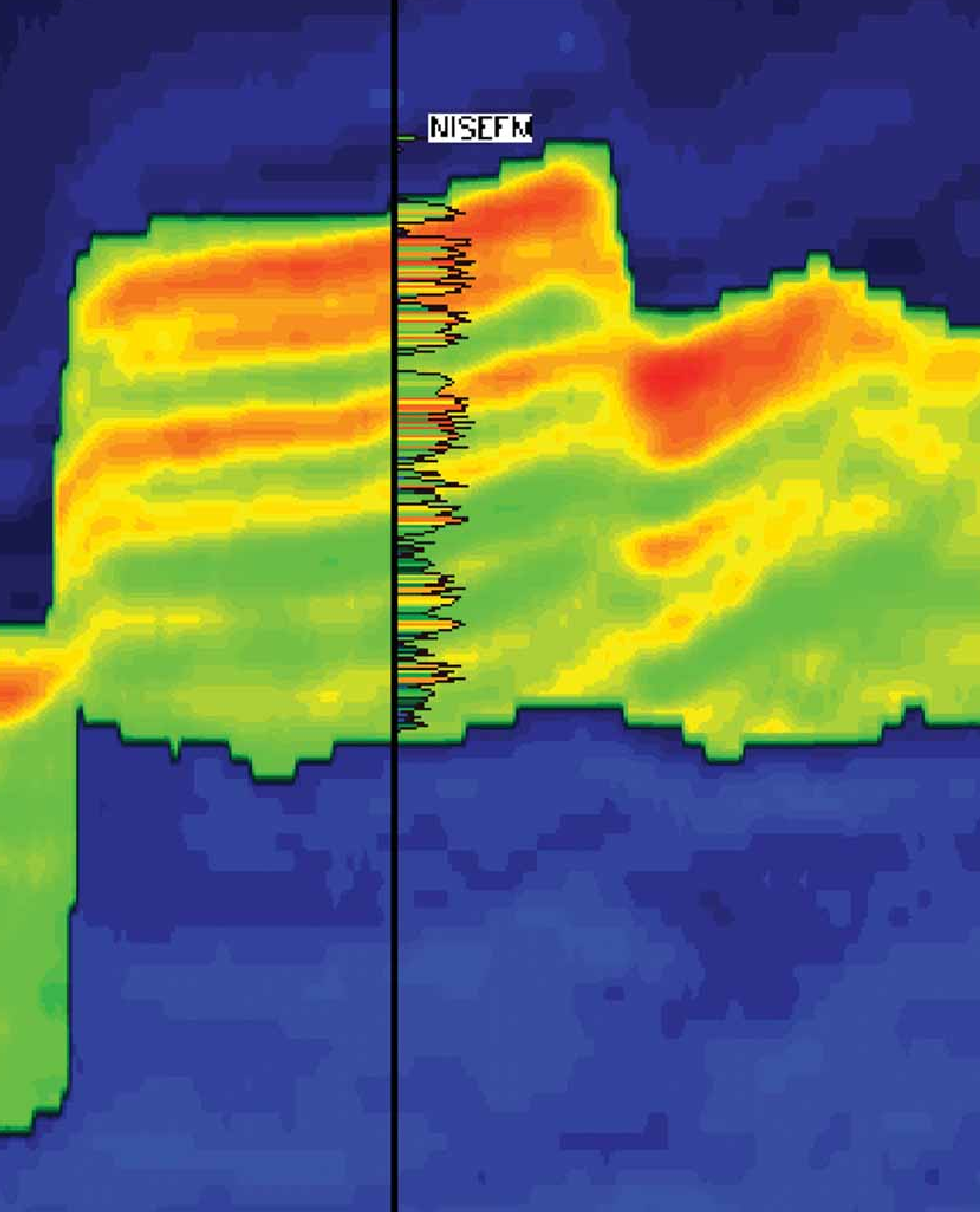
Annual Report 2009

Offshore Hydrocarbon Mapping plc

OHM

ROCK SOLID IMAGES



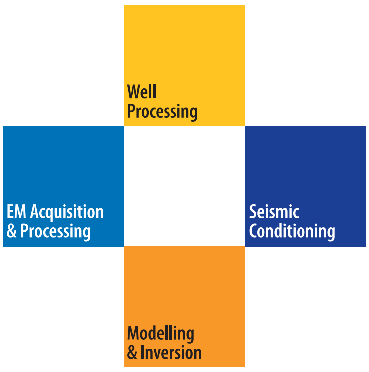
Contents

Cover image:
Seismic, CSEM and well-data integrated to provide an estimate of gas saturation in a North Sea reservoir

ROCK SOLID IMAGES

Offshore Hydrocarbon Mapping plc (OHM) is the authority in integrating seismic, CSEM and well data to characterise reservoir properties at all stages in the oilfield life cycle.

Offshore Hydrocarbon Mapping plc is a public limited company whose shares are traded on the Alternative Investment Market of the London Stock Exchange under the symbol "OHM".



INTEGRATION
Integration of geophysical data is at the heart of our approach to analysis and interpretation

www.ohmrsi.com

Chairman's statement

David Pratt Chairman

Introduction

Your Company has navigated an extremely difficult year resulting largely from profound changes that have taken place in the world economy and I am very pleased to say that although we are not out of the woods yet, the future is looking substantially more promising as confidence returns to both the financial and commodities markets, and as the Group begins to benefit from actions taken to reduce its fixed costs and liabilities.

We entered this fiscal year with oil prices at around $120 per barrel, very close to their record highs. By the end of our first half year, the oil price had plummeted to $40 per barrel, with a resultant significant reduction in our clients' cash inflows. At the same time banks have reduced their lending, further reducing the funding available to our clients. Our clients' response to these events has been to cut their expenditures wherever they can, resulting in significant declines in exploration and production expenditures. Some seismic companies have reported activity drops of over 50% in this period. As oil companies often commit work programs years ahead as part of their bids for concessions, such cuts become preferentially focused on expenditures on newer technology which has not formed part of these bids.

Given this environment, it is unsurprising that a significant number of CSEM acquisition programs that we had expected to win have been postponed or cancelled with a resulting decline in our CSEM revenues. It is therefore commendable that, in this difficult landscape, that we have attained significant growth in our seismic inversion product line, and in our WISE product line which delivers new insights into the subsurface properties of the earth through the advanced integration of seismic and CSEM data.

More recently, the oil price has recovered from its lows to trade in a range within about ten percent of $70 per barrel. Should we maintain some price stability around or above this level, it is reasonable to expect that there will be a recovery in activity. Achieving such stability will be very dependent on a sustained recovery in the global economic environment, and although there seems to be some promise of this, it is far from clear that we are in the midst of a dependable recovery.

Responding to this uncertain outlook, and a draining of your Company's financial reserves in our recent disappointing year, the management team have reviewed the Group's strategy and taken the following action to reduce the Group's fixed costs and to add cash to the balance sheet:

- Significant cuts were regrettably made to the Group's headcount and capital spending was significantly reduced;

- After fruitful negotiations with the owner of the Group's CSEM vessels OHM Express and OHM Leader, most of the future charter liabilities for these vessels, amounting to approximately £27 million, have since the balance sheet date, been exchanged for equity in Offshore Hydrocarbon Mapping plc and a revised "pay as when used" agreement;

- At the same time, the Group has raised additional funds of £2.5 million through a placing with a number of the Group's key shareholders.

These measures place the Group in a much better position to weather the uncertainty ahead while having a sound foundation for growth to respond to improvements in demand that will result from more stable and favourable oil prices. However, I would draw your attention to the statement on the going concern assumption in note 2 where the directors explain the reasons why it continues to be appropriate to prepare the financial statements on a going concern basis.

DAVE PRATT

"OHM's leading position in the integration of electromagnetic and acoustic measurements is delivering spectacular improvements in our ability to detect, appraise and monitor subsurface hydrocarbon accumulations which we believe will place us at the forefront of this vital part of the oil service industry in years to come."

The long term fundamentals for the geophysical industry remain indubitably positive. Consensus forecasts show that output from currently producing oil fields will halve over the next 20 years. Over the same period of time, it is expected that demand for oil and gas will increase driven mainly by growth in developing economies. The resulting shortfall will, in some part, be met by bringing existing discoveries that are not yet in production online, and by replacing some oil consumption with natural gas. However, a very large part of the resulting shortfall will have to be met by discovering new oilfields and by increasing the amount of oil we recover from our existing fields and discoveries.

Both these challenges require geophysical technology to deliver ever better images and measurements of our subterranean reservoirs and this will drive market demand for advanced geophysical services. OHM's leading position in the integration of electromagnetic and acoustic measurements is delivering spectacular improvements in our ability to detect, appraise and monitor subsurface hydrocarbon accumulations which we believe will place us at the forefront of this vital part of the oil service industry in years to come.

Your Board of directors has seen a number of changes in the year.

Richard Cooper, who entered the Group when we purchased Rock Solid Images, rapidly became a key member of the Executive Management team. Richard possesses a clear vision for the Group's technologies and a profound understanding of the challenges that will be faced in bringing them to market. Throughout his career he has demonstrated strong leadership qualities and a passion for success and I am delighted that he has agreed to succeed me as Chief Executive Officer.

Steve Ludlow, one of our non executive directors, has retired from the Board to concentrate on developing his new business activities in the United States. Steve brought immense experience of the geophysical industry and his wise counsel and insightful questioning contributed significantly to the Board's effectiveness. We are extremely grateful for Steve's hard work and input and wish him the best in his endeavours.

We have been extremely fortunate to be able to recruit Alan Faichney to replace Steve as a non executive director. Alan is a mathematics graduate of St. Andrews University who began his career in the Aerospace industry and later joined the oil exploration industry where he held key technical and strategic roles in product and market development. Alan held the positions of Managing Director of Concept Systems Limited and Senior Vice President of Ion Geophysical Inc. Alan is highly experienced in software development and provision of technical services to industry and his understanding of the issues surrounding technology adoption will be of great assistance to OHM as we strive to further integrate our CSEM and Rock Physics analysis packages.

There is still significant uncertainty around the global economy which will continue to pose a threat to the levels of expenditure that our clients are able to make but we are structurally better prepared to respond to a wide range of market demand. We look forward to the challenges of fiscal year 2010 bolstered by optimism that our strategy of investing in the integration of seismic and CSEM is building significant competitive advantage for the Group. Our optimism is supported by a growing order book across our business lines.

Dave Pratt
Chairman

16 November 2009

OHM Leader mobilised
and on the move

CEO report

Richard Cooper Chief Executive Officer

Introduction

Offshore Hydrocarbon Mapping plc (OHM) was founded in 2002 to commercialise controlled source electromagnetic (CSEM) survey techniques within the oil and gas industries and the Company was subsequently floated on the London AIM market in 2004. CSEM is a non invasive technology that helps oil and gas companies identify and define hydrocarbon reservoirs in a marine environment.

OHM took a significant step forward in technology through the acquisition of the Houston, Texas based company Rock Solid Images (RSI) in August of 2007. RSI provides products and services for seismic reservoir characterisation and also delivers the essential seismic and well-based framework within which an integrated CSEM interpretation can be performed.

We believe the value of CSEM to our customers is greatly increased when combined with seismic and well data, and this combination opens up interesting new markets for CSEM in areas of reservoir appraisal and monitoring, in addition to exploration, which OHM is well positioned to take advantage of.

Operating activity in 2009

Over the past year, the OHM Group has delivered consistent and reliable results to our customers in a number of key areas including:

- West Africa and Latin America Conjugate Margins: Much improved reservoir images which have contributed to our customer's remarkable drilling successes in these very active areas;

- North Sea: Integrated seismic and CSEM data-sets which provide valuable information on both lithology and fluid content within these complex reservoir plays;

- North America Shale Plays: New well-driven rock-physics models which provide a step-change improvement in seismic attribute interpretation and sweet-spot identification.

Despite the economic and market adoption challenges we faced during the period, we continued to make progress on a number of fronts. We introduced our WISE (integrated seismic and CSEM) product line at the beginning of 2009. WISE stands for "Well-driven Integration of Seismic and Electromagnetics" and lies at the heart of our strategy going forward. We performed three successful WISE appraisal surveys in the North Sea during FY2009 and have further surveys in backlog for the 2010 financial year. In addition, we have delivered a number of WISE reprocessing projects to customers during the course of the year; reprocessing of CSEM data of earlier vintage acquired by both ourselves and our competitors provides a growing income stream to the Group.

OHM is not a pure-play CSEM company. Expertise in seismic and well technology is essential in order to reduce the risk associated with CSEM data interpretation. In addition, we also undertake project work involving only seismic and well data; this is the traditional domain of our Rock Solid Images subsidiary. RSI has developed a significant reputation for supplying high-quality seismic inversion data to companies exploring in West African countries such as Ghana, Equatorial Guinea and Cote D'Ivoire; we have become the vendor of choice for many operators in this active exploration and development area. In addition, RSI is pursuing an aggressive strategy to commercialise seismic and rock-physics technology to exploit unconventional gas deposits in North America, normally associated with the large shale plays such as the Barnett, Haynesville and Marcellus.

RICHARD COOPER

"We introduced our WISE integrated seismic and CSEM product line at the beginning of calendar year 2009. WISE stands for Well-driven Integration of Seismic and Electromagnetics and lies at the heart of our strategy going forward."

The oil industry adopts new technology at a slow rate relative to other technology markets such as telecommunications and biotechnology. CSEM technology was introduced commercially in 2002 and has yet to reach maturity. Of course, this is positive in the sense that our long term growth potential remains intact, but it is necessary to continue our R&D investment in CSEM through good times and bad and I'm pleased to report that OHM has managed to maintain its long term growth plans.

To better understand the market potential, management invested considerable time analysing how CSEM data has been used within our industry. It became apparent that in addition to the exploration market there are significant opportunities for the application of CSEM within the promising new areas of the appraisal and monitoring market.

The global economic environment during 2008 and 2009 has been well documented elsewhere and I will not dwell on it, suffice to say that the combined impact of the reduction in commodity prices and capital restrictions slowed oil and gas company spending and, at such times, discretionary spending on new technologies, such as CSEM, suffered.

The main effect seen by OHM was further slowing of activity in our marine CSEM acquisition market. OHM, like its competitors, had invested in a sophisticated range of acquisition technology, which included long-term fixed-rate charters for our two, state-of-the-art vessels, the OHM Leader and the OHM Express.

This investment was predicated on growth of the CSEM market that did not in fact take place owing to the issues discussed above. The combination of a large and fixed-rate cash burn with a small and volatile revenue stream resulted in inevitable concerns as to whether the Company had sufficient cash reserves to maintain its technology portfolio and be ready and able to position ourselves for the inevitable upturn.

In response to this, the Company implemented a number of cost-cutting measures in February of 2009, including declaring approximately 40 employee positions redundant, and a renegotiation of our OHM leader and OHM Express vessel charters to a "pay as you use" plan for the remainder of calendar year 2009.

In September of 2009 (the start of our 2010 financial year), OHM was able to successfully convert most of it's future vessel commitments to equity and at the same time raise additional working capital from key shareholders. Our new relationship with our vessel owners (the Seatrans Group) allows us to use the OHM Leader and/or OHM Express in a "pay as you use" mode which gives the Company considerable flexibility in preparing tenders and developing multi-client projects.

Safety and the environment

OHM conducts operations offshore, often in hostile and remote conditions. In order to control the risks associated with this activity, the Company has developed a comprehensive safety and environmental management system. This system is regularly reviewed and updated for new circumstances and to capture our increasing experience and emerging best practice. Ownership of this system lies not just with the Company and its management but with the operational personnel whose experience and knowledge are vitally important in the development and maintenance of safe working regimes.

It is a testament to the dedication and professionalism of all our staff that we have, for the eighth successive year, achieved our goal of conducting our operations without significant injury, lost time incidents, or accidental damage to our environment.

