculated using management's best estimates. The provision is due for settlement by 2018.

Notes to the Consolidated Accounts

Year ended 31 March 2008

30. Share capital

| | Authorised number of shares | Authorised £'000 | Allotted, called up and fully paid number of shares | Allotted, called up and fully paid £'000 |
|---|-----------------------------------|---------------------|---|--|
| Ordinary share capital of 10 pence per share | | | | |
| At 1 April 2006 | 100,000,000 | 10,000 | 73,276,339 | 7,328 |
| Increase in authorised share capital | 40,000,000 | 4,000 | - | - |
| Employee share option schemes – options exercised | - | - | 975,936 | 98 |
| Shares issued | - | - | 35,326,082 | 3,532 |
| At 31 March 2007 | 140,000,000 | 14,000 | 109,578,357 | 10,958 |
| Employee share option schemes – options exercised | - | - | 859,988 | 86 |
| At 31 March 2008 | 140,000,000 | 14,000 | 110,438,345 | 11,044 |

The Group has one class of ordinary shares which carry no right to fixed income.

On 26 July 2006, 26,170,121 ordinary shares of 10 pence each were issued at a price of 500 pence per share under a rights issue. The premium arising on this share issue was credited against the merger reserve offset by costs of £3,271,265, which arose from the issue. The remaining balance of the merger reserve was transferred to retained earnings. On 31 July 2006 a further 9,155,961 ordinary shares of 10 pence each were issued to First Reserve as part consideration for the acquisition of Power Well Services. These shares were issued at a price of 673 pence per share which was the market price at that date.

Notes to the Consolidated Accounts

Year ended 31 March 2008

31. Statement of changes in equity

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Other reserve £'000 | Hedging reserve £'000 | Translation reserve £'000 | Own shares £'000 | Equity reserve £'000 | Retained earnings £'000 | Minority interest £'000 | Total £'000 |
|---|------------------------|------------------------|-------------------------|------------------------|--------------------------|------------------------------|---------------------|-------------------------|----------------------------|----------------------------|----------------|
| At 1 April 2006 | 7,328 | 570 | - | - | (245) | 3,344 | (352) | 1,032 | 97,841 | 32 | 109,550 |
| Recognised income and expense | - | - | - | - | (3,318) | (17,275) | - | - | 35,588 | 132 | 15,127 |
| Dividend paid | - | - | - | - | - | - | - | - | (9,355) | - | (9,355) |
| Issue of share capital for cash | 2,616 | - | 124,975 | - | - | - | - | - | - | - | 127,591 |
| Issue of share capital on acquisition of subsidiary | 916 | - | - | 60,677 | - | - | - | - | - | - | 61,593 |
| Issue of share capital on exercise of share options | 98 | 3,226 | - | - | - | - | - | - | - | - | 3,324 |
| Share-based payments | - | - | - | - | - | - | - | 910 | 629 | - | 1,539 |
| Minority interest on acquisition | - | - | - | - | - | - | - | - | - | 16 | 16 |
| Transfers | - | - | (124,975) | - | - | - | 352 | (398) | 125,021 | - | - |
| At 1 April 2007 | 10,958 | 3,796 | - | 60,677 | (3,563) | (13,931) | - | 1,544 | 249,724 | 180 | 309,385 |
| Recognised income and expense | - | - | - | - | - | (1,131) | - | - | 49,725 | 507 | 49,101 |
| Dividend paid | - | - | - | - | - | - | - | - | (13,198) | - | (13,198) |
| Issue of share capital for cash | 86 | 1,793 | - | - | - | - | - | - | - | - | 1,879 |
| Share-based payments | - | - | - | - | - | - | - | 1,307 | - | - | 1,307 |
| Transfers | - | - | - | - | - | - | - | (728) | 728 | - | - |
| At 31 March 2008 | 11,044 | 5,589 | - | 60,677 | (3,563) | (15,062) | - | 2,123 | 286,979 | 687 | 348,474 |

Notes to the Consolidated Accounts

Year ended 31 March 2008

32. Acquisition of subsidiary

The Group acquired Analytical Data Services Limited ("ADS") on 29 February 2008. ADS is a leading UK provider of chemical analysis to the petro-chemical and oil industry. The acquisition comprised a 100% interest in ADS (incorporated in England and Wales).

