



## PRESS RELEASE

4<sup>th</sup> February 2011

### **Offshore Hydrocarbon Mapping plc ("OHM" or "the Company") Preliminary Results for the year ended 31 August 2010**

Offshore Hydrocarbon Mapping plc (AIM: OHM) presents its Preliminary Results for the 12 months ended 31 August 2010.

- Disposal of loss making marine CSEM survey business completed after period end
- Remaining business focused on geophysical data processing and interpretation
- Proposal to change name to Rock Solid Images plc

After fighting for its very existence in 2010, the Company is now moving forward again and looking to grow its CSEM, seismic and well data interpretation services.

After an optimistic start the financial year to 31 August 2010 turned out to be our toughest on record as shown by a pre tax loss of £17.3 million including impairment charges totalling £6.7 million. This was caused principally by a shortage of new marine CSEM survey contracts leading to underutilised charter vessels with attendant fixed costs. The Company's Board were also increasingly focused on ensuring that the Company survived through this very difficult period which meant that other areas of the business suffered too.

In a transaction which completed on 2 November 2010, the marine CSEM acquisition business was divested to new owners. In turn this, together with a £2.0 million share placing and £1.9 million prepayment for CSEM processing and interpretation services, has allowed the Board to focus on re-building and growing the remaining data processing and interpretation business which now sits in the Company's wholly owned subsidiary, Rock Solid Images Inc.

As a result of the disposal, your Company is now a pioneer of data integration, the first of a new breed of companies that recognises that the value of existing seismic data can be significantly increased via the careful integration of additional data sets such as well logs, CSEM and MT data. Our specialists, largely based in Houston, are able to take some or all of these separate types of data, work with them and then produce new insights into geologic structure and reservoir properties that are of value and relevant to our clients' needs.

Peter Reilly, Offshore Hydrocarbon Mapping's Non Executive Chairman, said:

"A new and exciting chapter has opened for your Company and the challenge now lies in growing revenues, providing excellent levels of service to clients, continued investment in R&D focused on integration of data types, and very importantly, achieving profitability as rapidly as possible."

**Offshore Hydrocarbon Mapping plc**  
Richard Cooper – Chief Executive Officer  
Bob Auckland - Finance Director  
Peter Reilly – Non Exec Chairman

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## Chairman's statement

After fighting for its very existence in 2010, your Company is now moving forward again and looking to grow its CSEM, seismic and well data interpretation services.

After an optimistic start, the financial year to 31 August 2010 turned out to be our toughest on record as shown by a pre tax loss of £17.3 million including impairment charges totalling £6.7 million. This was caused principally by a shortage of new marine CSEM survey contracts leading to underutilised charter vessels with attendant fixed costs. Your Company's Board were also increasingly focused on ensuring that the Company survived through this very difficult period which meant that other areas of the business suffered too. The financials for the year under review are discussed further in the Chief Executive Officer's Report.

The year to 31 August 2011 is fortunately looking more hopeful than the previous year. This improvement in outlook can be attributed directly to the transaction completed on 2 November 2010, which saw the marine CSEM acquisition business divested to new owners who not only really understand the shipping business, but also see the inherent value in CSEM surveying and are prepared to provide the significant capital that the business requires. In turn this, together with a £2.0 million share placing and £1.9 million prepayment for CSEM processing and interpretation services, has allowed your Company's Board to focus on re-building and growing the remaining data processing and interpretation business which now sits in the Company's wholly owned subsidiary, Rock Solid Images Inc.

The disposal of the marine CSEM survey business should not be taken as a departure from CSEM as a valuable geophysical technique; rather it is a sensible division of skill sets and capital allocation. Our in-house interpretation and Research and Development skills need continued investment to maintain and further develop our industry leadership; however the heavy financial burden and management attention focussed on the marine survey business meant that investment in R&D and the sales team was not happening. It is now.

As a result of the disposal, your Company is now a specialist interpreter and integrator of geophysical data, specifically seismic, well, CSEM and magnetotelluric data. Our specialists, largely based in Houston, are able to take some or all of these separate types of data, work with them and then produce new insights into geologic structure and reservoir properties that are of value and relevant to our clients' needs.

The added value of this integration is most easily explained by the example of a client's appraisal of an undeveloped oil field in the North Sea. Following a surprise "dry" appraisal well located using conventional seismic interpretation, your Company was asked to integrate well, seismic and CSEM data to identify where the reservoir actually lay. Using the information provided from the interpretation, the client subsequently drilled a well and sidetrack in line with our suggestions of location. The wells were successful.