West Africa – RSI has developed a significant reputation for supplying high-quality seismic inversion data to companies exploring in countries such as Ghana, Equatorial Guinea and Cote D'Ivoire

Research and development

Despite a challenging financial environment, we have managed to maintain and, in some areas, increase our R&D investment. There remains a considerable need to continue to develop and improve CSEM imaging and inversion algorithms in order to accommodate an increasingly broad range of CSEM applications. In addition, as we further develop the integration of seismic and CSEM, so we are constantly improving the underlying science, algorithms, software and workflows that drive this process. OHM has always been a pioneer in this field and we intend to remain at the forefront of this endeavour.

Our specific R&D focus for 2009 has been on consolidation and integration. Several initiatives are worthy of further mention:

We maintain two very active industry sponsored consortia. These are industry funded research projects designed to develop real-world solutions to problems identified by our customers as requiring a more advanced approach than is currently available within the industry. Our Lithology and Fluid Prediction (LFP) project has approximately 18 oil-company sponsors and is developing improved rock-physics based modelling and inversion technology. The companion WISE product has five industry sponsors and also has a strong rock-physics focus with particular emphasis on advanced processing and integration of CSEM data.

OHM maintains membership in several key academic consortia which provide a further source of expertise and know-how. In addition to our own research staff, we have a network of world-renowned industry consultants who are engaged to undertake work on behalf of our WISE and LFP consortia and to more generally help advance the science of CSEM and seismic inversion including Arthur Cheng, Gary Mavko, Martin Sinha, Tury Taner and Sven Treitel.

Intellectual property

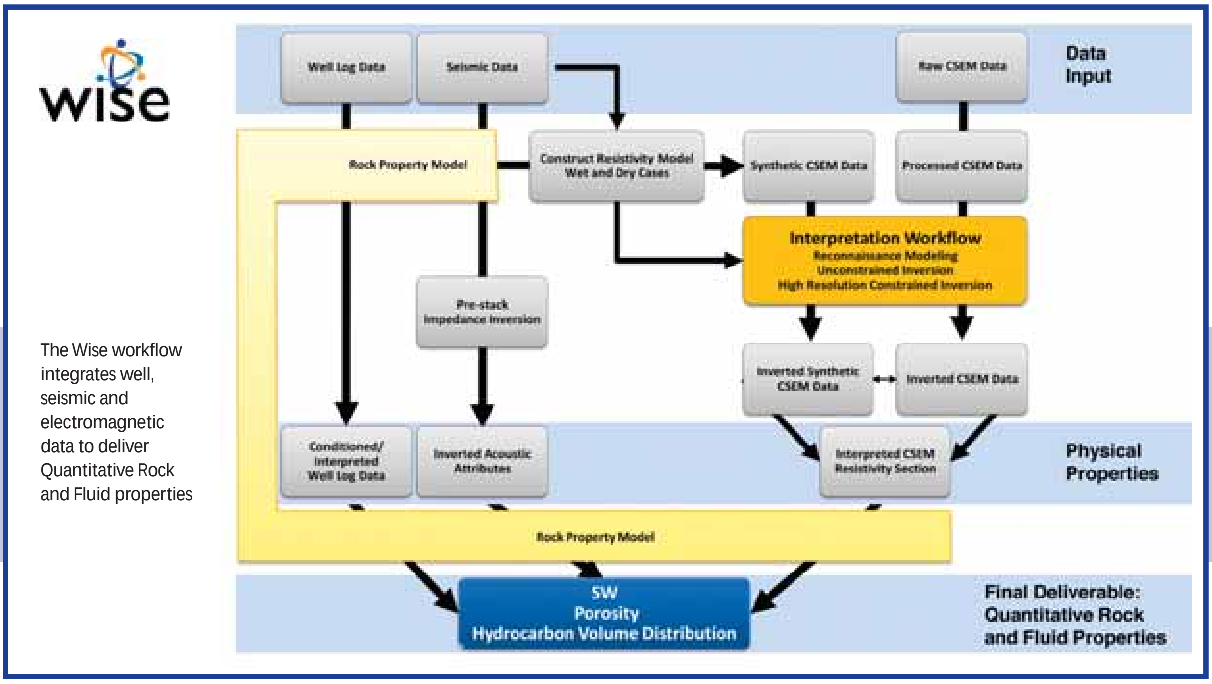
OHM's growing portfolio of intellectual property rights now stands at 58 granted patents with 75 applications pending. OHM's intellectual property strategy is to seek patent protection for instrumentation, processes and applications that improve the effectiveness of CSEM and associated techniques.

Financial review

Group revenues deteriorated further in the year to 31 August 2009 and amounted to a disappointing £9.2 million. This compares to £17.7 million in 2007 and £10.8 million in 2008. Much of this decline was due to an approximate 45% drop in OHM's CSEM marine acquisition market to £4.4 million; this percentage decline is more or less in line with a similar reduction seen in the proprietary marine seismic acquisition market and reflects low utilisation of our two dedicated vessels.

Revenues from our Rock Solid Images division increased 40% over 2008 to £3.8 million driven by increased business development in West Africa and a favourable dollar to pound exchange rate. We are also pleased to report that our fledgling WISE CSEM/seismic integration product line grew from effectively zero in 2008 to contribute just under £1.0 million in 2009.

Cost of sales declined slightly compared to 2008 to £12.2 million which was not in proportion to the decline in revenues because of the largely fixed cost nature of the Group's vessel charter capacity. The resulting gross loss from operations was therefore of £3.0 million compared to a gross loss in 2008 of £2.3 million.



The Wise workflow integrates well, seismic and electromagnetic data to deliver Quantitative Rock and Fluid properties

Following changes made to our cost base (including the 44% reduction in the Group's headcount to 69 employees at the balance sheet date) and stringent cost control measures, overheads were reduced from £7.2 million in 2008 to £5.8 million (which included an exceptional redundancy charge of £116,000 and impairment provisions of £670,000).

The Group's cash balance at 31 August 2009 stood at £1.0 million, down from £8.2 million at the end of August 2008.

(Note that the Group successfully completed a further round of fund-raising early in September 2009 which contributed an additional gross cash amount of £2.6 million less £100,000 of expenses.)

Trading outlook

Although we will continue to operate in the exploration sector, we have placed increasing R&D and sales and marketing emphasis on the appraisal and monitoring markets which we believe will provide a substantial return on investment over the coming years. OHM is well positioned to operate in these new areas since we have the seismic and well technology available to us through our Rock Solid Images subsidiary.

We are seeing increased bid activity in the marine CSEM acquisition market. Several of the larger multinational oil and gas companies are now routinely using CSEM surveying in conjunction with seismic methods. This gives us some confidence that the technology is becoming more mainstream and that we are moving up the adoption curve. The associated stabilising of the oil price and steady improvements in the capital markets too will help increase both budgeted and discretionary spending.

The total number of CSEM crews available to service the worldwide CSEM market has also declined by approximately half since a year ago. This should mean a move from an over-supply to a tighter market for CSEM crews and thus utilisation levels improving for all suppliers, especially OHM.

Rock Solid Images continues to win contracts and grow its client base and this is expected to continue especially as more companies recognise the benefits of the integrated CSEM and rock physics offering.

We believe 2009 was a watershed year for OHM. Despite a challenging environment, we have managed to retain our key personnel, maintain our core technology and deliver exceptional value to our customers. We believe we are well positioned to take advantage of the upturn in the CSEM and seismic market which is developing over the coming years.

Richard Cooper
Chief Executive Officer

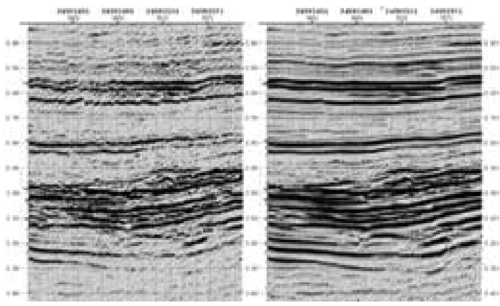
16 November 2009

The OHM Express readies
for another acquisition job

An integrated geophysical approach

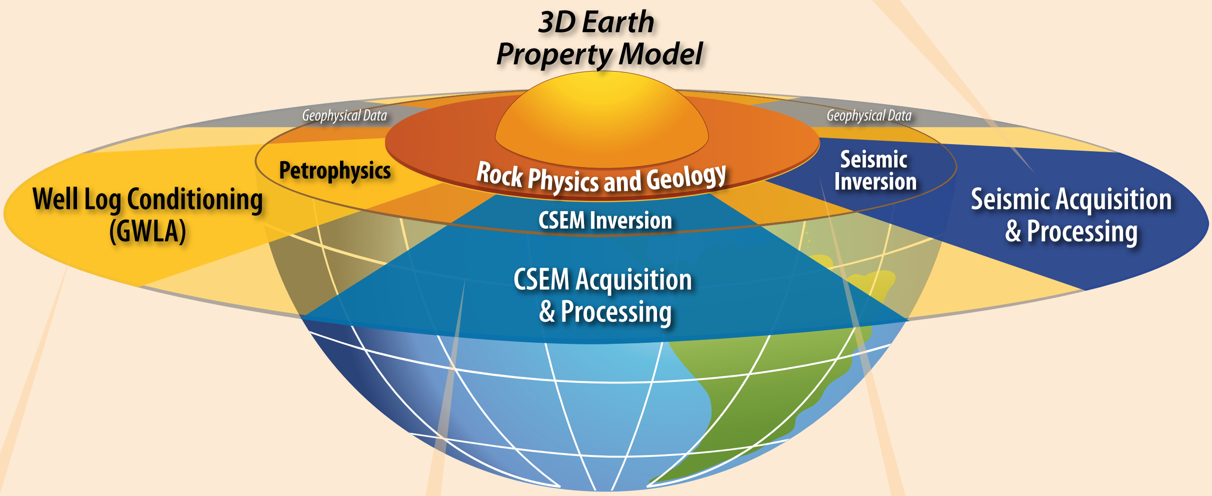
WISE: Well Integration with Seismic and Electromagnetics

The integration of geophysical data is at the heart of our approach to analysis and interpretation. By exploiting the strengths of each method, the integrated result is more robust than that obtained from separate datasets. OHM-RSI brings together expertise in petrophysics, seismic processing and inversion and electromagnetic acquisition, processing and interpretation to ensure that the results delivered to clients are consistent with all available data types.



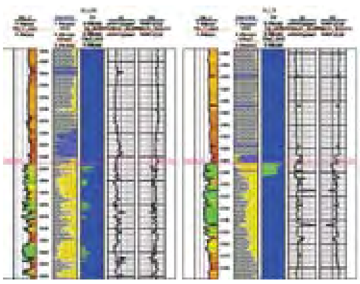
Typically seismic data are not optimally processed for inversion. OHM-RSI's proprietary AVATAR conditioning system ensures that high quality data are used in the inversion process, to ensure robustness of the resulting inversion results.

Seismic data conditioning



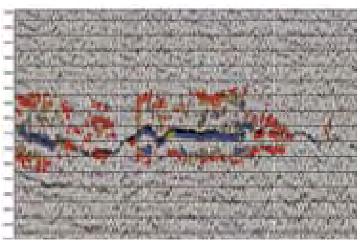
Geophysical well log analysis

OHM-RSI are leaders in conditioning well logs and using rock physics diagnostics to derive the link between properties measured in the well and their effect on geophysical data. This work forms the basis of an integrated analysis.



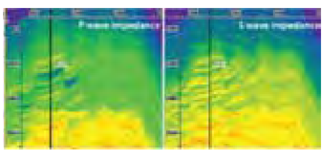
CSEM processing & interpretation

OHM-RSI use a suite of proprietary processing and interpretation tools to ensure that robust measurements of seafloor resistivity are derived. These, when combined with well log and seismic data provide information that is valuable throughout the oil field life cycle.



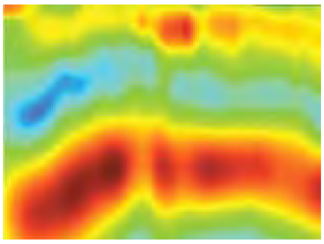
Seismic inversion

Full waveform inversion is used to convert seismic inversion into impedence volumes, which when combined with well log derived rock physics allows variations in reservoir properties such as porosity and saturation to be determined across a field.



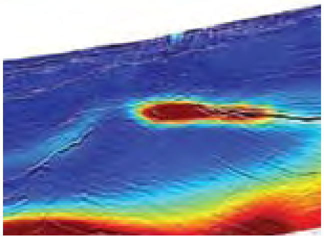
Frontier exploration

When little or no other information is available CSEM can provide information on the resistivity structure of the earth. However geological interpretation of such unconstrained results can be fraught with uncertainty.



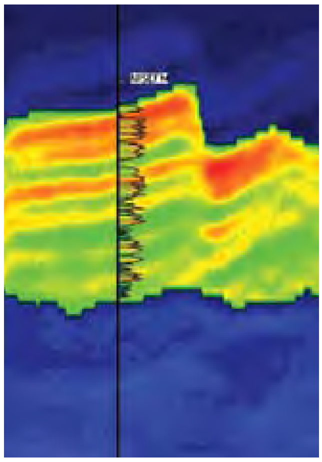
Exploration

Interpretation becomes more robust if structural information from seismic is included. In this case CSEM addresses the quantification of resistivity within a known structure. This information can be used to rank prospects and de-risk drilling.



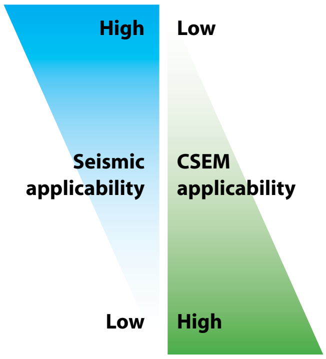
Appraisal

By combining CSEM, seismic and well log information, reservoir properties such as saturation and porosity can be mapped. The picture (to the right) shows the gas saturation within a reservoir derived from an integrated geophysical analysis. Such information is valuable in appraising a reservoir and determining a development strategy.



	CSEM Interpretation Risk	Seismic Availibility	Well Availibilty
Frontier exploration	High	None	None
Exploration	Model dependent	Sparse 2D, 3D	None or limited
Appraisal	Low	3D	Several
Monitoring	Low	3D/4D	Many

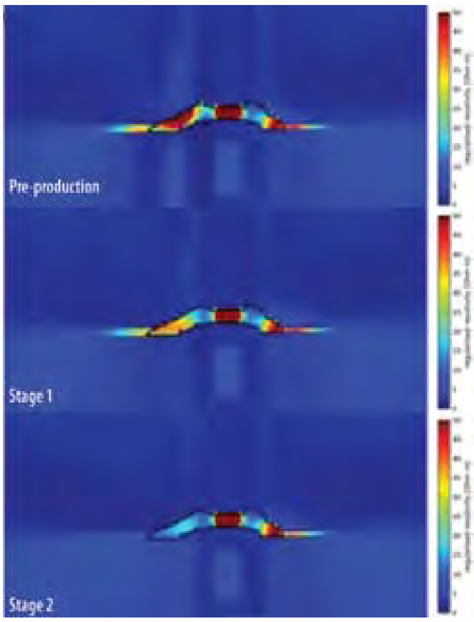
Structure and stratigraphy of source, kitchen, trap and seal



Fluid properties and change in charge

Monitoring

By combining seismic, CSEM and well log data, properties of the reservoir can in principle be mapped as they change during production, providing valuable information for reservoir management and production optimisation.



CSEM in appraisal and monitoring

Since its inception, the CSEM method has been promoted primarily as an exploration tool, indeed even as a frontier exploration tool, whereby CSEM would be used ahead of seismic acquisition to help de-risk the overall hydrocarbon potential of a basin. However when CSEM data are analysed in isolation, the resulting interpretation can be fraught with uncertainty, increasing the risk in decisions based on these interpretations. CSEM is at its most powerful when interpreted within a geological framework including seismic, well and other geophysical and petrophysical information. As a result CSEM is as applicable and perhaps even more so in appraisal and monitoring settings.