All assets and liabilities were recognised at their respective fair values. The residual excess over net assets acquired is recognised as goodwill in the financial statements.

| | Book value | Fair value | Fair value |
|--|-------------------|--------------------|-------------------|
| | £'000 | adjustments | value |
| | | £'000 | £'000 |
| Intangible assets | - | 1,296 | 1,296 |
| Property, plant and equipment | 146 | - | 146 |
| Inventories | 38 | - | 38 |
| Trade and other receivables | 162 | - | 162 |
| Cash | 582 | - | 582 |
| Trade and other payables | (145) | - | (145) |
| Current tax liabilities | (181) | - | (181) |
| Deferred tax liabilities | - | (363) | (363) |
| | <u>602</u> | <u>933</u> | <u>1,535</u> |
| Goodwill | <u>2,160</u> | <u>(933)</u> | <u>1,227</u> |
| Total consideration | <u>2,762</u> | <u>-</u> | <u>2,762</u> |
| Satisfied by: | | | |
| Cash | | | 2,665 |
| Accrued purchase consideration | | | 38 |
| Directly attributable costs | | | 59 |
| | | | <u>2,762</u> |
| Net cash outflow arising on acquisition: | | | |
| Cash | | | 2,665 |
| Directly attributable costs | | | 59 |
| Cash acquired | | | (582) |
| | | | <u>2,142</u> |

The values set out above are final.

The fair value adjustments relate to customer relationships and technology.

If the acquisition had been completed on 1 April 2007, total Group revenue for the year would have been £610.7m, and operating profit for the year would have been £85.3m, after deducting intangible asset amortisation arising on consolidation of £0.1m.

Notes to the Consolidated Accounts

Year ended 31 March 2008

33. Operating lease arrangements

The Group as lessee

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Minimum lease payments under operating leases recognised as an expense in the period | 38,383 | 24,842 |

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Within one year | 9,668 | 9,472 |
| In the second to fifth years inclusive | 14,945 | 11,646 |
| After five years | 12,211 | 12,605 |
| | <u>36,824</u> | <u>33,723</u> |

Operating lease payments represent rentals payable by the Group for property, plant and equipment. Lease payments increase in line with market rental rates for certain properties.

34. Share-based payments

Equity settled share option plans

Included within wages and salaries in note 9 is an expense arising from share-based payment transactions of £1,307,147 (2007: £909,889) all of which relate to equity settled share-based payments. Details of each of the employee share plans in place are given below and where applicable in the remuneration report.

Below is a summary of the schemes in place during the year:

a) Executive share option scheme

The Group operates an executive share option scheme under which awards of share options are made to selected individuals (directors and senior managers) based on the achievement of an EPS growth target established at the date of grant. The EPS growth is calculated for a continuous three year period during the normal exercise period. When the EPS growth is met the options vest and can be exercised within ten years of the grant date. No options have been granted under this scheme since 2002.

b) Performance share plan

Under the 2003 and 2004 awards, selected individuals (directors and senior managers) receive an award of shares based on the growth in the Total Shareholder Return (TSR) for the Group over a three year performance period when compared to growth in TSR of FTSE mid 250 companies, provided that the Remuneration Committee is satisfied that the underlying financial performance of the Group has improved on a sustainable basis over the period. To the extent that any options vest, they will ordinarily remain exercisable up to three years and three months from the date of grant and are settled in equity once exercised.

Under the 2005, 2006 and 2007 awards, which were restricted to executive directors, an award may be made, provided a non-market-based performance condition of specified EPS growth is achieved over a three year performance period. To the extent that any options vest, they will ordinarily remain exercisable up to three years and three months from the date of grant and are settled in equity once exercised.

c) Sharesave scheme

Under the schemes, which are open to all employees of eligible Group companies, employees are granted share options at a discount to the open market value at the date of grant. The employees enter into a savings plan for a three year period after which they have a choice of exercising their option or withdrawing saved funds. No conditions other than continued employment are attached to the grant.

d) Share matching plan

Under the scheme, selected individuals (directors and senior managers) may invest a portion of their annual cash bonus in the company's shares at open market price. Based on the amount invested, the Group will award free matching shares after a three year vesting period equivalent to the amount invested at the grant date share price, grossed up for tax. No conditions other than continued employment are attached to the grant.

e) Senior manager share plan

Under the 2007 award, an award may be made to senior management, provided a non-market-based condition of specified EPS growth is achieved over a three year performance period. To the extent that any options vest, they will ordinarily remain exercisable up to three years from the date of grant and are settled in equity once exercised.