CSEM has a very valuable role to play in the offshore oil and gas industry, and having CSEM interpretation and data integration capabilities places your Company in a strong position to win business from Exploration and Production companies and National Oil Companies across the globe. In fact, we also see both OHM Ltd and other CSEM survey acquisition companies as potentially very important clients for our CSEM processing and interpretation services.

Aside from CSEM interpretation skills, the Company's remaining trading subsidiary, Rock Solid Images Inc. has a strong industry reputation for making sense of seismic and well data both onshore and offshore, and this line of business is also expected to increase now that the additional finance has been secured and the Board's attention is once again focused on growth. The benefit of an increased sales force will take time to feed through to the revenue line; however the Board sees the potential to substantially increase our market share in all our lines of business over the coming years.

Since my appointment in November, I have visited the Company's offices in Aberdeen and Houston to meet the staff and am pleased to report that our CEO, Richard Cooper, has fostered a team approach that has shown resilience in recent times and will stand us in good stead for the future.

I have also met our three largest shareholders, East Hill Management, Sector Asset Management and Seatrans, who between them have provided significant financial backing through some very difficult times for which we are very grateful. Sector Asset Management and Seatrans together have a 61% shareholding in the Company and are considered by the Takeover Panel to be a "Concert Party". Shareholders should be aware that although it has been very supportive to the Company, the Concert Party's majority stake in the voting rights of the Company means that it is able, if it so wishes, to propose and exert significant influence over resolutions proposed at future general meetings of the Company including, if it so wishes, resolutions to de-list the Company.

On behalf of the Board, I would like to thank the staff and management team for their sterling efforts during a difficult year and also to my predecessor Dave Pratt, who as CEO led the Company from its formation in 2002 and subsequently as Chairman. Following the disposal of CGGVeritas' significant shareholding in the Company, Thierry Le Roux stepped down from the Board as a non-executive director and we thank him also for his wise counsel.

A resolution will be put to shareholders at the Annual General Meeting to change the name of the Company to Rock Solid Images plc to align it with that of our wholly owned trading subsidiary Rock Solid Images, Inc., which is a long established industry name with a strong reputation in well and seismic data processing and interpretation.

A new and exciting chapter has opened for your Company and the challenge now lies in growing revenues, providing excellent levels of service to clients, continued investment in R&D focused on integration of data types, and very importantly, achieving profitability as rapidly as possible. I believe that, with the continued support of our shareholders and our clients, your Company has the management, staff and the technological capability to achieve these aims.

In note 2 to the accounts, the directors explain the reasons why it continues to be appropriate to prepare the financial statements on a going concern basis.

**Peter Reilly**  
Chairman

## CEO Report

### Introduction

2010 has been a watershed year for your Company. We began the year with some level of optimism: we had recently successfully completed the conversion of our fixed cost vessel charters to equity in September of 2009, which substantially lowered our monthly costs and allowed greater flexibility in bidding for new work. In addition, we raised £2.6 million of new capital from a private placement with our vessel supplier, Seatrans. Thus we entered September 2009 with a growing backlog of marine CSEM surveys which we believed would provide support for our business and allow us to direct our capital towards accelerating much needed investments in processing and interpretation technology.

Unfortunately geopolitical unrest in Asia caused two out of our three early survey opportunities to be cancelled. Though we completed the first survey successfully in West Africa, and went on to acquire further surveys in India and Australia in the second half of the year, the loss of these two projects early in our financial year proved a near fatal blow for the Company.

It became obvious by October 2009 that further funds would need to be raised to allow the Company to continue to trade through the revenue gap left by the loss of the two CSEM surveys in Asia. We entered into a loan agreement with our two largest shareholders in December 2009 who together provided a further \$2 million of working capital. Subsequently, in April 2010, we closed an additional private placement of funds with Sector Asset Management who subscribed for approximately £3.4 million of new shares.

Notwithstanding these investments, the Company still struggled with the high capital costs associated with operating a marine acquisition business in remote areas. Though the CSEM market has improved somewhat, the business environment remains competitive leading to aggressive bidding and the award of jobs with limited or no margin. Operational overruns with several of the later surveys resulted in further erosion of our cash position. Clearly a change in strategy was required.