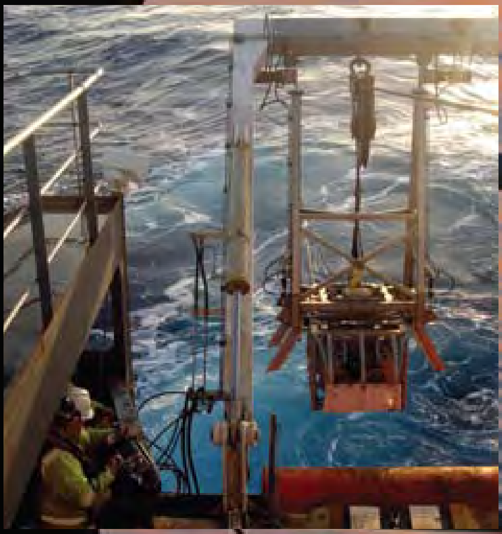
Continuing to broaden the CSEM operating window

Sea state

The source and receiver deployment systems are almost totally mechanised, removing our personnel from high danger areas.
The OHM vessels' long hull form, high freeboard and climate controlled equipment preparation hanger provide a safe and efficient operating platform in elevated sea states, tropical and arctic conditions.

Receiver

The OHM receiver fleet combines state of the art instrumentation with high rate of descent and ascent leading to accurate and efficient receiver deployment.



DASI deployment

Using modern engineering techniques and years of experience in improving deployment safety, the DASI transmitter can be deployed and recovered by remote control in excess of 4.5m seas.

HSE

OHM is committed to preserving the health and safety of all its employees and contractors, and the Company believes that all accidents are avoidable.

Everyone has the right to work in a safe environment and OHM requires all staff to accept accountability for their own safety and the safety of their colleagues. This right to work in a safe environment is regularly reviewed by the Board and its execution is assured through a comprehensive safety management system.

Ice class

OHM vessels have ice class notations which opens access to new exploration frontiers.

Water depth

Surveys successfully acquired in water depths ranging from 30m to 3km.

Principal risks and uncertainties

The OHM Group operates in a competitive environment and many of its technologies are at the leading edge of industry capability. Accordingly, the Group's growth is heavily driven by the general state of demand for oil and gas exploration and exploitation services, by the rate of adoption of these technologies by its oil industry clients, and by competitive pressures created by new entrants seeking to duplicate its offering. The Group seeks to control these risks through its marketing and sale strategies and by patenting key elements of its technology. It invests in R&D to maintain its lead over its competitors.

Several oil service companies have indicated intent to enter the Group's core offshore electromagnetic market and accordingly earnings could be impacted if these companies succeeded in developing a competitive offering which captured market share. The decline in oil prices since the start of the last financial year and general economic situation, though improving, may lead to delays or declines in spending by OHM's client base.

A good portion of the Group's operations are carried out offshore and internationally. Offshore operations increase exposure to certain health, safety and environmental risks. OHM has well developed operating procedures and a health, safety and environmental management system through which it seeks to control these risks and these are regularly audited by our clients and benchmarked against industry norms and host government standards to ensure that we are operating at acceptably high levels in this regard. Where necessary advice is taken from security consultants before making decisions about sending staff to countries where there may be a security risk.

Offshore operations can be impacted by conditions beyond the Group's control including, but not limited to, the effects of weather, tides, currents, and third party interference. Where possible, our operating companies seek to pass as many of these risks on through its contracts with clients.

The supply chain in sectors of the oil and gas industry is exhibiting significant tightness of supply for key resources like skilled staff and offshore vessels. The Group has developed training, recruitment, and retention programmes to endeavour to ensure that it can meet its staffing requirements going forward. There is a share based retention scheme for key personnel. The Group monitors other areas of its supply chain frequently and seeks to establish strategic relationships with key suppliers to ensure security of supply.

International operations create an exposure to foreign currency and foreign tax risks which are, where possible, mitigated through hedging in the supply chain and in contractual terms with clients.

In the past there have been challenges to the Group's freedom to operate resulting from a competitor attempting to enforce intellectual property rights. The Group invests in top quality legal advice in this area and constantly monitors the patent landscape around its technologies. To date, the Group has prevailed in these actions and there are no current proceedings against any of the Group's companies, although if proceedings emerged which lead to adverse rulings in this area there could be restrictions on the Group's operations.

OHM Group's companies carry out extensive data processing operations which rely on large computer assets and complex proprietary processing software. Interruptions in operations of these computing resources could impact the Group's earnings. The Group seeks to distribute and back up its computing assets to mitigate these risks.

The current conditions in the financial markets, though improving, could present difficulties in fund raising both for OHM and for its clients, and such impact on the Company's future business plans will need constant review.

David Charles Newall Pratt 50
Chairman

Dave has more than 25 years' experience in the oilfield service industry, and was formerly President of Veritas Geophysical Services (a division of Veritas DGC Inc, a NYSE quoted company) based in Houston. At Veritas, Dave reshaped key product lines within that company, increasing turnover in these areas to over US$100 million and making a major contribution to the corporation's profitability. Prior to this role, Dave was Vice President of marine operations and technology for Digicon Geophysical Corporation (later merged with Veritas). Previously, Dave spent over ten years at Racal Survey Group working in a variety of onshore and offshore roles in numerous countries. Dave is a geophysicist by training and has an MBA with distinction from the Graduate School of Business, University of Strathclyde. Dave is a director of IP Europe Limited, Macrocom (1010) Limited and Nautricity Limited.

Richard Charles Cooper 51
Chief Executive Officer

Richard is a graduate from the University of Liverpool in UK with an honours degree in geophysics. He joined Digicon (which became Veritas and now CGGVeritas) in 1979 and held a variety of positions in data-processing, research, marketing and management in UK, Australia, Singapore and US. He joined CogniSeis Development in 1993 and spent two years as managing director of the EAME division, before returning to Houston as CogniSeis President and COO. Following the sale of CogniSeis to Paradigm, Richard founded Rock Solid Images in 1998 and served as CEO and director until the sale of Rock Solid Images to OHM in 2007. Richard is currently CEO of OHM, and is based in Houston, Texas.

Dr. Lucy Margaret MacGregor 37
Chief Scientific Officer

Lucy has over fifteen years' experience as a leading researcher in CSEM and its application to the detection and characterisation of fluids in the earth. Lucy has extensive experience in the development and application of data processing, modelling and inversion techniques and has been responsible for survey design and data interpretation on commercial surveys in a wide variety of geological environments. Lucy has a PhD from the University of Cambridge for research in the field of CSEM. Following her PhD she was a Green Scholar at the Scripps Institution of Oceanography working on marine electromagnetic methods, before returning to Cambridge as a Leverhulme Trust/Downing College research fellow. In 2000 she moved to the National Oceanography Centre, Southampton as an NERC research fellow to continue her work on marine CSEM sounding in both academic and industrial settings, before co-founding OHM in June 2002.

Robert Ian Auckland 49
Chief Financial Officer

Bob was previously Financial Director and Company Secretary of J W Holdings Limited where he was for 12 years. Bob has extensive experience in financial and general management with a proven track record of integrating acquisitions, balance sheet management and building value for shareholders through a period of change. Bob is a chartered accountant having qualified with Deloitte Haskins & Sells, and has a BCom degree from Edinburgh University.

Keith Lough 50
Non-executive director

Keith has an MA in economics from Edinburgh University, a Masters in finance from London Business School and is a Fellow of the Association of Chartered Certified Accountants. He has over 20 years' experience in the oil and gas and energy industries including recent appointments as Finance Director, British Energy plc, Chief Financial Officer, Hurricane Hydrocarbons (now PetroKazakhstan, Inc) and MD Europe & North Africa for LASMO plc. He is currently Chief Executive of Composite Energy Limited, a private-equity funded energy company.

Thierry Le Roux 55
Non-executive director

Thierry is Group President and COO of CGGVeritas, and President of Geophysical Services. Thierry had previously been Group President and CFO for CGGVeritas since September 2005. Prior to this, he has held a number of executive roles within the CGGVeritas group including CEO of Sercel (CGGVeritas Equipment subsidiary), Executive Vice President of CGGVeritas Geophysical Equipment operations, Business Development Manager, and Far East Manager. Thierry is Chairman of Sercel S.A., Chairman of the Management Board of CGGVeritas services Holding BV, Chairman of the Board of CGGVeritas Services SA, Chairman of the Board of Sercel Inc., Chairman of the Board of Hebei Sercel-Jungfeng Geophysical Prospecting Equipment Co. Ltd., Vice-Chairman and member of the Supervisory Board of Sercel Holding, Chairman of the Board of Sercel England, a Director of Sercel Singapore Private Ltd., a Director of CGGVeritas Services Holding (U.S.) Inc., Chairman of the Supervisory Board of Tronic's Microsystems S.A., Director of Cybernetix S.A. and a Director of INT Inc.

Alan Faichney 54
Non-executive director

Alan Faichney is currently Chairman of Rapid Quality Systems Limited and Managing Director of Quadrivium Limited. Up until June 2009 he was COO of DEM Solutions Limited, a start-up engineering software company. Until December 2007, Mr. Faichney was a Senior Vice President of Ion Geophysical, responsible for strategy and R&D, and for over 20 years prior to that was Technical Director and latterly Managing Director of Concept Systems Limited. An inventor of several US and worldwide hardware and software patents, Mr. Faichney is highly experienced in technical product development and the provision of technical services to industry, and has significant experience in managing and growing new technology offerings. He has worked extensively in a number of exploration industry bodies, including being Chairman of the SEG's Technical Standards Committee from 2000 to 2004, and recipient of their Cecil Green Award for Enterprise in 2005. Mr. Faichney is also a Director of the UK charity Hatwalk.

The directors present their report together with the audited financial statements for the year ended 31 August 2009. The Directors' Remuneration Report and the Corporate Governance Report on pages 16 to 20 and the Principal Risks and Uncertainties on page 12 have not been subject to audit, as these have been prepared voluntarily.

Principal activities and business review

Offshore Hydrocarbon Mapping plc (OHM) is an AIM-quoted geophysical services company and the principal activity of its main operating subsidiaries (which include OHM Ltd and Rock Solid Images Inc.) is to use controlled source electromagnetic, well log and seismic data to enhance oil and gas exploration and exploitation activities through delivering improved sub-surface understanding.

The Chairman's Statement and the CEO's Report provide an enhanced business review and describe the significant developments in the business of the Group during the financial year together with its future prospects.

Research and Development

The Company places the highest priority on investing in research and development and continues to have a number of key projects under way.

Results and dividends

The Group made a loss after taxation for the year ended 31 August 2009 of £8,832,000 (2008: loss of £8,697,000). The directors do not recommend the payment of a dividend (2008: nil).

Directors

The names of the directors who held office during the year ended 31 August 2009 are as follows:

Executive directors

Richard Charles Cooper (appointed on 23 July 2009)
Dr. Lucy Margaret MacGregor
Robert Ian Auckland

Non-executive directors

David Charles Newall Pratt
Keith Lough
Thierry Le Roux
Alan Kennedy Faichney (appointed on 1 April 2009)

Mr. Stephen John Ludlow also served as a non-executive director during the year but resigned on 9 January 2009.

Details of the interests of directors in the share capital of the Company, together with details of share options and awards granted to them, are set out in the Directors' Remuneration Report on pages 16 to 18.

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are contained in note 21 to the financial statements.

Cash

It is the Group's current policy to place cash, which is surplus to working capital requirements, with reputable banks offering the most competitive rates of interest.

Supplier payment policy

It is the Group's current policy to establish payment terms with suppliers when agreeing terms of supply, to ensure that suppliers are made aware of the terms of payment, and to adhere to those terms. The total amount of Group trade creditors falling due within one year at 31 August 2009 represents 34 days worth, as a proportion of the total amount invoiced by suppliers during the year ended on that date. The Company had trade creditors of £9,000 (2008: £nil).

Substantial shareholders

In addition to the directors' beneficial interests shown on page 17, none of which individually or in aggregate exceeded 3 per cent as at 31 August 2009 the Company had been advised of the following shareholders with interests of 3 per cent or more in its ordinary share capital as at 16 November 2009:

Euro Trans Skips AS and its affiliates ("Seatrans")	19,991,957	28.80%
East Hill Hedge Fund, LLC and its affiliates ("East Hill")	16,102,359	23.19%
CGGVeritas Services Holdings BV	7,276,266	10.48%
Southampton Asset Management Ltd	3,119,057	4.49%
Fidelity International Ltd	2,119,965	3.05%

Share capital

On 12 February 2009 the Company issued 194,272 ordinary shares of one pence each to 15 employees on exercise of share awards under the Company's Share Award Plan. The shares were subscribed for at their nominal value of one pence each for a total consideration of £1,943. This brought the Company's total allotted, called up and fully paid share capital to 43,369,382 ordinary shares of one pence each at 31 August 2009.

Subsequent to the year end on 9 September 2009, the Company issued 14,030,171 ordinary shares of one pence each at a price of 21.52 pence to the owner of two vessels operated by OHM Limited in exchange for removing most of the future years' charter liabilities which were given an agreed value of £3,019,000 ($5,000,000). This agreed value was not a liability at the balance sheet date but reflects the agreed amount of compensation for removing future year's fixed charter fees on two vessels. The two vessels had both been chartered for five years under charter agreements which included fixed daily charter fees. The future lease commitments at the balance sheet date and the remaining terms of the two vessel charter periods are set out in note 25.

On 9 September 2009 the Company also issued a further 12,023,572 ordinary shares of one pence each to three substantial shareholders at a price of 21.52 pence for a total consideration of approximately £2.6 million (before expenses of approximately £100,000).

On 2 October 2009 the Company issued 94,564 ordinary shares of one pence each to seven employees on exercise of share awards under the Company's Share Award Plan. The shares were subscribed for at their nominal value of one pence each for a total consideration of £946.

These share issues brought the Company's total allotted, called up and fully paid share capital to 69,517,689 ordinary shares of one pence each at 16 November 2009.

Charitable and political donations

The Group made no charitable donations during the year (2008: £nil) and no political donations during the year (2008: £nil).

Qualifying third party indemnity provisions

Article 154 of the Company's articles of association contain "qualifying third party indemnity provisions", as defined in section 234 of the Companies Act 2006. Under these provisions each director and officer is entitled to be indemnified by the Company, so far as permitted by law, in respect of certain liabilities which may attach to him or her in the exercise of his or her duties.

The Company maintains insurance to cover its directors and officers, including non-executive directors, in the discharge of their duties against the loss and legal expenses incurred by each insured person due to a wrongful act. This cover, which was in place during the year and at the date of this report, provides for Company reimbursement if the Company pays the loss and legal expenses arising from any wrongful act of an insured person. The policy does not provide payment where the director or officer has acted fraudulently, maliciously or dishonestly.

Post balance sheet events

At the General Meeting held on 9 September 2009 the members of the Company approved a number of resolutions which restructured the Group's vessel charter agreements with the vessel owner by exchanging most of its future fixed cost charter liabilities for 14,030,171 new ordinary shares. The Group's two vessels had both been chartered for five years under charter agreements which included fixed daily charter fees.

On 9 September 2009 the Company also raised additional cash of approximately £2.6 million (before expenses of £100,000) through the placing of 12,023,572 new ordinary shares with three substantial shareholders.

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

Going concern

After making enquiries, the directors believe that there are reasonable prospects that order backlog and the resulting revenues will increase significantly in 2010 compared to 2009, leading to stronger operational cash flows, providing a satisfactory level of confidence to the Board in respect of trading in the year ahead. The directors have a reasonable expectation that both the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements. Attention is drawn to the going concern assumption in note 2.

Auditors

In the case of each of the persons who are directors of the Company at the date when the report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware; and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information to establish that the Company's auditors are aware of that information.

BDO LLP has expressed its willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Bob Auckland
Company Secretary 16 November 2009

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Website publication

The directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

This report, which has not been audited, has been voluntarily prepared so as to comply so far as the Board considers appropriate for a group of this size, with the Listing Rules, the Combined Code the Companies Act 2006 and Schedule 8 (Regulation 11) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The Board notes that the report is not fully compliant with with these regulations.