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Year ended 31 March 2008

34. Share-based payments (continued)

a) Executive share option scheme

No expense has been recognised in the income statement in the current or the previous year, in accordance with the transitional provisions of IFRS 1. The following table illustrates the number and weighted average exercise price of, and movements in, share awards during the year under this plan:

| | 2008 Number outstanding | 2008 Weighted average exercise price £ | 2007 Number Outstanding | 2007 Weighted average exercise price £ |
|------------------|-------------------------------|---|-------------------------------|---|
| At start of year | 415,385 | 4.01 | 1,339,187 | 4.29 |
| Forfeited | (15,563) | 4.08 | (6,467) | 3.97 |
| Exercised | (223,282) | 3.96 | (1,008,417) | 4.02 |
| Bonus | - | - | 91,082 | - |
| At 31 March | <u>176,540</u> | <u>4.07</u> | <u>415,385</u> | <u>4.01</u> |

Range of exercise prices for the share options:

| | Number outstanding | Weighted average remaining contract life years | Weighted average exercise price £ | Number Exercisable | Weighted average exercise price £ |
|---------------|-----------------------|--|---|-----------------------|---|
| 2008 | | | | | |
| £2.75 – £3.74 | 29,673 | 1.7 | 3.27 | 29,673 | 3.27 |
| £3.75 – £4.74 | 146,867 | 3.5 | 4.23 | 146,867 | 4.23 |
| | <u>176,540</u> | <u>3.2</u> | <u>4.07</u> | <u>176,540</u> | <u>4.07</u> |
| 2007 | | | | | |
| £2.75 – £3.74 | 104,176 | 2.8 | 3.29 | 104,176 | 3.29 |
| £3.75 – £4.74 | 311,209 | 4.4 | 4.25 | 311,209 | 4.25 |
| | <u>415,385</u> | <u>4.0</u> | <u>4.01</u> | <u>415,385</u> | <u>4.01</u> |

Notes to the Consolidated Accounts

Year ended 31 March 2008

34. Share-based payments (continued)

b) Performance share plan

To the extent that any options vest, they will ordinarily remain exercisable up to three years and three months from the date of grant and are settled in equity once exercised.

Options were granted over 126,894 ordinary shares on 28 June 2007 and, subject to the performance measurement targets being attained, will be exercisable on 28 June 2010 at an exercise price of £1 per participant. The weighted average fair value of each share option granted is 856.4p per share (2007: 596.0p). The expense recognised in the income statement in the year from the share option plan is £576,936 (2007: £434,211).

The following table illustrates the number and movements in, share awards during the year under this plan:

| | 2008 Number outstanding | 2007 Number outstanding |
|------------------|--|-------------------------------|
| At start of year | 408,060 | 523,580 |
| Awarded | 126,894 | 114,207 |
| Forfeited | (35,452) | (131,836) |
| Exercised | (164,657) | (143,404) |
| Bonus | - | 45,513 |
| At 31 March | 334,845 | 408,060 |

The performance share plan options have not yet vested.

| | Number outstanding | Weighted average remaining contract life years | Number exercisable |
|------|-------------------------------|---|-------------------------------|
| 2008 | 334,845 | 1.6 | - |
| 2007 | 408,060 | 1.4 | - |

Notes to the Consolidated Accounts

Year ended 31 March 2008

34. Share-based payments (continued)

c) Sharesave

Options were granted over 376,423 ordinary shares on 6 July 2007, which will ordinarily be exercisable at an exercise price of 757.0p during the period 1 October 2010 to 31 March 2011. The weighted average fair value of each share option granted is 377.9p (2007: 184.4p).

Options were also granted over 45,077 ordinary shares on 1 October 2007, which will ordinarily be exercisable at an exercise price of 856.0p during the period. The weighted average fair value of each share option granted is 277.6p. The expense recognised in the income statement in the year from the share option plan is £493,387 (2007: £347,522).