### Business review

The use of marine electromagnetic methods for hydrocarbon exploration and exploitation remains a relatively new technology. The upstream oil and gas industry is notoriously conservative and slow to adopt new methods compared to other hi-tech industries such as biotech or telecommunications. In consideration of this, during the course of calendar year 2009 and into 2010, management undertook a thorough review of CSEM technology and its current use in the oil and gas industry in order to determine how to accelerate market adoption and best position the Company for growth.

In order to acquire and deliver a valuable CSEM dataset to our customers, we must execute three key steps:

1. Survey design
2. Data acquisition
3. Data processing, interpretation and integration

In our view, the industry has disproportionately invested in data acquisition technology and under-invested in the key areas of survey design and processing and interpretation. The CSEM acquisition business has grown rapidly, in a fashion analogous to development of the marine seismic business. However, the CSEM business is quite different from seismic in a number of important ways, including:

- Survey design is very important for CSEM; improper placing of receivers and/or use of inappropriate source parameters, for example may result in a survey with little or no target sensitivity and therefore little or no value to our clients.
- The CSEM industry is relatively immature compared to the seismic industry, particularly with respect to the development of commercial grade processing and interpretation software and the associated growth of independent consultants with the technology and experience required to deliver high value data sets. The raw data from the CSEM vessel itself is of little value without the attendant ability to process and interpret these data. Few oil and gas companies have the expertise to undertake this processing and interpretation themselves, and the major CSEM contractors have been investing disproportionately in acquisition capabilities.

It became obvious that OHM was very much following this path; investment funds were being used to support the acquisition business, to the detriment of the development of our processing and interpretation capabilities. However, unless we were able to strengthen our processing and interpretation technology, we were in danger of fettering our ability to deliver robust and reliable high-value data sets to our clients.

The management decided therefore to seek to divest the loss making CSEM acquisition business, which would then be free to raise capital independently of the Company and develop a strategy for growth within the commodity CSEM marine acquisition business. Our Company retained the high value CSEM processing and integration technology and personnel, which are a

perfect match for the seismic and well processing and interpretation capabilities of our wholly owned Rock Solid Images subsidiary.

We began working on this project in June of 2010 and successfully concluded the resulting transaction ("Project Alloy") on 2 November 2010, after the close of our 2010 financial year. Hence the Group results for the year ended 31 August 2010 (and the first two months of the 2011 financial year), represent a full period of operating both the acquisition and processing businesses. While the full consequences of the divestment and subsequent re-focus on processing and interpretation did not crystallise until November 2010, an impairment provision has been made in the reported numbers.

### **A new OHM is formed**

So we begin our new financial year with renewed optimism. Project Alloy has resulted in the conversion of our Company into a pioneer of data integration, the first of a new breed of companies that recognises that the value of existing seismic data can be significantly increased via the careful integration of additional data sets such as well logs, CSEM and MT data. No longer distracted by the need to continuously support the CSEM marine acquisition business, we can focus all our resources on the development and delivery of high value data and technology. The resulting business going forward will focus on value creation for our shareholders through the development of industry leading tools and workflows for the integration of any combination of seismic, well, CSEM and MT data.

We are passionate believers in the power of integration. Seismic will always be the tool of choice for exploration and exploitation, but the careful addition of non-seismic data can add value to existing or new seismic and can still further reduce interpretation risk.

Our core technologies include:

- Pre and post-stack seismic inversion
- Seismic attribute calculation and calibration
- Seismic facies modelling
- Well-driven rock-physics analysis and modelling
- CSEM and MT processing, interpretation and modelling
- WISE integrated seismic and EM projects
- CSEM and MT survey planning and modelling

We routinely employ our tools and expertise to solve our customer problems over a broad range of areas including:

- Transform margin plays
- Carbonate reservoirs
- Non-conventional reservoirs
- Appraisal and monitoring studies
- Fractured reservoirs

### **Intellectual property**

Following the restructuring of the Company completed in November 2010, OHM's patent portfolio consists of 68 granted or pending applications in 14 jurisdictions. OHM's intellectual property strategy is to seek patent protection for key aspects of seismic, CSEM and well log interpretation and integration technology that support the Company's on-going development of these technologies.

### **Financial review**

Group revenues increased from £9.2 million in 2009 to £9.9 million in the year to 31 August 2010. This 8% increase, although encouraging, came about from mixed performances in the Group's underlying businesses.

CSEM marine acquisition revenues rose from £4.5 million in 2009 to £6.5 million in the year to 31 August 2010. This represented an increase in our share of this market which is estimated to be around £60 to £70 million in total for 2010. However these additional revenues were achieved at poor operating margins and absorbed too high a proportion of the Group's cash resources during the year.