The Company's remuneration policy is the responsibility of the Remuneration Committee. The Committee is chaired by Keith Lough and also comprises Thierry Le Roux and Alan Faichney. The Committee is authorised to obtain information and advice on remuneration at the Company's expense.

The Committee has specific responsibility for determining the remuneration and other benefits of executive directors, for overall policy in respect of remuneration of other employees of the Group, and for establishing the Group's policy with respect to employee share schemes. In determining executive remuneration packages of individual directors the Remuneration Committee takes account of the levels of experience, performance and responsibility of each director, and the remuneration packages for similar executive positions in companies it considers are comparable. It also considers the remuneration packages offered within the Group as a whole.

Remuneration policy

a) Executive remuneration

The Committee aims to ensure that the remuneration of executive directors is competitive, takes into account individual performance and provides a package which is sufficiently dependent on achievement to motivate and incentivise the individual executive directors. Executive remuneration currently comprises a base salary which is not performance related, and a performance related bonus scheme. Certain directors also have an entitlement to private medical insurance and pension contributions to individual personal pension schemes. The Board believes that the interests of directors and shareholders are best aligned with a remuneration policy that provides a modest base salary that is not dependent on performance together with a performance related bonus arrangement. Further details relating to bonus arrangements and pension contributions are detailed below.

Bonuses

Executive directors are eligible to receive specific bonuses at the discretion of the Remuneration Committee. Such payments do not form part of pensionable earnings.

Incentive bonuses relating to the year ended 31 August 2009 were not paid as the performance criteria outlined in the plan were not achieved.

Pensions

David Pratt, Dr. Lucy MacGregor and Bob Auckland are entitled to an agreed proportion of annual salary which is paid directly into personal money purchase pension plans based in the UK. This contribution was £19,400 for David Pratt, £7,141 for Dr. Lucy MacGregor and £11,361 for Bob Auckland.

Share options

The directors believe that the success of the Company depends to a high degree on the future performance of the management team. Accordingly the Company has entered into option agreements with its executive directors and certain key employees through the Company's approved Management Incentive Scheme and unapproved share option scheme. Executive options are granted at the middle market price of the Company's shares on the date of grant, or in respect of options granted before the Company's shares were publicly traded, at the directors' best estimate of fair value at the date of grant. Most of these option agreements were entered into before the Company's Initial Public Offering on 11 March 2004. No grants under these plans have been made since June 2005.

Share awards

The Company has entered into share award agreements with its executive directors and certain key employees through the Company's Share Award Plan. The number of share awards to be granted is calculated by taking an agreed percentage of the employee's salary and dividing this by the average closing price of the Company's shares in the five business days immediately before the date of grant. The number of share awards that vest will be determined by the achievement of performance targets set by the Remuneration Committee.

b) Non-executive remuneration

Keith Lough and Alan Faichney each receive a fixed fee for services (as did Stephen Ludlow while he served as a director), which covers preparation for and attendance at meetings for the full Board and all committees thereof. Thierry Le Roux who also served as a non-executive director during the year did not receive a fee for his services. The non-executive directors are also reimbursed for all reasonable expenses incurred in the performance of their duties. Non-executive directors are not entitled to participate in any of the Group's incentive schemes, including the Share Option Schemes, Share Award Plans and bonus schemes. The executive directors are responsible for setting the level of non-executive remuneration.

c) Service contracts

Dave Pratt has a service contract which commenced on 8 July 2002, and contains a contractual notice period of one year by either party. Dr. Lucy MacGregor has a service contract which commenced on 1 February 2003, and contains a contractual notice period of one year by either party. Bob Auckland has a service contract which commenced on 1 February 2006, and contains a contractual notice period of six months by either party. Richard Cooper has a service contract entered into on 23 August 2008, and contains a contractual notice period of nine months by either party. The contracts for executive directors do not provide any predetermined amounts of compensation in the event of early termination. In the event of early termination, payments for loss of office would be determined by the Remuneration Committee who would take account of the particular circumstances of each case, including the unexpired term of the service contract.

Executive directors may accept limited outside non-executive appointments.

Directors' emoluments (unaudited)

The following information has not been subject to audit. The aggregate remuneration received by directors who have served during the year was as follows:

	Base salary £	Bonuses £	Fees £	Benefits £	Total (excluding pension) £	Pension £	Total (including pension) 2009 £	Total (excluding pension) 2008 £	Pension 2008 £	Total (including pension) 2008 £
Executive										
David Pratt[1]	**122,000**	**–**	**–**	**1,669**	**123,669**	**19,400**	**143,069**	193,674	18,247	211,921
Richard Cooper[2]	**20,649**	**–**	**–**	**79**	**20,729**	**–**	**20,729**	–	–	–
Dr.Lucy MacGregor	**101,232**	**–**	**–**	**420**	**101,652**	**7,141**	**108,793**	107,613	6,995	114,608
Bob Auckland	**105,024**	**–**	**–**	**1,446**	**106,470**	**11,361**	**117,831**	108,615	10,720	119,335
Non executive										
Keith Lough	**20,000**	**–**	**–**	**–**	**20,000**	**–**	**20,000**	20,000	–	20,000
Thierry Le Roux	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–
Alan Faichney[3]	**8,333**	**–**	**–**	**–**	**8,333**	**–**	**8,333**	–	–	–
Steven Ludlow[4]	**–**	**–**	**6,667**	**–**	**6,667**	**–**	**6,667**	13,333	–	13,333
Dr. Pierre Jungels[5]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	18,757	–	18,757
Gary Jones[6]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	5,000	–	5,000
Jeffery Garner[7]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	2,727	–	2,727
Total	**377,238**	**–**	**6,667**	**3,614**	**387,520**	**37,902**	**425,422**	469,719	35,962	505,681

(1) David Pratt was the highest paid director during the year ended 31 August 2009.
(2) Richard Cooper was appointed a director of the Board on 23 July 2009.
(3) Alan Faichney was appointed a director of the Board on 1 April 2009.
(4) Steven Ludlow resigned from the Board on 9 January 2009.
(5) Dr. Pierre Jungels resigned from the Board on 17 January 2008.
(6) Gary Jones resigned from the Board on 20 November 2007.
(7) Jeffery Garner resigned from the Board on 23 September 2007.

Directors' interests in ordinary shares

The directors who held office at 31 August 2009 had the following interests in the ordinary shares of the Company:

	Number of shares 2009	Number of shares 2008
David Pratt	**200,000**	–
Richard Cooper	**298,306**	–
Dr. Lucy MacGregor	**1,039,686**	839,686
Bob Auckland	**100,000**	40,000
Keith Lough	**50,000**	50,000
Thierry Le Roux	**–**	–
Alan Faichney	**–**	–

On 11 February 2009 David Pratt acquired 200,000 shares, Dr. Lucy MacGregor acquired 200,000 shares and Bob Auckland acquired 60,000 shares in the Company.

There has been no change in the directors' interests set out above between 31 August 2009 and 16 November 2009.

Directors' options and share awards (unaudited)

The following information has not been subject to audit. The executive directors have the following interests in options over the shares of the Company under the Group's Share Option Scheme and Share Award Plan.

	At 1 September 2008	Granted during year	Lapsed during year	**At 31 August 2009**	Exercise price (p)	Earliest exercise date	Expiry date
Dave Pratt							
01/03/04	940,008	–	–	**940,008**	170.00	01/03/05	28/02/14
01/02/06	110,016	–	(110,016)	**–**	1.00	–	–
01/12/06	76,252	–	–	**76,252**	1.00	01/12/09	01/12/16
01/10/07	248,227	–	–	**248,227**	1.00	01/10/10	01/10/17
Richard Cooper							
01/10/07	29,692	–	–	**29,692**	1.00	01/10/10	01/10/17
Dr. Lucy MacGregor							
01/12/03	141,031	–	–	**141,031**	29.81	01/12/04	30/11/13
01/02/06	58,675	–	(58,675)	**–**	1.00	–	–
01/12/06	40,668	–	–	**40,668**	1.00	01/12/09	01/12/16
01/10/07	225,721	–	–	**225,721**	1.00	01/10/10	01/10/17
Bob Auckland							
01/02/06	58,675	–	(58,675)	**–**	1.00	–	–
01/12/06	40,668	–	–	**40,668**	1.00	01/12/09	01/12/16
01/10/07	25,721	–	–	**25,721**	1.00	01/10/10	01/10/17

There were no share options or awards exercised by the directors during the year.

These share options and awards have been granted under:
1) the Company's Enterprise Management Incentive option scheme (EMI),
2) unapproved Share Option Scheme, and
3) Share Award Plan.

The options granted to David Pratt on 1 March 2004 (representing 3 per cent of the fully diluted issued share capital at Admission) have vested in three tranches following the satisfaction of performance criteria agreed between David Pratt and the Remuneration Committee.

The share awards granted to David Pratt, Dr. Lucy MacGregor and Bob Auckland on 1 February 2006 under the Company's Share Award Plan failed to vest on 1 February 2009 as the performance criteria agreed with the Remuneration Committee were not satisfied.

No shares were granted to any director during the financial year ended 31 August 2009.

Options will lapse after ten years from the date of grant and option holders who cease to be employed by the Group are required to exercise the vested part of their option within six months of cessation.

The middle market price of the ordinary shares on 31 August 2009 was 11.50 pence. The high and low market prices during the year were 43.75 pence and 1.75 pence respectively.

Apart from the interests disclosed above, none of the directors had any interest at any time during the year ended 31 August 2009 in the share capital of the Company or its subsidiaries.

By order of the Board

Keith Lough
Chairman of the Directors' Remuneration Committee

16 November 2009

The Board supports the principles of corporate governance contained in the Combined Code on Corporate Governance issued in June 2008 by the Financial Reporting Council. The Company is moving towards voluntarily applying the principles of the Combined Code as indicated below, but is not yet fully complying with the Combined Code.

The Board

The Group's business is managed by the Board of Directors. The full Board meets regularly, and met a total of twelve times during the year ended 31 August 2009. Meetings include discussion of current and future performance and strategy. In addition, terms of reference for full Board approval are in place, which includes inter alia, the approval of annual and interim results, significant transactions, major capital expenditures, the yearly business plan budget and HSE objectives, the Group's long term commercial strategy, establishing financial authority limits, litigation, conflict of interest and share dealing policies and executive remuneration and appointments.

Each Board member receives regular management accounts including a review and analysis of performance against budget and other forecasts. Directors are sent an agenda and a full set of Board papers for each agenda item to be discussed at the meeting. Additional information is provided as appropriate.

The Board currently consists of seven directors, three of whom are non-executive. Their names are set out on page 13. The Company has a separate non-executive Chairman and Chief Executive Officer. Keith Lough and Alan Faichney are considered by the Board to be free from any business or other relationship that could materially impact their independent judgement. The independent non-executive directors receive a fixed fee for their services and all non-executive directors receive reimbursement of reasonable expenses incurred in attending meetings.

There is an agreed procedure for directors to take independent professional advice at the Company's expense. The Company Secretary is responsible for ensuring that Board procedures and applicable rules and regulations are followed.

The Chairman ensures that new directors receive a full, formal and tailored induction on joining the Board. As part of this induction, the Company would offer major shareholders the opportunity to meet a new non-executive director.

Whilst the Board retains overall responsibility for the Company, the day to day management of the business is conducted by the executive directors. In addition, in accordance with best practice, the Board has established Audit, Nomination and Remuneration Committees with written terms of reference for each that set out their duties and authority.

Committees of the Board

Audit Committee

The Audit Committee meets as and when required. The members of the committee comprise Keith Lough (Chairman), Alan Faichney and David Pratt. As noted above two of these directors are considered to be independent non-executive directors. The Committee's terms of reference are principally concerned with accounting matters, financial reporting and internal controls. The Committee meets to review all significant judgments made in the preparation of the half-yearly and annual accounts, before they are submitted to the Board. It agrees with the auditors the nature and scope of their work and discusses with them the result thereof. The Committee has the power to seek external advice as and when required. In addition, the Audit Committee makes recommendations to the Board regarding the appointment of the external auditors, reviews their independence and objectivity and is also responsible for agreeing the level of audit fees and monitoring the provision of non audit services provided by the Group's auditors.

Members of the Audit Committee make themselves available so that staff of the Company may, in confidence, raise concerns about possible financial improprieties or other matters of concern. The Audit Committee has arrangements in place for the proportionate and independent investigation of such matters and for appropriate follow up action.

Remuneration Committee

The Remuneration Committee meets as and when required. It comprises Keith Lough (Chairman), Thierry Le Roux and Alan Faichney. As noted above, two of these directors are considered to be independent non-executive directors. The Committee's objective is to develop remuneration packages for executive directors that enable the Group to attract, retain and motivate executives of the appropriate calibre without paying more than necessary. No director is involved in deciding his or her remuneration. The Board's policy on executive remuneration and the details of executive director's individual remuneration packages are fixed by the Committee or the Board. Full details of the directors' remuneration are set out in the Directors' Remuneration Report on pages 16 to 18.

Nomination Committee

The Nomination Committee meets as and when required. It considers the appointment of both executive and non-executive directors and makes recommendations to the Board. It comprises David Pratt (Chairman), Keith Lough and Thierry Le Roux, and as noted above, one of these directors is considered to be an independent non-executive director. All directors are required to submit themselves for re-election by the shareholders at the Company's Annual General Meeting following their first appointment and thereafter at least every three years. Notwithstanding this, at least one third of all directors must submit themselves for re-election each year.

At the forthcoming Annual General Meeting, Richard Cooper and Alan Faichney will submit themselves for re-election, having been appointed since the last Annual General Meeting. Keith Lough will submit himself for re-election as it is three years since the shareholders last considered his appointment.

The terms of reference of the committees of the Board, explaining their respective roles and the authority delegated to them by the Board are available on the Company's website.

Board balance and independence

During the year and up to the date of this Report, the Board continued to be of the opinion that, Keith Lough, Steven Ludlow (retired on 9 January 2009) and Alan Faichney (appointed on 1 April 2009) were independent within the meaning of the Code. Keith Lough was the Senior Independent Director throughout the financial year and he carried out this role up to the date of this report.

The independent non-executive directors review and monitor strategy, the performance of management, the integrity of financial information and control and risk management. Through the Remuneration and Nomination Committee they are also responsible for setting the remuneration of the executive directors and of senior executives below Board level and for planning Board and senior management succession.

The following table sets out the number of Board and Committee meetings held during the year and the directors' attendance at each.

Possible/Attended (P/A)	Full Board P	Full Board A	Audit Committee P	Audit Committee A	Remuneration Committee P	Remuneration Committee A	Nomination Committee P	Nomination Committee A
Executive directors								
Richard Cooper *(Chief Executive Officer)* *(appointed 23 July 2009)*	2	2	–	–	–	–	–	–
Dr. Lucy MacGregor *(Chief Scientific Officer)*	12	12	–	–	–	–	–	–
Bob Auckland *(Chief Financial Officer)*	12	12	2	2	1	1	–	–
Non-executive directors								
David Pratt *(Chairman)*	12	12	2	2	1	1	2	2
Keith Lough	12	11	2	2	1	1	2	2
Thierry Le Roux	–	–	2	2	1	1	2	2
Alan Faichney *(appointed 1 April 2009)*	6	6	–	–	–	–	–	–
Former directors								
Steven Ludlow *(retired 9 January 2009)*	4	4	1	1	1	1	–	–
Total number of meetings	12		2		1		2	

Internal Control

The Board is responsible for establishing and monitoring internal control systems, and for reviewing the effectiveness of these systems. The Board views effective operation of a rigorous system of internal control as critical to the success of the Group, however it recognises that such systems can provide only reasonable and not absolute assurance against material mis-statement or loss. The key elements of the Group's internal control systems are as follows:

Control environment

The Group has a clear organisational structure with defined responsibilities and accountabilities. It adopts the highest values surrounding quality, integrity and ethics, and these values are documented and communicated clearly throughout the whole organisation.