The following table illustrates the number and weighted average exercise price of, and movements in, share awards during the year under this plan:

| | 2008 Number outstanding | 2008 Weighted average exercise price £ | 2007 Number Outstanding | 2007 Weighted average exercise price £ |
|------------------|-------------------------------|---|-------------------------------|---|
| At start of year | 857,009 | 2.96 | 731,687 | 2.68 |
| Awarded | 421,500 | 7.57 | 147,222 | 6.03 |
| Forfeited | (120,341) | 4.52 | (83,608) | 3.61 |
| Exercised | (472,049) | 2.05 | (5,221) | 2.22 |
| Bonus | - | - | 66,929 | - |
| At 31 March | <u>686,119</u> | <u>6.14</u> | <u>857,009</u> | <u>2.95</u> |

Range of exercise prices for the share options:

| | Number outstanding | Weighted average remaining contract life years | Weighted average exercise price £ | Number Exercisable | Weighted average exercise price £ |
|---------------|-----------------------|--|---|-----------------------|---|
| 2008 | | | | | |
| £2.75 - £3.74 | 182,064 | 1.0 | 3.52 | - | - |
| £4.75 - £5.74 | 122,768 | 1.9 | 5.59 | - | - |
| £6.75 - £7.74 | 381,287 | 3.0 | 7.57 | - | - |
| | <u>686,119</u> | <u>2.3</u> | <u>6.14</u> | <u>-</u> | <u>-</u> |
| 2007 | | | | | |
| £1.75 - £2.74 | 513,622 | 0.9 | 2.02 | - | - |
| £2.75 - £3.74 | 205,900 | 2.0 | 3.52 | - | - |
| £4.75 - £5.74 | 137,487 | 3.0 | 5.59 | - | - |
| | <u>857,009</u> | <u>1.5</u> | <u>2.95</u> | <u>-</u> | <u>-</u> |

Notes to the Consolidated Accounts

Year ended 31 March 2008

34. Share-based payments (continued)

d) Share Matching Plan

28,251 ordinary shares were matched by the Group on 27 June 2006, which will ordinarily be exercisable on 27 June 2009. The weighted average fair value of each share is 940.2p (2007: 582.5p). The expense recognised in the income statement in the year from the share option plan is £124,101 (2007: £97,418).

The following table illustrates the number and movements in share awards during the year under this plan:

| | 2008 Number Outstanding | 2007 Number outstanding |
|------------------|--|-------------------------------|
| At start of year | 84,166 | 56,897 |
| Awarded | 24,081 | 28,251 |
| Forfeited | (17,420) | (7,384) |
| Exercised | - | (300) |
| Bonus | - | 6,702 |
| At 31 March | 90,827 | 84,166 |

As this is a share matching plan there is no weighted average exercise price:

| | Number outstanding | Weighted average remaining contract life years | Weighted average exercise price £ | Number Exercisable | Weighted average exercise price £ |
|-------------|-------------------------------|---|--|-------------------------------|--|
| 2008 | 90,827 | 1.6 | - | - | - |
| 2007 | 84,166 | 2.3 | - | - | - |

e) Senior Manager Share Plan

The expense recognised in the income statement in the year from the share option plan is £112,723 (2007: £30,903).

The following table illustrates the number and movements in share awards during the year under this plan:

| | 2008 Number Outstanding | 2007 Number outstanding |
|------------------|--|-------------------------------|
| At start of year | 44,000 | - |
| Awarded | - | 44,000 |
| Forfeited | (4,000) | - |
| Exercised | - | - |
| Bonus | - | - |
| At 31 March | 40,000 | 44,000 |

The senior manager share plan options have not yet vested.

| | Number outstanding | Weighted average remaining contract life years | Weighted average exercise price £ | Number Exercisable | Weighted average exercise price £ |
|-------------|-------------------------------|---|--|-------------------------------|--|
| 2008 | 40,000 | 1.7 | - | - | - |
| 2007 | 44,000 | 2.7 | - | - | - |