WISE revenues were held back to £0.6 million in the year to 31 August 2010 compared to £0.9 million in 2009. This was a disappointing outcome caused largely by a reduction in the number of integrated projects associated with a lack of investment in sales and marketing activities in this area.

Revenues from our Well and Surface Seismic ("WSS") division declined from £3.8 million in 2009 to £2.8 million in the year to 31 August 2010. This was also a disappointing performance and was due similarly to under investment in our sales force. This represents a small fraction of the total annual market estimated to be upwards of approximately £125 million.

Cost of sales rose from £12.2 million in 2009 to £13.1 million in the year to 31 August 2010. The resulting gross loss from operations in 2010 was £3.1 million compared to a gross loss of £3.0 million in 2009.

Following changes made to the Group's cost base in 2009, overheads have continued to fall from £7.2 million in 2008, to £5.8 million in 2009 down to £5.2 million in the year to 31 August 2010. However, overheads began to rise again towards the end of 2010 as the Group increased its sales force.

On 9 September 2009 the Company issued 14,030,171 new ordinary shares to Euro Trans Skips AS in exchange for removing most of the future year's charter liabilities. In accordance with International Accounting Standards the Group has accounted for a charge which is equivalent to the fair value of the 14,030,171 ordinary shares. The fair value charge of £2,140,000 was based on the closing bid price of 15.25p on the date that the transaction was completed which was when those shares were admitted to trading on AIM (14 September 2009).

The Group has also accounted for two sets of impairment provisions. The first provisions totalling £4.5 million are attributable to the disposal of OHM Limited and OHM Surveys Sdn Bhd which were sold on 2 November 2010. The second relate to impairment provisions of £2.2 million against the goodwill carried on the balance sheet for the acquisition of Rock Solid Images, Inc. in 2007. These impairment provisions totalled £6.7 million and have been recognised in the Consolidated Group Statement of Comprehensive Income in arriving at the Group operating loss of £17.2 million for the year to 31 August 2010. The Group reported an operating loss of £8.8 million in 2009.

In addition, at the balance sheet date the Company has accounted for impairment provisions totalling £24.7 million on its investment in, and loans and other amounts due from, OHM Limited and OHM Surveys Sdn Bhd.

The Group's cash balance at 31 August 2010 stood at £3.4 million up from £1.0 million at the end of August 2009. The Group successfully completed a further round of fundraising in October and early November 2010, which contributed a gross cash amount of £2.0 million less £118,000 of expenses. The Group also received £1.2 million from OHM Limited when it prepaid its first tranche for WISE services. On 2 November 2010 when Project Alloy completed and OHM Ltd and OHM Surveys Sdn Bhd left the Group, the remaining Group had cash balances of £2.9 million to take forward. This cash was supplemented by a further £0.6 million received from OHM Limited when it prepaid its second tranche for WISE services on 30 November 2010.

#### **Trading outlook**

The management team looks forward to developing the Company's integration strategy over the coming years. Our initial focus is in expanding our Houston centre, though we will continue to maintain an office presence in Aberdeen and Kuala Lumpur in cooperation with our former subsidiary, OHM Limited.

We are making immediate investments in software designed to improve our processing and interpretation capabilities particularly for seismic and CSEM data, but also for key enabling technologies such as rock-physics. We are in the process of expanding our computer facilities in Houston by adding a second high-performance cluster.

We have added staff, and continue to add staff, at all levels of our organisation. We are paying particular attention to building a substantially larger and more sophisticated business development organisation and have added sales personnel into both geographical niches.

We are seeing increased interest in CSEM technology and your Company is uniquely positioned to take advantage of this market increase as the only independent supplier of integrated processing and interpretation products and services for seismic and electromagnetics. Our traditional Rock Solid Images business remains strong in West Africa and we continue to work on developing new markets such as unconventional shale plays in North America and fractured reservoirs.

I'd like to thank all of our shareholders, employees, board members and of course our clients for the support they've given to the Company over the previous years and we look forward to an exciting future as we take the Company along its new path.