Identification and evaluation of risks

The Board actively identifies and evaluates the risks inherent in the business, and ensures that appropriate controls and procedures are in place to manage these risks.

Health, Safety and the Environment

The Board receives reports from David Pratt who is Chairman of the Company's HSE Committee. Two other executive directors, Dr. Lucy MacGregor and Bob Auckland and one non-executive director, Alan Faichney also sit on this committee. The Company believes that it best serves its stakeholders by ensuring that its activities are carried out in a safe and environmentally sensitive manner.

Control procedures

Detailed written policies and procedures have been established covering key financial operating and compliance risk areas. These will be reviewed and updated at least annually by the Board. Due to the nature of the Group's operations and its size, the Board considers that there is no current requirement for an internal audit function although it will continue to review the requirement for such a function on a periodic basis

Auditor independence

The Audit Committee reviews the nature and extent of the services provided to the Group by BDO LLP and are satisfied with the independence of the Group's auditors.

Performance evaluation

The performance of the Chairman and each director will be formally evaluated on an annual basis. The non-executive directors will meet annually, and whenever deemed necessary, to appraise the Chairman's performance in the absence of the Chairman. The performance of non-executive directors, other than the Chairman, will be reviewed by the Chairman and the executive directors. The performance of the executive directors will be reviewed by the Board, as deemed necessary, in the absence of the executive director under review.

Going concern

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt a going concern basis in preparing the financial statements.

Relations with shareholders

The Company is committed to constructive dialogue with its shareholders. The Company uses the Annual General Meeting as an opportunity to communicate with its shareholders. Notice of the Annual General Meeting, which will be held at 2.00pm on 15 January 2010 at the office of KBC Peel Hunt Ltd, 111 Old Broad Street, London EC2N 1PH, will be distributed along with this report. Details of the resolutions and explanatory notes thereon were included with the Notice along with a proxy form for members of the Company unable to attend.

The executive Chairman, the Senior Independent Director and the other independent non-executive director meet with major shareholders during the year to develop an understanding of their views about the Company.

The Group's website **www.ohmrsi.com** is the primary source of information on the Group. This includes an overview of the activities of the Group, and details of all recent Group announcements.

By order of the Board

Bob Auckland
Company Secretary 16 November 2009

Independent auditors' report

To the members of Offshore Hydrocarbon Mapping plc

We have audited the financial statements of Offshore Hydrocarbon Mapping plc for the year ended 31 August 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 August 2009 and of the Group's loss for the year then ended;

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Robert Ralston
Senior Statutory Auditor

For and on behalf of BDO LLP, statutory auditor
Glasgow
United Kingdom 16 November 2009

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated group income statement

for the year ended 31 August 2009

	Note	2009 £'000	2008 £'000
Revenue		**9,227**	10,795
Cost of sales		**12,238**	13,046
Gross loss		**(3,011)**	(2,251)
Administrative expenses		**5,770**	7,253
Group operating loss	5	**(8,781)**	(9,504)
Finance income	8	**81**	777
Finance costs	9	**(11)**	(17)
Loss before taxation		**(8,711)**	(8,744)
Income tax expense	10	**(121)**	47
Loss for the year		**(8,832)**	(8,697)
Loss per ordinary share	11		
Basic		**(20.41)p**	(20.17)p
Diluted		**(20.41)p**	(20.17)p

Consolidated group balance sheet

at 31 August 2009

	Note	2009 £'000	2008 £'000
Assets			
Non-current assets			
Goodwill	13	**12,636**	11,414
Intangible assets – multi client data library	14	**2,679**	3,560
– software	14	**2,575**	2,349
– patent costs	14	**1,101**	981
– consortium fees	14	**153**	154
		6,508	7,044
Plant and equipment	15	**4,283**	5,029
		23,427	23,487
Current assets			
Inventories	17	**607**	745
Trade and other receivables	18	**749**	3,919
Cash and cash equivalents	19	**1,043**	8,222
		2,399	12,886
Total assets		**25,826**	36,373
Liabilities			
Current liabilities			
Trade and other payables	20	**2,941**	6,345
Current tax liabilities		**48**	102
Finance leases	24	**9**	42
		2,998	6,489
Non current liabilities			
Deferred tax liabilities	23	**736**	724
Finance leases	24	**–**	8
		736	732
Total liabilities		**3,734**	7,221
Net assets		**22,092**	29,152
Shareholders' equity			
Share capital	26	**434**	432
Share premium		**36,668**	36,668
Share based payments reserve		**1,322**	1,107
Merger reserve		**5,355**	5,355
Retained earnings		**(24,531)**	(15,699)
Cumulative translation reserve		**2,844**	1,289
Total shareholders' equity		**22,092**	29,152

The financial statements were approved by the board of directors and authorised for issue on 16 November 2009 and are signed on its behalf by:

D C N Pratt
Director

R I Auckland
Director

Company balance sheet

at 31 August 2009

	Note	2009 £'000	2008 £'000
Assets			
Non-current assets			
Fixed asset investments	16	**7,202**	6,987
		7,202	6,987
Current assets			
Trade and other receivables	18	**27,364**	25,207
Cash and cash equivalents	19	**136**	38
		27,500	25,245
Total assets		**34,702**	32,232
Liabilities			
Current liabilities			
Trade and other payables	20	**168**	–
Net assets		**34,534**	32,232
Shareholders' equity			
Share capital	26	**434**	432
Share premium		**36,668**	36,668
Other reserves		**1,322**	1,107
Merger reserve		**5,355**	5,355
Retained earnings		**(9,245)**	(11,330)
Total shareholders' equity		**34,534**	32,232

The financial statements were approved by the board of directors and authorised for issue on 16 November 2009 and are signed on its behalf by:

D C N Pratt
Director

R I Auckland
Director

Consolidated group cashflow statement

for year ended 31 August 2009

	Note	2009 £'000	2008 £'000
Cash flows from operating activities			
Loss before taxation		**(8,711)**	(8,744)
Adjustments for:			
Depreciation of tangible fixed assets	15	**947**	1,339
Amortisation of intangible fixed assets	14	**1,345**	1,023
Share based payments charge	28	**215**	259
Intangible asset transfer from balance sheet	14	**53**	1,903
Loss on disposal of plant and equipment		**35**	30
Finance income	8	**(81)**	(777)
Operating cash flows before changes in working capital		**(6,197)**	(4,967)
Decrease/(increase) in inventories		**138**	(111)
Decrease in trade and other receivables		**3,170**	763
(Decrease)/increase in trade and other payables		**(3,577)**	1,150
Cash absorbed by operations		**(6,466)**	(3,165)
Foreign taxes paid	10	**–**	(29)
Net cash used in operating activities		**(6,466)**	(3,194)
Cash flows from investing activities			
Payments to acquire multi client data library	14	**(59)**	(3,861)
Payments to acquire software	14	**(294)**	(284)
Payments to acquire patents	14	**(124)**	(229)
Purchase of plant and equipment	15	**(200)**	(3,892)
Proceeds from sale of plant and equipment		**11**	–
Net cash outflow on acquisition of subsidiary	16	**–**	(20)
Interest received	8	**81**	777
Net cash used in investing activities		**(585)**	(7,509)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	26	**2**	226
Line of credit		**–**	(89)
Finance lease obligation	24	**(41)**	(66)
Other adjustments		**–**	(97)
Net cash used in financing activities		**(39)**	(26)
Net decrease in cash and cash equivalents		**(7,090)**	(10,729)
Opening cash and cash equivalents		**8,222**	18,968
Effect of foreign exchange rate changes		**(89)**	(17)
Closing cash and cash equivalents	19	**1,043**	8,222

Company cashflow statement

for the year ended 31 August 2009

	Note	2009 £'000	2008 (Restated) £'000
Cash flows from operating activities			
Loss before taxation	12	**2,085**	(11,284)
Adjustments for:			
Share based payment charge		**–**	–
Finance income		**(1,359)**	(2,543)
Impairment provision against loan from subsidiary undertaking		**–**	15,000
Operating profit/(loss) before changes in working capital		**726**	1,173
Increase/(decrease) in trade and other payables	20	**168**	(41)
Net cash flows from operating activities		**894**	1,132
Cash flows from investing activities			
Advances of loans to subsidiary undertakings		**(915)**	(2,892)
Net cash outflow on acquisition of subsidiaries	16	**–**	(100)
Interest received on loans from subsidiary undertakings		**117**	2,543
Net cash used in investing activities		**(798)**	(1,321)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	26	**2**	227
Net cash from financing activities		**2**	227
Net increase in cash and cash equivalents		**98**	38
Opening cash and cash equivalents		**38**	–
Effect of foreign exchange rate changes		**–**	–
Closing cash and cash equivalents	19	**136**	38

The comparatives are restated for consistency of presentation.

Group statement of changes in equity

for the year ended 31 August 2009

Group	Share capital £'000	Share premium £'000	Share based payments reserve £'000	Merger reserve £'000	Retained earnings £'000	Translation reserve £'000	Total equity £'000
	Attributable to equity holders of the parent company						
At 1 September 2007	426	36,447	848	5,355	(6,905)	(214)	35,957
Foreign currency translation difference arising on consolidation of subsidiaries	–	–	–	–	–	1,503	1,503
Loss for the year	–	–	–	–	(8,697)	–	(8,697)
Total recognised income and expense for the year	–	–	–	–	(8,697)	1,503	(7,194)
Share based payments	–	–	259	–	–	–	259
Other adjustments	–	–	–	–	(97)	–	(97)
Share placing	6	221	–	–	–	–	227
At 31 August 2008	432	36,668	1,107	5,355	(15,699)	1,289	29,152
Foreign currency translation difference arising on consolidation of subsidiaries	–	–	–	–	–	1,555	1,555
Loss for the year	–	–	–	–	(8,832)	–	(8,832)
Total recognised income and expense for the year	–	–	–	–	(8,832)	1,555	(7,277)
Share based payments	–	–	215	–	–	–	215
Share issue	2	–	–	–	–	–	2
At 31 August 2009	**434**	**36,668**	**1,322**	**5,355**	**(24,531)**	**2,844**	**22,092**

The charge to the share based payments reserve represents the fair value of the shares to be awarded under the Group's Share Option Plans and Share Award and Annual Bonus Plans. Corresponding amounts are included in the loss for the relevant periods with the consequence that the Company's accounting for share based payments has no net impact on total equity.

The share based payments reserve comprises the credit entry relating to share based charges included in the Income Statement and calculated in accordance with IFRS 2.

The merger reserve represents the excess of the fair value of the shares issued over their nominal value which is recorded when shares are issued in exchange for shares to effect an investment in an undertaking.

Other reserves represent the credit entry relating to share based payment charges on the implementation of IFRIC 11. This impacts the Company only.

Retained earnings comprise net gains and losses recognised in the Income Statement.

The translation reserve comprises gains and losses arising on the translation of the net assets of overseas operations.

Company statement of change in equity

for the year ended 31 August 2009

Company	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
	Attributable to equity holders of the parent company					
At 1 September 2007	426	36,447	5,355	848	(46)	43,030
Loss for the year	–	–	–	–	(11,284)	(11,284)
Total recognised income and expense for the year	–	–	–	–	(11,284)	(11,284)
Share based payments	–	–	–	259	–	259
Share placing	6	221	–	–	–	227
At 31 August 2008	432	36,668	5,355	1,107	(11,330)	32,232
Profit for the year	–	–	–	–	2,085	2,085
Total recognised income and expense for the year	–	–	–	–	2,085	2,085
Share based payments	–	–	–	215	–	215
Share issue	2	–	–	–	–	2
At 31 August 2009	**434**	**36,668**	**5,355**	**1,322**	**(9,245)**	**34,534**

Refer to the previous page for a description of these reserves.

1 General information

Offshore Hydrocarbon Mapping plc is a company registered in England and Wales. The nature of the Group's operations and its principal activities are set out in the Directors' Report.

These financial statements are prepared in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

Standards, amendments to standards and interpretations applicable this year but which have had no impact on the Group and Company:

Title
Amendments to IAS 39 and IFRS 7: Reclassification of Financial Instruments
IFRIC 13: Customer Loyalty Programmes
IFRIC 14 and IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Future accounting developments

Certain new standards, amendments to new standards and interpretations have been published that are mandatory to the Group's future accounting periods but have not been adopted early in these financial statements. These are set out below:

Standards, amendments to standards and interpretations endorsed for use by the European Union and available for adoption, but have no material impact on the Group:

Title	Implementation	Anticipated effect on the Group
IAS 1 (Revised 2007): Presentation of Financial Statements	Annual periods beginning on or after 1 January 2009	One key impact on the Group is that the revised IAS 1 will require changes to the presentation of the Income Statement. It will require a statement of comprehensive income including all gains and losses taken to equity, or an Income Statement and a separate Statement of Comprehensive Income which deals with other gains and losses taken to equity.
Amendments to IAS 1 and IAS 32: Financial Instruments (Puttable Instruments and Obligations Arising on Liquidation)	Annual periods beginning on or after 1 January 2009	None
Amendments to IAS 27: Cost of an investment in a subsidiary, jointly-controlled entity or associate	Annual periods beginning on or after 1 January 2009	None
IAS 23: Borrowing Costs (Revised)	Annual periods beginning on or after 1 January 2009	None
Amendments to IFRS 2: Share-based Payment (Vesting Conditions and Cancellations)	Annual periods beginning on or after 1 January 2009	None
IFRS 8: Operating Segments	Annual periods beginning on or after 1 January 2009	Additional disclosures only
Improvements to IFRSs (May 2008)	Annual periods beginning on or after 1 January 2009	None

1 General information – continued

Standards, amendments to standards and interpretations not currently endorsed for use by the European Union, are not yet available for adoption and have not been adopted early:

Title	Implementation	Anticipated effect on the Group
IFRS 3 (Revised 2008): Business Combinations	Business combinations for annual periods beginning on or after 1 July 2009	None
Amendments to IAS 27: Consolidated and Separate Financial Statements	1 July 2009	None
Amendment to IAS 39: Financial Instruments – Recognition and Measurement – Eligible Hedging Items	Annual periods beginning on or after 1 July 2009	None
IFRIC 12: Service Concession Arrangements	European Union endorsed for annual periods beginning on or after 26 March 2009	None
IFRIC 15: Agreements for the Construction of Real Estate	Annual periods beginning on or after 1 January 2009	None
IFRIC 16: Hedges of a Net Investment in a Foreign Operation	Annual periods beginning on or after 1 October 2008	None

Standards, amendments to standards and interpretations not currently endorsed for use by the European Union, are not yet available for adoption and have not been adopted early:

Title	Implementation	Anticipated effect on the Group
Amendments to IFRS 7: Improving Disclosures about Financial Instruments	Annual periods beginning on or after 1 January 2009	Enhanced disclosures in respect of the risks attaching to financial instruments.
Embedded Derivatives – amendments to IFRIC 9 and IAS 39	Annual periods ending on or after 30 June 2009	None
IFRIC 17: Distributions of Non-Cash Assets to Owners	Annual periods beginning on or after 1 July 2009	None
IFRIC 18: Transfer of Assets from Customers	Transfers made on or after 1 July 2009	None
Improvements to IFRSs (April 2009)	Annual periods beginning on or after 1 January 2010	None
Amendment to IAS 32: Classification of Rights Issues	Annual periods beginning on or after 1 February 2010	None
Amendments to IFRS 2: Group Cash-settled share based payment transactions	Annual periods beginning on or after 1 January 2010	None
IAS 24 (Issued in 2009): Related Party Disclosures	Annual periods beginning on or after 1 January 2011	None

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 for additional disclosures when the relevant standards come into effect.

2 Significant accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with IFRS (International Financial Reporting Standards) as endorsed for use in the European Union and also in accordance with those parts of the Companies Act 2006 that remain applicable to companies who report under IFRS.