Notes to the Consolidated Accounts

Year ended 31 March 2008

34. Share-based payments (continued)

Assumptions

The following table shows the assumptions used to value the equity settled options granted in the above schemes:

| Scheme | Grant year | Dividend yield | Expected volatility | Risk free interest rate | Expected life of option years | Share price at grant | Exercise price |
|-----------|------------|----------------|---------------------|-------------------------|-------------------------------|----------------------|----------------|
| PSP | 2003 | 3.43% | 40.0% | - | 3.00 | 317.5p | Nil |
| PSP | 2004 | 3.82% | 40.0% | - | 3.00 | 285.0p | Nil |
| PSP | 2005 | 2.37% | 40.0% | - | 3.00 | 460.0p | Nil |
| PSP | 2006 | 1.74% | - | - | 3.00 | 628.0p | Nil |
| PSP | 2007 | 1.21% | 27.4% | - | 3.00 | 976.0p | Nil |
| SMP | 2005 | 3.82% | 40.0% | 5.06% | 3.00 | 285.0p | Nil |
| SMP | 2006 | 1.77% | - | - | 3.00 | 614.5p | Nil |
| SMP | 2007 | 1.21% | 27.4% | - | 3.00 | 976.0p | Nil |
| SMSP | 2007 | 1.17% | - | - | 2.96 | 884.0p | Nil |
| Sharesave | 2004 | 3.63% | 40.0% | 5.02% | 3.25 | 300.0p | 202.0p |
| Sharesave | 2005 | 3.63% | 40.0% | 5.02% | 3.00 | 300.0p | 352.0p |
| Sharesave | 2006 | 1.76% | 32.3% | 4.78% | 3.25 | 621.0p | 559.0p |
| Sharesave | 2007 | 1.17% | 27.4% | 5.50% | 3.25 | 1008.0p | 757.0p |

The Group uses historical volatility figures as an input into the valuation model. For each new grant, the historical volatility is considered for a period in line with the expected life of the options granted. The expected life used in the calculations has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

35. Retirement benefit schemes

The Group operates a number of pension schemes consisting of the main scheme for UK based employees and several smaller schemes for overseas employees. All of the schemes are wholly funded and the assets of the schemes are held separately from those of the Group.

Main scheme

The main scheme comprises two parts:

- a defined benefit scheme, which from 1 October 1999 was closed to new joiners. The contributions to the scheme are determined by a qualified independent actuary on the basis of regular valuations. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation was carried out at 6 April 2005. Such valuations are performed tri-annually and the valuation due as at 6 April 2008 is currently being performed.
- a defined contribution scheme was opened upon the closure of the defined benefit scheme to new joiners. Employee contributions are matched by an employer contribution up to a ceiling of 5% of basic salary. The pension cost charge for the year of the Group's defined contribution schemes amounted to £3,498,000 (2007: £2,632,000).

Other schemes

The Group operates defined benefit and insured defined benefit arrangements in Holland and Norway. The assets of insured schemes are insurance contracts which guarantee the pensions secured to date and an annual valuation of the scheme amends the contribution rate each year.

The Group operates two "401k" defined contribution schemes for employees of Group entities incorporated in the United States of America. There is also a defined contribution scheme for employees of Group entities incorporated in Canada.

Defined benefit schemes

The major assumptions used to calculate the defined benefit scheme liabilities under IAS 19 Employment benefits were:

| | 2008 | 2007 |
|--|------|------|
| | % | % |
| Key assumptions used: | | |
| Discount rate | 6.3 | 5.4 |
| Expected return on scheme assets | 6.6 | 6.6 |
| Expected rate of salary increases | 4.5 | 4.2 |
| Allowance for pension payment increases | 3.5 | 3.3 |
| Allowance for revaluation of deferred pensions | 3.6 | 3.3 |

The mortality assumptions adopted at 31 March 2008 imply the following life expectancies:

| | 2008 | 2007 |
|---------------------------|-----------------|-----------------|
| | Remaining years | Remaining years |
| Males currently aged 40 | 47 | 44 |
| Females currently aged 40 | 50 | 47 |
| Males currently aged 65 | 22 | 20 |
| Females currently aged 65 | 25 | 23 |

Notes to the Consolidated Accounts

Year ended 31 March 2008

35. Retirement benefit schemes (continued)

The expected long term return on cash is based on cash deposit rates available at the balance sheet date. The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date. The expected rates of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date.

Amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

| | 2008 | 2007 |
|----------------------------------|----------------|---------|
| | £'000 | £'000 |
| Current service cost | (3,376) | (3,340) |
| Interest cost | (4,739) | (4,302) |
| Expected return on scheme assets | 4,724 | 4,411 |
| At 31 March | (3,391) | (3,231) |

Of the current service cost for the year, £1,756,000 (2007: £1,738,000) has been included in cost of sales and £1,620,000 (2007: £1,602,000) has been included in administrative expenses. Actuarial gains and losses have been reported in the statement of recognised income and expense. The cumulative amount of actuarial gains and losses recognised in the statement of recognised income and expense is £294,000 (2007: £1,231,000). The actual return on scheme assets in the year ended 31 March 2008 was a loss of £3,729,000 (2007: gain of £2,742,000). The amount of contributions expected to be paid to the Group's defined benefit schemes during the year ended 31 March 2009 is £3,338,000.