**Richard Cooper**  
Chief Executive Officer

**Offshore Hydrocarbon Mapping plc**  
**Consolidated Group Statement of Comprehensive Income**  
**For the year ended 31 August 2010**

	<b>2010</b>	2009
	<b>£'000</b>	£'000
<b>Revenue</b>	<b>9,925</b>	9,227
Cost of sales	<b>13,067</b>	12,238
<b>Gross loss</b>	<b>(3,142)</b>	(3,011)
Administrative expenses	<b>5,151</b>	5,770
Charge on conversion of vessel charter commitments into shares	<b>2,140</b>	-
Impairment provisions	<b>6,749</b>	-
<b>Group operating loss</b>	<b>(17,182)</b>	(8,781)
Finance income	<b>3</b>	81
Finance costs	<b>(76)</b>	(11)
<b>Loss before taxation</b>	<b>(17,255)</b>	(8,711)
Income tax credit/(expense)	<b>137</b>	(121)
Loss for the year attributable to equity holders of the parent company	<b>(17,118)</b>	(8,832)
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations	<b>875</b>	1,555
<b>Other comprehensive income and expense for the year, net of tax</b>	<b>875</b>	1,555
<b>Total comprehensive loss for the year attributable to equity holders of the parent company</b>	<b>(16,243)</b>	(7,277)
Loss per ordinary share		
Basic	<b>(22.41)p</b>	(20.41)p
Diluted	<b>(22.41)p</b>	(20.41)p

# Offshore Hydrocarbon Mapping plc

## Consolidated Group Balance Sheet at 31 August 2010

	2010 £'000	2009 £'000
<b>Assets</b>		
<b>Non-current assets</b>		
Goodwill	11,124	12,636
Intangible assets - multi client data library	-	2,679
- software	2,430	2,575
- patent costs	852	1,101
- consortium fees	143	153
	<b>3,425</b>	<b>6,508</b>
Plant and machinery	667	4,283
	<b>15,216</b>	<b>23,427</b>
<b>Current assets</b>		
Inventories	487	607
Trade and other receivables	2,365	749
Cash and cash equivalents	3,443	1,043
	<b>6,295</b>	<b>2,399</b>
<b>Total assets</b>	<b>21,511</b>	<b>25,826</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Borrowings	973	-
Trade and other payables	5,466	2,941
Current tax liabilities	63	48
Finance leases	34	9
	<b>6,536</b>	<b>2,998</b>
<b>Non current liabilities</b>		
Borrowings	324	-
Deferred tax liabilities	710	736
Finance leases	63	-
	<b>1,097</b>	<b>736</b>
<b>Total liabilities</b>	<b>7,633</b>	<b>3,734</b>
<b>Net assets</b>	<b>13,878</b>	<b>22,092</b>
<b>Shareholders' equity</b>		
Share capital	905	434
Share premium	44,103	36,668
Share based payments reserve	1,443	1,322
Merger reserve	5,355	5,355
Retained earnings	(41,649)	(24,531)
Cumulative translation reserve	3,721	2,844
<b>Total shareholders' equity</b>	<b>13,878</b>	<b>22,092</b>

The financial statements were approved by the board of directors and authorised for issue on 3 February 2011 and are signed on its behalf by:

R C Cooper

**Director**

R I Auckland

**Director**

**Offshore Hydrocarbon Mapping plc**  
**Consolidated Group Cashflow Statement**  
**For the year ended 31 August 2010**

	<b>2010</b>	2009
	<b>£'000</b>	£'000
<b>Cash flow from operating activities</b>		
Loss before taxation	(17,255)	(8,711)
Adjustments for:		
Depreciation of tangible fixed assets	1,840	947
Amortisation of intangible fixed assets	1,066	1,345
Share based payments charge	121	215
Intangible asset transfer from balance sheet	-	53
Loss on disposal of plant and equipment	172	35
Impairment provisions	6,749	-
Charge on conversion of vessel charter commitments	2,140	-
Finance income	(3)	(81)
Operating cash flows before changes in working capital	<u>(5,170)</u>	<u>(6,197)</u>
Decrease in inventories	120	138
(Increase)/decrease in trade and other receivables	(1,616)	3,170
Increase/(decrease) in trade and other payables	2,325	(3,577)
<b>Cash absorbed by operations</b>	<u>(4,341)</u>	<u>(6,466)</u>
Foreign taxes paid	137	-
<b>Net cash used in operating activities</b>	<u>(4,204)</u>	<u>(6,466)</u>
<b>Cash flow from investing activities</b>		
Payments to acquire multi client data library	-	(59)
Payments to acquire software	(115)	(294)
Payments to acquire patents	(56)	(124)
Purchase of plant and equipment	(232)	(200)
Proceeds from sale of plant and equipment	25	11
Interest received	3	81
<b>Net cash used in investing activities</b>	<u>(375)</u>	<u>(585)</u>
<b>Cash flow from financing activities</b>		
Proceeds from issue of ordinary share capital	5,947	2
Share issue costs	(181)	-
Borrowings received	1,297	-
Finance lease obligations	(26)	(41)
<b>Net cash from financing activities</b>	<u>7,037</u>	<u>(39)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>2,458</u>	<u>(7,090)</u>
<b>Opening cash and cash equivalents</b>	<u>1,043</u>	<u>8,222</u>
Effect of foreign exchange rate changes	(58)	(89)
<b>Closing cash and cash equivalents</b>	<u>3,443</u>	<u>1,043</u>