2 Significant accounting policies – continued

Going concern assumption

In the 2008 Annual Report, the directors outlined a number of initiatives that they were considering to improve the viability of the Group given the difficult trading environment that it was experiencing. Coupled with plans for cost reductions, these measures were:

- Sub charter of one of the Group's dedicated vessels for a period of at least 12 months;
- Spot sub charter of one of the Group's dedicated vessels for shorter periods between CSEM contracts;
- The issue of a number of ordinary shares of one pence each to existing shareholders;
- A reorganisation of the OHM group resulting in the sale for cash of some parts of the existing Group;
- A sale of the entire Group.

Since that statement:

- A review of the Group's cost structure was completed in March 2009 resulting in significant reductions in the Group's fixed costs with a number of staff, at all levels in the Group, being made redundant. As a consequence of this, on an annualised basis, Group fixed costs were reduced by approximately £13 million.
- In August 2009 the Group announced an agreement with the owner of its two chartered CSEM vessels for the conversion of the day rate contracts for the vessels to a "pay as used" and revenue sharing contract. These amendments superseded the temporary "pay as used" arrangements which had been due to expire at the end of the calendar year. The contract amendments, which were executed in September 2009, reduced the Group's future financial commitments by approximately $45 million (£27 million) (the cash value of the future minimum financial commitment reduced from approximately $53 million (£32 million) to approximately $8 million (£5 million) over the life of the charters).
- In September 2009 the Group successfully raised £2.6 million through a placing of 12,023,572 new ordinary shares at a price of 21.52 pence per share.

The benefits of both the charter reorganisations and the cost cutting program were not fully realised in the 2009 financial year and the Group has reported a loss before taxation of £8,291,000 in the period ended on 31 August 2009. This follows a loss before taxation of £8,291,000 reported in the previous year to 31 August 2008. The Group's cash balance at 31 August 2009, before receipt of funds from the fundraising, was £1,043,000 (2008: £8,222,000).

The changes made since the last annual report materially improve the Group's financial position. Like any other business, the Group relies on an inflow of profitable orders from its clients to generate cash flows. In this respect the directors are optimistic that adequate CSEM and WISE related revenues will be generated during the 2010 financial year, whilst the seismic data inversion (WSS) order book remains strong and continues to give encouraging visibility. With demand for CSEM marine survey work picking up (as evidenced by the increasing level of enquiries and tender activity), the directors see strong indications for an improvement in demand in 2010. Should this demand recovery not result in a flow of profitable orders, additional funding may yet be required by the Group. The directors are therefore continuing to consider a number of funding options, should such a course of action become necessary.

After making enquiries, the directors believe that there are reasonable prospects that order backlog and the resulting revenues will increase significantly in 2010 compared to 2009, leading to stronger operational cash flows, providing a satisfactory level of confidence to the Board in respect of trading in the year ahead. The directors have a reasonable expectation that both the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 August 2009 each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of subsidiaries acquired in the year are included in the Consolidated Income Statement from the effective date of acquisition.

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, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 "Non Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

2 Significant accounting policies – continued

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Groups' interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest exceeds the cost of the business combination, the excess is recognised immediately in the Income Statement.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the Income Statement and is not subsequently reversed.

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 of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other 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 the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue represents sales in respect of the provision of oil exploration services to external customers at invoiced amounts less value added tax or local taxes on sales. Revenue is recognised in line with the performance of these services, to the extent that the performance entitles the Group to receive consideration in line with the terms of the service contracts under which the Group operates. Included within revenue are amounts in respect of data acquisition offshore, data modelling and data interpretation services provided to external customers. Reimbursable expenses billed to customers are included in revenue.

Interest receivable

Interest income is recognised on an accruals basis under the effective interest method and is recognised within finance income in the Income Statement.

Research and development

Expenditure on pure and applied research is charged as an expense in the year in which it is incurred. Development costs which are expected to generate probable future economic benefits are 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.

Under IAS 38, an internally-generated intangible asset arising from the Groups' product development is recognised only if all of the following conditions are met:

- the technical feasibility of completing the intangible asset so that it will be available for sale,
- its intention to complete the intangible asset,
- its ability to use or sell the intangible asset,
- it is probable that the asset created will generate future economic benefits,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the development cost of the asset can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised in the Group or Company Balance Sheet when the Group or Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at fair value with appropriate allowances for estimated irrecoverable amounts recognised in the Income Statement. All amounts are subsequently valued at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents have original maturity of three months or less from acquisition and 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.

Bank borrowings

Interest-bearing loans and overdrafts are initially recognised at fair value and subsequently at amortised cost. 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 borrowings.

2 Significant accounting policies – continued

Loans and receivables

Loans made from the parent company to its subsidiaries are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method. Where the fair value of such loans is less than the loan amount the difference is treated as an increase in the investment in that subsidiary.

Trade payables

Trade payables are initially measured at fair value. All amounts are subsequently valued at amortised cost using the effective interest method.

Equity instruments

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

Leasing

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

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at 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 a finance lease obligation. 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 against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

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 on 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, 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 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 are recognised in a separate component of equity.

Investments

The parent company's investments in subsidiary undertakings are stated at cost.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for assets in the course of construction, over their expected useful lives. It is calculated at the following rates:

Plant and machinery	–	12.5% to 66.7% straight line
Computer equipment	–	20% to 50% straight line
Office equipment	–	14.3% to 66.7% straight line

Impairment of fixed assets

Impairment reviews of fixed assets are carried out on each cash-generating unit identified in accordance with IAS 36 "Impairment of Assets". The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use. Any such impairment arising is recognised in the Income Statement as impairment.

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash lows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods.

Intangible assets

Patent costs

Costs of obtaining patents are capitalised and amortised on a straight line basis over their useful life from the date they are awarded which ranges from ten to seventeen years.

Software developed internally

Software developed internally is capitalised and amortised on a straight line basis over its useful life which ranges from two to ten years.

2 Significant accounting policies – continued

Consortium fees

Recurring fees from research consortia are fair valued on acquisition, capitalised and amortised on a straight line basis over their useful lives which ranges from five to ten years.

Multi-client data library

The cost of collecting and processing electromagnetic and seismic data for onward licensing to clients on a non-exclusive basis is capitalised and held in the Balance Sheet as an intangible asset. The carrying cost of the electromagnetic data is held on an identified prospect basis with the costs being reduced as sales occur or, if insufficient sales are realised, amortised on a straight line basis over a period of three years starting in the first month of the next half year following completion of the data library product. The carrying cost of well data is amortised on a straight line basis over a period of five years. All sales of information from the library attract a cost based on regular review of operating margins.

Stocks and long term contracts

Stocks of spare parts and consumables are carried at the lower of cost or net realisable value.

Long-term contracts are assessed on a contract by contract basis and are reflected in the Income Statement by recording revenue and related costs as contract activity progresses. Where the outcome of each long-term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the Income Statement as the difference between the reported revenue and related costs for that contract. As soon as a contract is expected to be loss making overall, all future contract losses are provided for in the period.

Taxation

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

The tax currently payable is based on taxable profit for the year. The Group's liability for current tax is calculated using 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 profits, 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 investment in subsidiaries 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.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The Group has no defined benefit retirement schemes.

Share-based payments

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 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.

2 Significant accounting policies – continued

Group and treasury share transactions

Through its share award and share option schemes the Company allows its subsidiary undertakings to remunerate their employees with shares that the Company has issued. The Company accounts for these share based payments as a capital contribution to the subsidiary undertaking including the fair value of this capital contribution as an addition to its investment in the subsidiary undertaking.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Significant judgements and estimates in these financial statements have been made in a number of areas and an explanation of key uncertainties or assumptions used by management in accounting for these items is explained, where material, in the following paragraphs and in the relevant notes.

Impairment of goodwill, tangible and intangible assets

The Group is required to test, on an annual basis, whether goodwill and other tangible and intangible assets have suffered any impairment. At each reporting date where there are indicators of impairment, the net book value of the cash-generating unit is compared with the associated expected discounted future cash flows. If the net book value is higher, then the difference is written off to the Income Statement as impairment. The recoverable amount is determined based on "value in use" calculations.

The Group has determined that it has two largely independent cash-generating units, the controlled source electromagnetic business (CSEM), and the well and surface seismic interpretation business (WSS). These cash-generating units correspond broadly to the Group's business segments and further information describing these is set out in note 4.

The use of this "value in use" method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the net cash flows. Discounted future net cash flows for IAS 36 purposes are calculated using a post tax discount rate of 17.5% (2008:17.5%). The Group determines forecasted revenues and costs for each cash-generating unit over a five year period based on a combination of historical experience and projected growth rates for the CSEM and WSS segments which are corroborated by external sources.

The CSEM market is forecast to grow by between 40% and 50% pa (2008: between 15% and 20% pa) over the next five years with the Group's share of this market remaining between 10% and 20% (2008: between 10% and 20%). The Group's CSEM revenues are forecast to increase by between 40% and 50% pa (2008: between 25% and 40%) over this period. This increased rate of growth in CSEM market size and the Group's forecast revenues is due to the lower base level caused by the CSEM downturn in the later part of 2008 and in 2009. Assumptions relating to the growth of the CSEM market are based on projections made by independent analysts.

The WSS market is forecast to grow by between 10% and 15% pa (2008: between 10 and 15% pa) over the next five years with the Group's share of this market increasing from approximately 10% (2008: under 5%) to between 10% and 25% (2008: between 7% and 10%). The Group's WSS revenues are therefore forecast to increase by between 30% and 40% pa (2008: between 25% and 50% pa) over this period.

The calculation of the value in use for each cash-generating unit is most sensitive to assumptions for:

(a) the forecast growth in the size of the CSEM market over the next five years;
(b) the Group's share of the CSEM and WSS markets over this period;
(c) the gross profit margins achieved by the CSEM and WSS cash-generating units; and
(d) the discount rate used.

The Board considers the value attributable to net cash flows generated from the CSEM and WSS businesses to be higher than the current carrying value of goodwill, tangible and intangible assets and consequently no impairment adjustment is required.

Useful lives of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the Consolidated Income Statement in specific periods. More details including carrying values are included in notes 14 and 15.

3 Critical accounting judgements and key sources of estimation uncertainty – continued

Share based payments

The Group has two types of equity-settled share-based remuneration schemes for employees. Employee services received, and corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options and awards is estimated by using valuation models, such as Monte Carlo and Cox, Ross & Rubinstein binomial, on the date of grant based on certain assumptions. Those assumptions are described in note 28 and include, among others, the dividend growth rate, expected volatility, estimated number of employees leaving, expected life of the options and number expected to vest. More details including the carrying value is disclosed in note 28.

4 Business and geographical segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns which are different from those of other business segments. At 31 August 2009 and 31 August 2008 the Group is organised into three reportable business segments – Controlled Source ElectroMagnetic (CSEM) business, Well-driven Integration of Seismic and Electromagnetics (WISE) business and Well and Surface Seismic (WSS) business.

Controlled Source ElectroMagnetic (CSEM)

OHM provides offshore CSEM acquisition and data processing services. CSEM surveying can detect the presence of resistive features in the earth which when carefully interpreted can provide evidence for and information on hydrocarbon accumulations prior to drilling. The Group has not divided financial information for its CSEM activities into further different segments as it offers only one CSEM surveying product range to its clients, who are international and state owned oil and gas companies.

The risk and profitability of the Group's operations is similar in different geographical regions of the world. Most of the Group's plant and machinery is deployed on survey vessels and, as the CSEM surveys are executed worldwide with equipment often being relocated to meet capacity requirements, the Group is not able to allocate these assets specifically to any geographical region.

Well-driven Integration of Seismic and Electromagnetics (WISE)

The value of geophysical data and interpretations derived from them is significantly increased when different data types are integrated to utilise the strengths of each. The Group's WISE interpretation approaches use available seismic, CSEM and well log data to add value to interpretations at all stages of the oil field life cycle, by providing quantitative measurements of rock and fluid properties.

The directors view the WISE product range and focus as being critical to the future success of the Group and are allocating resources to this business segment and monitoring performance accordingly.

Well and Surface Seismic (WSS)

The Group's subsidiary Rock Solid Images (RSI), is the industry leader in the integration of fundamental rock physics with well data and surface seismic in order to interpret geophysical signatures in terms of reservoir properties. Careful integration of these data can lead to quantitative measurements of rock and fluid properties such as porosity and hydrocarbon saturation.

4 Business and geographical segments – continued

Primary reporting format – business segments

The following tables present revenue, profit and loss, and certain asset and liability information regarding the Group's two business segments for the years ended 31 August 2009 and 2008. The comparatives are restated for consistency of presentation.

	CSEM 2009 £'000	WISE 2009 £'000	WSS 2009 £'000	Total 2009 £'000	CSEM 2008 (restated) £'000	WISE 2008 (restated) £'000	WSS 2008 (restated) £'000	Total 2008 £'000
Continuing operations revenue								
External revenue	**4,486**	**972**	**3,769**	**9,227**	8,087	37	2,671	10,795
Segment gross (loss)/profit	**(5,216)**	**573**	**1,632**	**(3,011)**	(2,950)	37	622	(2,251)
Administrative expenses	**(2,654)**	**(429)**	**(2,687)**	**(5,770)**	(4,787)	(194)	(2,272)	(7,253)
Segment operating (loss)/profit	**(7,870)**	**144**	**(1,055)**	**(8,781)**	(7,737)	(157)	(1,610)	(9,504)
Finance income	**61**	**13**	**7**	**81**	777	–	–	777
Finance costs	**(13)**	**(1)**	**3**	**(11)**	(9)	–	(8)	(17)
Segment (loss)/ profit before taxation	**(7,822)**	**156**	**(1,045)**	**(8,711)**	(6,969)	(157)	(1,618)	(8,744)
Income tax expense	**(197)**	**–**	**76**	**(121)**	(29)	–	76	47
Segment (loss)/ profit for the year	**(8,019)**	**156**	**(969)**	**(8,832)**	(6,998)	(157)	(1,542)	(8,697)
Net capital investment								
Capital – goodwill	**–**	**–**	**–**	**–**	–	–	–	–
– multi-client data library	**59**	**–**	**–**	**59**	3,861	–	–	3,861
– software	**138**	**5**	**151**	**294**	212	–	72	284
– patent costs	**119**	**–**	**5**	**124**	192	–	37	229
– consortium fees	**–**	**–**	**–**	**–**	–	–	–	–
– tangible fixed assets	**82**	**24**	**94**	**200**	3,760	5	127	3,892
	398	**29**	**250**	**677**	8,025	5	236	8,266
Depreciation and amortisation charges	**(1,098)**	**(39)**	**(1,155)**	**(2,292)**	(1,778)	(2)	(582)	(2,362)
	(700)	**(10)**	**(905)**	**(1,615)**	6,247	3	(346)	5,904
Balance sheet								
Segment assets	**8,754**	**3,316**	**13,756**	**25,826**	20,096	3,167	13,110	36,373
Segment liabilities	**(2,181)**	**(342)**	**(1,211)**	**(3,734)**	(2,790)	(131)	(4,300)	(7,221)
Total net assets	**6,573**	**2,974**	**12,545**	**22,092**	17,306	3,036	8,810	29,152

Secondary reporting format – geographical segments

The Group's operations are analysed between Europe, Africa, the Americas and Asia Pacific. The following table provides analysis of the Group's revenue by location of the contracted activity:

	Revenue	
	Total 2009 £'000	Total 2008 £'000
Europe	**4,776**	7,680
Africa	**915**	680
Americas	**2,970**	1,204
Asia Pacific	**566**	1,231
	9,227	10,795

The following table is an analysis of the carrying amount of total assets, and additions to property, plant and equipment and intangible assets, analysed by the location in which the assets are located:

	Total assets		Capital expenditure	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Europe	**6,961**	17,693	**412**	4,310
Africa	**–**	–	**–**	–
Americas	**16,298**	15,976	**243**	383
Asia Pacific	**152**	159	**9**	20
Unallocated – including plant and machinery on vessels	**2,415**	2,545	**13**	3,553
	25,826	36,373	**677**	8,266

5 Group operating loss

	2009 £'000	2008 £'000
The Group operating loss is arrived at after charging/(crediting):		
Net foreign exchange gains	**(369)**	(71)
Research and development expenses	**900**	1,137
Depreciation of tangible fixed assets	**947**	1,339
Amortisation of intangible fixed assets	**1,345**	1,023
Impairment losses of data library (included in total amortisation of intangible fixed assets above)	**670**	–
Operating lease rentals – property	**289**	241
– vessels, plant and equipment	**5,138**	4,106
Cost of inventories recognised as expense	**299**	1,623
Total staff costs (note 6)	**6,078**	6,374
Redundancy costs (included in total staff costs above)	**116**	–
Auditors' remuneration for audit services (see below)	**130**	72

Amounts payable to the auditors and their associates by the parent company and its UK subsidiary undertakings in respect of non-audit services were £32,000 (2008: £53,000).