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

| | 2008 | 2007 |
|---|-----------------|----------|
| | £'000 | £'000 |
| Present value of defined benefit obligations | (88,386) | (89,460) |
| Fair value of scheme assets | 71,405 | 71,970 |
| Deficit recognised in the balance sheet under non-current liabilities | (16,981) | (17,490) |

Movements in the present value of defined benefit obligations were as follows:

| | 2008 | 2007 |
|--|-----------------|----------|
| | £'000 | £'000 |
| At start of year | (89,460) | (84,210) |
| Service cost | (3,376) | (3,340) |
| Interest cost | (4,739) | (4,302) |
| Contributions from scheme members | (671) | (842) |
| Actuarial gains and losses | 9,391 | 3,834 |
| Exchange difference | (1,069) | 231 |
| Benefits paid | 1,538 | 1,246 |
| Liability assumed on acquisition of subsidiary | - | (2,077) |
| At 31 March | (88,386) | (89,460) |

Movements in the fair value of scheme assets were as follows:

| | 2008 | 2007 |
|--|----------------|---------|
| | £'000 | £'000 |
| At start of year | 71,970 | 64,862 |
| Expected return on scheme assets | 4,724 | 4,411 |
| Actual less expected return on scheme assets | (8,454) | (1,669) |
| Exchange difference | 875 | (31) |
| Contributions from the sponsoring companies | 3,157 | 3,624 |
| Contributions from scheme members | 671 | 842 |
| Benefits paid | (1,538) | (1,246) |
| Assets assumed on acquisition of subsidiary | - | 1,177 |
| At 31 March | 71,405 | 71,970 |

Notes to the Consolidated Accounts

Year ended 31 March 2008

35. Retirement benefit schemes (continued)

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

| | Expected return | | Fair value of asset | |
|--------------------|-----------------|--------|---------------------|------------|
| | 2008 % | 2007 % | 2008 £'000 | 2007 £'000 |
| Equity instruments | 7.0 | 7.0 | 50,427 | 50,772 |
| Debt instruments | 6.0 | 5.4 | 12,651 | 11,337 |
| Property | 7.0 | 7.0 | 4,747 | 5,456 |
| Other assets | 4.4 | 4.6 | 3,580 | 4,405 |
| | | | 71,405 | 71,970 |

The history of experience adjustments is as follows:

| | IFRS 2008 £'000 | IFRS 2007 £'000 | IFRS 2006 £'000 | IFRS 2005 £'000 | UK GAAP 2004 £'000 |
|--|-----------------|-----------------|-----------------|-----------------|--------------------|
| Present value of defined benefit obligations | (88,386) | (89,460) | (84,210) | (69,697) | (55,607) |
| Fair value of scheme assets | 71,405 | 71,970 | 64,862 | 45,815 | 39,674 |
| Deficit in the scheme | (16,981) | (17,490) | (19,348) | (23,882) | (15,933) |
| Experience adjustments on scheme liabilities | 17 | (3) | 3,655 | (1,050) | (387) |
| Percentage of scheme liabilities | 0% | 0% | (4%) | 2% | 1% |
| Experience adjustments on scheme assets | (8,454) | (1,669) | 9,979 | 2,308 | 5,201 |
| Percentage of scheme assets | (12%) | (2%) | 15% | 5% | 13% |

The amounts disclosed for 2004 are stated on the basis of UK GAAP because it is impracticable to restate amounts for periods prior to the date of transition to IFRS.

Notes to the Consolidated Accounts

Year ended 31 March 2008

36. Events after the balance sheet date

On 17 April 2008, the Board of Directors announced that they had reached agreement on a cash acquisition of the entire share capital of the Group by Umbrellastream Limited, a newly incorporated company comprising funds managed or advised by Candover Partners Limited, together with Goldman Sachs and Alpinvest. The Board of Directors deemed the offer to be fair and reasonable and that the acquisition has been recommended to the Company's shareholders. Subsequent to the year end, certain fees became payable to the Group's advisors following the Board's recommendation of the offer. Further fees become payable upon shareholder acceptance.