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	2009 £'000	2008 £'000
Recurring remuneration		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**38**	38
Fees payable to the Company's auditors and their associates for other services to the Group including the audit of the Company's subsidiaries pursuant to legislation	**92**	34
	130	72
Further assurance services		
Tax services	**23**	25
Other services	**9**	28
	32	53

6 Employees

The average number of employees (including executive directors) during the year was as follows:

Group	2009 Number	2008 Number
Management, sales and administration	**31**	31
Scientists	**36**	40
Operations	**28**	49
	95	120

The Group had 69 employees as at 31 August 2009 (2008: 124 employees). The Company had no employees.

	2009 £'000	2008 £'000
Staff costs (including directors) consist of:		
Wages and salaries	**5,060**	5,274
Social security costs	**726**	764
Other pension costs	**77**	77
Share based payments charge (see note 28)	**215**	259
	6,078	6,374

7 Directors' remuneration

	2009 £'000	2008 £'000
Directors' emoluments	**381**	454
Gains on the exercise of share options	**–**	1,107
Company contributions to directors' personal pension schemes	**38**	36
Amounts paid to third parties in respect of directors' services	**7**	16
	426	1,613
Share based payments charge (see note 28)	**47**	71
	473	1,684

The total amount payable to the highest paid director in respect of emoluments was £123,669 (2008: £193,674). Group pension contributions of £19,400 (2008: £18,247) were made to his personal pension plan during the year.

More detail of directors' emoluments can be found in the Remuneration Report which has been presented voluntarily by the directors and is, accordingly, unaudited.

8 Finance income

	2009 £'000	2008 £'000
Interest on bank deposits	**81**	777

9 Finance costs

	2009 £'000	2008 £'000
Other interest payable	**11**	17

10 Income tax expense

	2009 £'000	2008 £'000
UK Corporation tax:		
Corporation tax	**–**	3
Foreign tax:		
Current tax on foreign income for the year	**197**	26
Deferred tax:		
Relating to the origination and reversal of timing differences	**(76)**	(76)
Income tax expense as reported in the Income Statement	**121**	(47)

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2009 £'000	2008 £'000
Loss on ordinary activities before tax	**(8,711)**	(8,744)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008: 29.16%)	**(2,439)**	(2,550)
Tax effect of:		
Expenses not deductible for tax purposes	**(23)**	91
Research & development enhancement	**(41)**	(47)
Share based payments charge	**60**	59
Transfers to unrecognised tax assets	**2,564**	2,440
Foreign tax paid	**–**	(40)
Income tax expense as reported in the Income Statement	**121**	(47)

11 Loss per ordinary share

Loss per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods.

The weighted average number of ordinary shares in issue for 2009 is 43,282,093 (2008: 43,124,180).

Losses after tax are £8,832,000 (2008: loss of £8,744,000).

	2009 Number	2008 £'000
Reconciliation of denominator for diluted EPS calculation		
Number of shares used in calculation of basic EPS	**43,282,093**	43,124,180
Dilutive potential ordinary shares held under Share Option Plan and Share Award and Annual Bonus Plans	**–**	–
Number of shares used in calculation of diluted EPS	**43,282,093**	43,124,180

In both 2009 and 2008, the loss for the periods has resulted in any potential ordinary shares held under Share Option Plans and Share Award and Annual Bonus Plans being anti-dilutive and, in accordance with IAS 33 "Earnings per share", these shares have therefore been excluded from the calculation of diluted EPS. At 31 August 2009 there were 2,797,518 (2008: 2,823,016) ordinary shares held under the Company's Share Option Plans and Share Award and Annual Bonus Plans which could potentially dilute the basic EPS in the future.

12 Loss for the financial year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements. The Group loss for the year includes a profit after tax and before dividends of £2,085,000 (2008: loss of £11,284,000) which is dealt with in the financial statements of the parent company.

13 Goodwill

	£'000
Cost	
At 1 September 2007	10,229
Under accrued acquisition cost	20
Foreign exchange differences	1,165
At 1 September 2008	11,414
Foreign exchange differences	1,222
At 31 August 2009	**12,636**
Accumulated impairment losses	
At 1 September 2008 and 31 August 2009	–
Net book value	
At 31 August 2009	**12,636**
At 31 August 2008	11,414
At 31 August 2007	10,229

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 two CGUs, had been allocated as follows:

	2009 £'000	2008 £'000
Controlled Source Electromagnetic (CSEM) CGU	**1,660**	1,500
Well and Surface Seismic (WSS) CGU	**10,976**	9,914
	12,636	11,414

The recoverable amounts of the CGUs are determined from value in use calculations. Details of the method used and assumptions made are set out in Note 3. There are no impairment losses for goodwill.

14 Intangible assets

Group	Multi-client data library £'000	Software £'000	Patent costs £'000	Consortium fees £'000	Total £'000
Cost					
At 1 September 2007	2,241	2,130	753	152	5,276
Additions	3,861	284	229	–	4,374
Disposals	(1,903)	–	–	–	(1,903)
Foreign exchange differences	85	232	54	17	388
At 31 August 2008	4,284	2,646	1,036	169	8,135
Additions	59	294	124	–	477
Disposals	(53)	–	–	–	(53)
Foreign exchange differences	89	240	69	19	417
At 31 August 2009	**4,379**	**3,180**	**1,229**	**188**	**8,976**
Amortisation					
At 1 September 2007	–	41	7	–	48
Provided for the year	724	236	48	15	1,023
Foreign exchange differences	–	20	–	–	20
At 31 August 2008	724	297	55	15	1,091
Provided for the year	976	289	60	20	1,345
Foreign exchange differences	–	19	13	–	32
At 31 August 2009	**1,700**	**605**	**128**	**35**	**2,468**
Net book value					
At 31 August 2009	**2,679**	**2,575**	**1,101**	**153**	**6,508**
At 31 August 2008	3,560	2,349	981	154	7,044
At 31 August 2007	2,241	2,089	746	152	5,228

The Group's portfolio of multi client data library includes several large projects in the Atlantic margin of the United Kingdom and Norway. The remaining amortisation life of the Group's multi client data library varies from two to five years. Amortisation is charged within cost of sales and administrative expenses so as to write off the cost of intangible assets over their estimated useful lives.

	Cost at acquisition £'000	Remaining economic life £'000
Intangible assets		
Multi-client data library	2,679	2-5 years
Software	2,575	6-8 years
Patent costs	1,101	14-17 years
Consortium fees	153	8 years
	6,508	

15 Tangible fixed assets

Group	Plant and machinery £'000	Computer equipment £'000	Office equipment £'000	Assets in the course of consuction £'000	Total £'000
Cost					
At 1 September 2007	5,425	1,000	160	–	6,585
Additions	1,025	271	50	2,546	3,892
Disposals	(362)	(3)	(4)	–	(369)
Foreign exchange differences	2	139	9	–	150
At 31 August 2008	6,090	1,407	215	2,546	10,258
Additions	21	166	–	13	200
Disposals	(40)	(16)	–	–	(56)
Transfers	1,089	(28)	28	(1,089)	–
Foreign exchange difference	2	127	9	–	138
At 31 August 2009	**7,162**	**1,656**	**252**	**1,470**	**10,540**
Depreciation					
At 1 September 2007	3,588	439	123	–	4,150
Provided for the year	1,021	292	26	–	1,339
Disposals	(359)	(3)	(1)	–	(363)
Foreign exchange difference	2	97	5	–	104
At 1 August 2008	4,252	825	153	–	5,230
Provided for the year	572	351	24	–	947
Disposals	–	(9)	–	–	(9)
Transfers	–	(37)	37	–	–
Foreign exchange difference	–	84	5	–	89
At 31 August 2009	**4,824**	**1,214**	**219**	**–**	**6,257**
Net book value					
At 31 August 2009	**2,338**	**442**	**33**	**1,470**	**4,283**
At 31 August 2008	1,838	582	62	2,546	5,029
At 31 August 2007	1,837	561	37	–	2,435

16 Subsidiaries

Company	Group undertakings £'000
Cost and net book value	
At 1 September 2007	6,628
Capitialisation of share based payments	259
Underaccrued acquisition costs	20
Acquisition of subsidiary	80
At 31 August 2008	6,987
Capitalisation of share based payments	215
At 31 August 2009	**7,202**

The Company's investments represents a holding of 100% of the ordinary share capital of the following principal subsidiaries:

Name	Nature of business	Country of registration/incorporation
OHM Limited	Provision of CSEM services to the oil exploration and production industry	England & Wales
OHM US Group Inc	North American holding company for Rock Solid Images	USA
Rock Solid Images Inc.	Provision of data technologies for rock properties to the oil exploration and production industry	USA
OHM Surveys Sdn Bhd	Provision of CSEM services to the oil exploration and production industry	Malaysia

17 Inventories

	Group 2009 £'000	Group 2008 £'000
Fuel, at cost	**23**	23
Stock of spares & consumables	**584**	722
	607	745

18 Trade and other receivables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Trade receivables	**173**	3,304	**–**	–
Less: provision for impairment of trade receivables	**–**	(37)	**–**	–
	173	3,267	**–**	–
Amounts owed by group undertakings	**–**	–	**27,355**	25,207
Other receivables	**61**	77	**3**	–
Prepayments and accrued income	**515**	575	**6**	–
	749	3,919	**27,364**	25,207
Classification of financial assets:				
Trade receivables	**173**	3,267	**–**	–
Other receivables	**61**	77	**3**	–
Cash and cash equivalents	**1,043**	8,222	**136**	38
Amounts owed by group undertakings	**–**	–	**27,355**	25,207
Total financial assets classified as loans and receivables at amortised cost	**1,277**	11,566	**27,494**	25,245

The directors consider that the carrying amount of financial assets approximates to their fair value. Following a review for impairment the Company has provided £nil (2008: £15,000,000) against the amounts owed by group undertakings.

All amounts shown under Group receivables fall due for payment within one year. The Company's receivables includes loans to subsidiary undertakings and fall due for payment outwith one year.

Financial assets:
The Group's financial assets comprise cash at bank. There are no fixed rate financial assets for 2009. Fixed rate financial assets for 2008 are Pounds Sterling and US Dollar deposits held in a fixed term money market account with notice periods varying from 30 days to 90 days.

Movements on the Group provision for impairment of trade receivables are as follows:

	Group 2009 £'000	Group 2008 £'000
At the beginning of the year	**(37)**	–
Repaid during the year	**16**	–
Written off during the year	**21**	–
Provided during the year	**–**	(37)
At the end of the year	**–**	(37)

18 Trade and other receivables – continued

At 31 August 2009 trade receivables of £49,000 (2008: £805,000) were past due but not impaired. They relate to clients with no default history. The ageing analysis of trade receivables is as follows:

	Group 2009 £'000	Group 2008 £'000
Not yet due	**124**	2,462
Overdue by less than one month	**49**	778
Overdue by between one to two months	**–**	17
Overdue by between two to three months	**–**	10
	173	3,267

19 Cash and other receivables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Cash at bank and on hand	**1,043**	3,367	**136**	38
Short-term bank deposits	**–**	4,855	**–**	–
Cash and cash equivalents	**1,043**	8,222	**136**	38
Bank overdraft repayable on demand	**–**	–	**–**	–
	1,043	8,222	**136**	38

Short-term bank deposits in 2008 had a maturity of 3 months or less.

As the financial assets disclosed above are cash, the fair value is the same as the book value.

All bank deposits are fully liquid with the exception of restricted cash amounting to MYR 85,000 (£15,000) (2008: $66,000 (£37,000)) which is held as security by one bank (2008: two banks) in interest bearing accounts to secure bank guarantees issued by these banks on the Group's behalf to two of its customers. The guarantees are in respect of one project which was ongoing at the year end (2008: two projects).

20 Trade and other payables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Trade payables	**431**	2,466	**9**	–
Accruals and deferred income	**2,510**	3,879	**159**	–
	2,941	6,345	**168**	–
Financial liabilities:				
Trade payables	**431**	2,466	**9**	–
Accruals	**2,510**	3,229	**159**	–
Obligations under finance leases	**9**	42	**–**	–
Amounts shown within current liabilities	**2,950**	5,737	**168**	–
Obligations under finance leases	**–**	8	**–**	–
Total financial liabilities measured at amortised cost	**2,950**	5,745	168	–

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 34 days (2007: 33 days).

The directors consider that the carrying amount of financial liabilities at amortised cost approximates to their fair value.

20 Trade and other payables – continued

The following table sets out the amount, by maturity, of the Group's financial liabilities at 31 August 2009:

	Less than three months £'000	Three to twelve months £'000	Over twelve months £'000	Total £'000
Trade payables	**431**	**–**	**–**	**431**
Accruals	**2,510**	**–**	**–**	**2,510**
Obligations under finance leases	**9**	**–**	**–**	**9**
	2,950	**–**	**–**	**2,950**

The following table sets out the amount, by maturity, of the Group's financial liabilities at 31 August 2008:

	Less than three months £'000	Three to twelve months £'000	Over twelve months £'000	Total £'000
Trade payables	2,466	–	–	2,466
Accruals	3,229	–	–	3,229
Obligations under finance leases	14	28	8	50
	5,709	28	8	5,745

21 Financial instruments

The Group had a number of no material financial instruments during both this and the prior year and it is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group's financial instruments include the following:
– trade and other receivables
– trade and other payables
– cash and cash equivalents
– accruals
– line of credit

The Company's financial instruments include the following:
– trade and other receivables
– trade and other payables
– cash and cash equivalents
– accruals
– line of credit
– intragroup balances

The Group is exposed through its operations to the following financial risks:
– credit risk
– foreign currency risk
– cash flow interest rate risk
– liquidity risk

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk primarily relates to its trade receivables and its bank deposits which at 31 August 2009 totalled £1,216,000 (2008: £11,489,000). These figures represent the maximum exposures to credit risk.

The Group performs ongoing credit evaluations of its clients, and generally does not require collateral from its clients. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with at least single A credit ratings assigned by international credit rating agencies. 100% of the cash held on deposit at 31 August 2009 (2008: 100%) was held with such institutions. The Group's major clients are typically large international oil companies which have strong credit ratings assigned by international credit agencies. From time to time the Group has concentrations of credit risk due to the size of the projects undertaken, however at the balance sheet date there were no material concentrations of credit risk (2008: none).

Foreign currency risk
The Group is exposed to foreign exchange risk arising from various currencies, primarily US Dollars, Pounds Sterling and to a lesser extent Norwegian Kroner. The Group also has overseas subsidiaries which operate in North America, Europe and Asia and whose revenues and expenses are denominated predominantly in US Dollars. In order to protect the Group's US Dollar balance sheet from movements in exchange rates, the Group finances its net investment in non pounds Sterling overseas subsidiaries primarily (but not exclusively) by means of borrowings denominated in their functional currency. The Group is therefore exposed to exchange movements in reserves on the retranslation of these companies at the closing rate.

21 Financial instruments – continued

If the average Sterling/US Dollar rate had been 25% higher during 2009, the impact on profitability and equity would have been to reduce the Group's post tax losses by approximately £448,000 (2008: £90,000). If the average Sterling/US Dollar rate had been 25% lower during 2009, the impact on profitability and equity would have been to increase the Group's post tax losses by approximately £746,000 (2008: £160,000).

If the average Sterling/Norwegian Kroner rate had been 10% higher during 2009, the impact on profitability and equity would have been to reduce the Group's post tax losses by approximately £136,000 (2008: £100,000). If the average Sterling/Norwegian Kroner rate had been 10% lower during 2009, the impact on profitability and equity would have been to increase the Group's post tax losses by approximately £166,000 (2008: £120,000).

If the closing Sterling/US Dollar rate had been 25% higher at 31 August 2009, the impact on equity would have been to reduce shareholders' equity by approximately £3.2 million (2008: £2.6 million). If the closing Sterling/US Dollar rate had been 25% lower at 31 August 2009, the impact on equity would have been to increase shareholders' equity by approximately £5.4 million (2008: £4.4 million). A 10% change in the Sterling/Norwegian Kroner rate at 31 August 2009 or at 31 August 2008 would not have had a significant impact on equity.

Some of the sales of the Group's businesses are to clients in foreign locations. These sales are priced in local currency but invoiced in the currencies of the clients involved. Where possible, the Group's policy is to eliminate all significant currency exposures on sales at the time of sale through forward currency contracts.

Currency exposure

As at 31 August 2009 and 2008, the Group had net foreign currency monetary assets denominated in currency other than the functional currency of the Group as noted below.

	Total £'000	**Floating rate finanical assets £'000**	**Fixed rate financial assets £'000**
Currency exposure of cash and cash equivalents as at 31 August 2009:			
Sterling	**176**	**176**	**–**
Norwegian Kroner	**51**	**51**	**–**
Malaysia Ringgit	**38**	**38**	**–**
US Dollars	**778**	**778**	**–**
	1,043	**1,043**	**–**

	Total £'000	Floating rate finanical assets £'000	Fixed rate financial assets £'000
Currency exposure of cash and cash equivalents as at 31 August 2008:			
Sterling	6,554	2,054	4,500
Norwegian Kroner	328	328	–
Malaysia Ringgit	40	40	–
US Dollars	1,300	945	355
	8,222	3,367	4,855

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and Company earn interest from bank deposits at floating rates and are therefore exposed to fluctuating interest rates.

At 31 August 2009, it is estimated that a general decrease of two percentage points in interest rates would increase the Group's post tax losses and reduce its equity by approximately £33,000 (2008: £265,000) and a general increase of two percentage points in interest rates would decrease the Group's post tax losses and increase its equity by approximately £33,000 (2008: £265,000).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group prepares information on a weekly basis (such as rolling weekly cash forecasts for the following six months) which is reviewed by directors and senior management to ensure that appropriate action can be taken in advance of any forecast cash shortfalls. The Group's approach is to ensure that, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without risking damage to the Group's reputation.

At 31 August 2009 the Group has available a $nil (2008: $3,000,000) line of credit facility from an investor which expired on 31 August 2009. All amounts drawn down on this facility during 2009 were repaid in full during the year (2008: £nil). This line of credit was guaranteed by the Company and is secured against all the assets of one of the Group's subsidiary undertakings. The interest rate is the US prime rate and there are no financial covenants.

21 Financial instruments – continued

Financial liabilities

The Group's financial liabilities include short term creditors and non-current finance lease obligations, for which the fair value is the same as the book value.

Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to provide an adequate return by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk.The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, during 2009 the Group has repaid external borrowing and at the year end its only borrowing relates to capital finance leases used for the purchase of computer equipment.

The Group regards capital as comprising all components of equity (i.e. share capital, share premium, merger reserve, share based payments reserve, retained earnings and the cumulative translation reserve).

22 Borrowings

	2009 £'000	**2009 %**	2008 £'000	2008 %
Group and Company				
Analysis of borrowings by currency and average interest rates paid:				
US Dollars	**–**	**–**	–	–

The amount drawn under the line of credit was repaid during year 2009 (2008: £nil). The line of credit expired on 31 August 2009.

23 Deferred tax

	Group 2009 £'000	Group 2008 £'000	**Company 2009 £'000**	Company 2008 £'000
Deferred tax liability				
Capital allowances in advance of depreciation	**(638)**	(645)	**–**	–
Relating to fair value adjustments on business combination in 2007	**(736)**	(724)	**–**	–
Trading losses	**638**	645	**–**	–
	(736)	(724)	**–**	–
Movements on the deferred tax provision were as follows:				
At the beginning of the year	**(724)**	(717)	**–**	–
Released to the Income Statement	**76**	76	**–**	–
Foreign exchange differences	**(88)**	(83)	**–**	–
At the end of the year	**(736)**	(724)	**–**	–
Unrecognised deferred tax asset				
Carry forward losses (gross)	**24,715**	17,835	**–**	–
Unrecognised deferred tax asset	**7,271**	5,097	**–**	–

At 31 August 2009, the Group had corporation tax losses carried forward subject to agreement with tax authorities in the United Kingdom, the United States, Norway and Malaysia amounting to £24,715,000 (2008: £17,835,000).

The unrecognised deferred tax asset has been calculated using prospective income tax rates in the United Kingdom, the United States, Norway and Malaysia. In line with the Group's accounting policy on deferred taxation, the potential deferred tax asset has not been recognised in these financial statements as the full utilisation of these losses in the forseeable future is uncertain.

Temporary differences associated with investments made by the Group

At 31 August 2009 (2008: £nil) there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain Group's subsidiaries, as the directors have determined that undistributed profits of subsidiaries will not be distributed in the forseeable future.

24 Finance leases

	Minimum lease payments 2009 £'000	Future finance charges 2009 £'000	Present value of lease payments 2009 £'000	Minimum lease payments 2008 £'000	Future finance charges 2008 £'000	Present value of lease payments 2008 £'000
Finance leases which expire:						
Within one year	**14**	**(5)**	**9**	20	(1)	19
In the second to fifth years inclusive	**–**	**–**	**–**	38	(7)	31
	14	**(5)**	**9**	58	(8)	50
Included in current liabilities			**9**			42
Included in non-current liabilities			**–**			8
			9			50

The typical terms of leases are 36 months with $1 buyout at the end of the term. The borrowing rates vary.

The obligations under finance leases are secured by the lessors' rights over the leased assets.

25 Operating lease arrangements

	2009 £'000	2008 £'000
Minimum lease payments under operating leases recognised as an expense in the period	**5,427**	4,347

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:

	2009 £'000	2008 £'000
Within one year	**7,418**	9,642
In the second to fifth years inclusive	**25,300**	32,878
	32,718	42,520

Operating lease payments represent rentals payable by the Group for certain of its office properties, office equipment and charter costs payable on two vessels used by the Group for acquiring CSEM survey data. At the balance sheet date the remaining lease term on the OHM Express vessel charter was 2 years and 9 months and for the OHM Leader it was 3 years and 9 months.

The operating lease commitments relating to the charters of vessels have reduced significantly since the year end as explained in note 30 and in the Directors' Report.

26 Share capital

	At 31 August 2009 £'000	At 31 August 2008 £'000
Authorised		
60,000,000 (31 August 2008: 50,000,000) ordinary shares of one pence each	**600**	500
Allotted, called up and fully paid		
43,369,382 (31 August 2008: 43,175,100) ordinary shares of one pence each	**434**	432

	Ordinary shares of 1p each Number	£'000
In issue at 1 September 2008	43,175,110	432
Issued on 17 February 2009	194,272	2
In issue at 31 August 2009	**43,369,382**	**434**

Share Option Plan
At 31 August 2009 the following share options were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of option	Exercise price per share
2 September 2002	137,180	September 2002 – September 2012	7.10p
1 December 2003	141,031	December 2003 – December 2013	29.81p
1 December 2003	109,744	December 2003 – December 2013	29.81p
1 March 2004	940,008	March 2004 – March 2014	170.00p
	1,327,963		

Share Award and Annual Bonus Plans
At 31 August 2008 the following share awards were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of option	Exercise price per share
1 February 2006	124,149	February 2009 – February 2016	1.00p
1 December 2006	208,150	December 2009 – December 2016	1.00p
1 October 2007	601,967	December 2010 – Octobber 2017	1.00p
1 September 2008	535,289	December 2011 – October 2018	1.00p
	1,469,555		

Overall 2,797,518 share options and share awards were outstanding at 31 August 2009.

27 Capital commitments

Group capital commitments approved and committed as at 31 August 2009 were £64,000 (2008: £229,000).

The Company had no capital commitments as at 31 August 2009 (2008: £nil).

28 Share-based payments

Details of each of the employee share plans in place are given below and, where applicable, in the Directors' Remuneration Report.

Share Option Plans

The Group has entered into share option agreements with its executive directors and certain key employees through the Group's Share Option Plans which are equity settled. Most of these agreements were entered into before the Company's Initial Public Offering on 11 March 2004. No grants under these plans have been made since June 2005. These plans consist of an approved Management Incentive Scheme and an unapproved Share Option Scheme. Share options are granted at the middle market price of the Company's shares on the date of grant, or in respect of options granted before the Company's shares were publically traded, at the directors' best estimate of fair value at the date of grant. The number of share options that vest will be determined by the achievement of performance targets set by the Remuneration Committee and the vesting period varies between one and three years.

The performance targets to be achieved are a mixture of individual performance goals and market based targets which compare the total shareholder return of the Company's shares with the London FTSE Aim index and the Philadelphia oil services index. If the share options remain unexercised after a period of 10 years from the date of grant, they will expire. Share options are normally forfeited if the employee leaves the Group before the share options vest. The price that the employee must pay the Company when exercising each share option varies.

Share Award and Annual Bonus Plans

The Group has entered into share award agreements with its executive directors, certain key employees and all permanent employees through the Group's Share Award and Annual Bonus Plans which are equity settled. The number of share awards to be granted is calculated by taking an agreed percentage of the employee's salary and dividing this by the average closing price of the Company's shares in the five business days immediately before the date of grant. The number of share awards that vest will be determined by the achievement of performance targets set by the Remuneration Committee and the vesting period varies between one and three years.

The performance targets to be achieved for these plans are a mixture of Company related financial performance targets and market based targets and compare the total shareholder return of the Company's shares with the London FTSE Aim index and the Philadelphia oil service index. If the share awards remain unexercised after a period of 10 years from the date of grant, they will expire. Share awards are normally forfeited if the employee leaves the Group before the share awards vest. The employee must pay the Company an amount of one pence when exercising each share award.

Details of share options and share awards outstanding during the year were as follows:

	Number 2009	**Weighted average exercise price (in pence)**	Number 2008	Weighted average exercise price (in pence)
At 1 September	**2,823,016**	**60.13**	2,752,233	62.07
Granted	**768,258**	**1.00**	675,139	1.00
Forfeited	**(599,484)**	**1.00**	(147,089)	1.00
Expired	**–**	**–**	–	–
Exercised	**(194,272)**	**1.00**	(457,267)	7.10
At 31 August	**2,797,518**	**60.67**	2,823,016	60.13
Exercisable at 31 August	**1,452,114**		1,327,963	

Of the share options and awards outstanding at 31 August 2009 and 31 August 2008 the exercise prices are as follows:

Share Award Plan	1,469,555	1.00 p	1,495,053	1.00 p
Share Option Plan	137,180	7.10 p	137,180	7.10 p
Share Option Plan	250,775	29.81 p	250,775	29.81 p
Share Option Plan	940,008	170.00 p	940,008	170.00 p
	2,797,518		2,823,016	

28 Share-based payments – continued

On 12 February 2009 194,272 shares were issued at a price of one pence for share awards exercised by fifteen employees. The closing mid market share price on 18 February 2009, which was the date when these new shares were admitted by the London Stock Exchange was 5.00 pence. On 17 September 2007 457,267 share options were exercised by Mr. David Pratt at a price of 7.10 pence. The closing mid market share price at that date was 249.12 pence.

The weighted average exercise price of the share options outstanding under the Share Option Plans at 31 August 2009: was 126.70 pence (2008: 126.70 pence) and under the Share Award and Annual Bonus Plans it was one pence (2008: one pence).

In total, the share options and awards outstanding at 31 August 2009 had a weighted average exercise price of 60.67 pence (2008: 60.13 pence), and a weighted average remaining contractual life of 6.38 years (2008: 6.98 years). In 2009 share awards were granted on 1 September 2008 and the aggregate of the estimated fair values of the share awards granted on this date is £187,000. In 2008 share awards were granted on 1 October 2007 and the aggregated of the estimated fair values of the share awards granted on that date is £243,000. The weighted average fair value of the share awards granted during the year was 34.99 pence (2008: 178.84 pence).

Included in staff costs (note 6), is an expense arising from share based payment transactions of £215,000 (2008: £259,000) all of which relate to the fair value of equity settled share based payments. Of this total £nil (2008: £nil) relates to the Share Option Plans and £215,000 (2008: £259,000) relates to the Share Award and Annual Bonus Plans. The fair value of these equity settled share based payments has been obtained by using two option pricing models.

The Monte Carlo simulation model was used to obtain the fair value of share options and awards which have market related performance conditions. This simulation model was last used for the share awards granted on 1 October 2007 as no share awards with market related performance criteria were made during the year ended 31 August 2009. The Cox, Ross & Rubinstein binomial model was used to obtain the fair value of the share options and awards granted during the year ended 31 August 2009 which did not have market related performance criteria.

The main input assumptions into the various models are as follows:

	Used for 2008 Monte Carlo model	Used for 2009 Cox, Ross & Rubinstein binominal model
Expected volatility	66%	77%
Expected life	10 years	10 years
Risk free rate	5.75%	4.37%
Dividend yield	Nil %	Nil %
Share price	250.07p	35.85p

Expected volatility was determined by calculating the historical volatility of the Company's share price over the three years prior to grant. For each new grant, the historical volatility is considered for a period in line with the expected life of the share awards and options granted. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

29 Related party disclosures

Related party transactions with subsidiaries

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The balances at the year end are as follows:

	Amounts owing from related party		Amounts owing to related party	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
OHM Limited	**15,254**	14,880	**20**	–
OHM US Group Inc.	**12,098**	10,324	**–**	–
OHM Surveys Sdn Bhd	**3**	3	**–**	–
	27,355	25,207	**20**	–

The balances outstanding are unsecured and mainly repayable after more than five years.

During the year the Company provided finance to certain of its subsidiaries in return for interest at commercial rates. Interest income earned during the year on loans advanced to subsidiaries totalled £1,359,000 (2008: £2,543,000).

29 Related party disclosures – continued

Other related party transactions

During the year the Group had transactions with various operating subsidiaries of its strategic partner Compagnie Generale de Geophysique – Veritas S.A. These transactions were in the normal course of business and comprised charges of £73,000 (2008: £97,000) and receipts of £176,000 (2008: £nil). At the year end there was a balance of £9,000 (2008: £139,000) due to the Group and a balance of £9,000 (2008: £4,000) payable by the Group.

Remuneration of key management personnel:

Key management personnel comprise the executive directors and certain additional senior management.

There are no transactions with directors other that their remuneration as detailed in note 7 and in the Directors' Remuneration Report. The remuneration of senior management personnel is shown separately below:

	2009 £'000	2008 £'000
Emoluments	**680**	356
Pension contributions	**13**	21
Share-based payments	**12**	3
	705	380

30 Post balance sheet events

At the General Meeting held on 9 September 2009 the members of the Company approved a number of resolutions which restructured the Group's two vessel charter agreements with the vessels' owner by exchanging most of its future fixed cost charter liabilities for 14,030,171 new ordinary shares. The Group's two vessels had both been chartered for five years under charter agreements which included fixed daily charter fees.

On 9 September 2009 the Company also raised additional cash of approximately £2.6 million (before expenses of £100,000) through the placing of 12,023,572 new ordinary shares with three substantial shareholders. The resulting impact on the Company's share capital is summarised in the Directors' Report.

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

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