37. 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.

Trading transactions

During the year, Group companies entered into transactions with associates who are not members of the Group:

| | Goods and services provided to related party | | Goods and services provided by related party | | Amounts owing from related party | | Amounts owing to related party | |
|--|--|------------|--|------------|----------------------------------|------------|--------------------------------|------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Secure Drilling Holding Corp. | - | 4 | 3 | - | 1 | 4 | - | - |
| Secure Drilling International LP | 1,090 | 211 | 1,706 | 631 | 1,301 | 211 | 2,337 | 631 |
| Secure Drilling Holding LLC | - | - | - | - | - | - | - | - |
| Secure Drilling LP | 1,062 | 87 | 345 | 130 | 1,149 | 87 | 475 | 130 |
| COSL-Expro Testing Services (Tianjin) Co. Ltd. | - | - | 173 | - | - | - | 173 | - |
| | <u>2,152</u> | <u>302</u> | <u>2,227</u> | <u>761</u> | <u>2,451</u> | <u>302</u> | <u>2,985</u> | <u>761</u> |

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

Group 5 Year Summary

Year ended 31 March 2008

| | IFRS 2008 £'000 | IFRS 2007 £'000 | IFRS 2006 £'000 | IFRS 2005 £'000 | UK GAAP 2004 £'000 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------|
| Continuing operations | | | | | |
| Revenue | 609,730 | 518,820 | 300,727 | 211,273 | 195,740 |
| Cost of sales | (504,024) | (433,531) | (255,251) | (184,553) | (173,376) |
| Gross profit | 105,706 | 85,289 | 45,476 | 26,720 | 22,364 |
| Administrative expenses | (20,737) | (18,480) | (11,360) | (14,219) | (27,908) |
| Operating profit/(loss) | 84,969 | 66,809 | 34,116 | 12,501 | (5,544) |
| Comprising: | | | | | |
| Underlying operating profit ^a | 93,190 | 72,542 | 34,851 | 19,121 | 12,953 |
| Goodwill amortisation | - | - | - | - | (2,372) |
| Goodwill impairment | - | - | - | (4,971) | (16,125) |
| Intangible asset amortisation | (7,119) | (5,733) | (735) | (103) | - |
| Inventory impairment | - | - | - | (1,546) | - |
| Impairment of available for sale investment | (1,102) | - | - | - | - |
| Operating profit/(loss) | 84,969 | 66,809 | 34,116 | 12,501 | (5,544) |
| Post tax profit from joint ventures and associates | 1,182 | 102 | - | 2,038 | 3,566 |
| Operating profit/(loss) including joint ventures | 86,151 | 66,911 | 34,116 | 14,539 | (1,978) |
| Investment income | 5,628 | 6,327 | 3,855 | 3,055 | 432 |
| Finance costs | (17,472) | (18,133) | (8,409) | (6,643) | (2,920) |
| Net finance costs | (11,844) | (11,806) | (4,554) | (3,588) | (2,488) |
| Profit/(loss) before tax | 74,307 | 55,105 | 29,562 | 10,951 | (4,466) |
| Tax | (26,739) | (20,846) | (11,204) | (7,829) | (5,428) |
| Profit/(loss) for the year | 47,568 | 34,259 | 18,358 | 3,122 | (9,894) |
| Discontinued operations | | | | | |
| Post tax profit from joint ventures | - | - | 441 | 658 | - |
| Post tax gain on disposal of joint ventures | 2,258 | - | 9,661 | - | - |
| Profit/(loss) for the year | 49,826 | 34,259 | 28,460 | 3,780 | (9,894) |
| Underlying EPS ^b | 48.0p | 37.8p | 24.9p | 13.5p | 12.1p |

The amounts disclosed for 2004 are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS.

* All references to earnings per share (EPS) are calculated using the basic number of shares.

^a Underlying operating profit and underlying EPS are based on continuing and discontinued operations and are before exceptional items and intangible asset amortisation that arises on business combinations. The basis of these alternative measures and details of exceptional items arising in the year are included within the Annual Report and Accounts on notes 4 and 8.

^b Underlying EPS is based on continuing and discontinued operations and is before exceptional items and intangible asset amortisation that arises on business combinations and is calculated under note 14.