**Offshore Hydrocarbon Mapping plc**  
**Consolidated Group Statement of Changes in Equity**  
**For the year ended 31 August 2010**

	Attributable to equity holders of the parent company						Total equity
	Share capital	Share Premium	Share based payments reserve	Merger reserve	Retained earnings	Translation reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 September 2008	432	36,668	1,107	5,355	(15,699)	1,289	29,152
Loss for the year	-	-	-	-	(8,832)	-	(8,832)
Other comprehensive income – comprising foreign currency translation difference arising on consolidation of subsidiaries	-	-	-	-	-	1,555	1,555
Share based payments	-	-	215	-	-	-	215
Share issue	2	-	-	-	-	-	2
Balance at 31 August 2009	434	36,668	1,322	5,355	(24,531)	2,844	22,092
Loss for the year	-	-	-	-	(17,118)	-	(17,118)
Other comprehensive income – comprising foreign currency translation difference arising on consolidation of subsidiaries	-	-	-	-	-	875	875
Share based payments	-	-	121	-	-	-	121
Other adjustments	-	-	-	-	-	2	2
Share placings	471	7,435	-	-	-	-	7,906
<b>Balance at 31 August 2010</b>	<b>905</b>	<b>44,103</b>	<b>1,443</b>	<b>5,355</b>	<b>(41,649)</b>	<b>3,721</b>	<b>13,878</b>

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 calculated in accordance with IFRS 2. Corresponding amounts are included in the loss for the relevant periods with the consequence that the Group's accounting for share based payments has no net impact on total equity.

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 represent gains and losses recognised in the Consolidated Group Statement of Comprehensive Income that are not required to be presented in any of the other components of equity as presented. No dividends were declared in any period disclosed.

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

## Notes to the Preliminary Results

### 1 General information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 August 2010 or 2009, but is derived from those accounts.

Statutory accounts for the years ended 31 August 2010 and 31 August 2009 have been reported on by the Independent Auditors.

The Independent Auditors' Report on the Annual Report and Financial Statements for 2009 was unqualified and did not contain a statement under 237(2) or 237(3) of the Companies Act 1985.

The Independent Auditors' Report on the Annual Report and Financial Statements for 2010 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 August 2009 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 August 2010 will be delivered to the Registrar following the Company's annual general meeting.

Accounts for the year ending 31 August 2010 will be dispatched to shareholders during February 2011 and will shortly be available on the Company's website, [www.ohmrsi.com](http://www.ohmrsi.com). The AGM will take place at 11.00am on 28 February 2011 at the offices of Peel Hunt LLP, 111 Old Broad Street, London, EC2N 1PH.

Offshore Hydrocarbon Mapping plc is a company registered in England and Wales.

### 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.

#### Going concern assumption

In the 2009 Annual Report, the directors reported that should the Company not receive a flow of profitable orders, additional funding may be required by the Group and the directors were therefore continuing to consider a number of funding options, should such a course of action become necessary.

Since that time, such a course did become necessary, and the Directors decided to seek to divest the loss making CSEM acquisition business and focus the remaining business on CSEM, well and seismic data processing and interpretation services.

The divestment of the marine CSEM acquisition business was initiated in June 2010 and together with a related fundraising, completed on 2 November 2010, after the balance sheet date of 31 August 2010.

In summary, the actions taken were:

- Disposal of the marine CSEM acquisition business which removed charter liabilities and high fixed costs.
- Raised £2.0 million before expenses through a Placing of New Ordinary Shares with certain shareholders at 10 pence per share.
- Received a prepayment of \$3.0 million (£1.95 million) from OHM Limited (the disposed of business) for CSEM data processing and interpretation services.

Sales within the data processing and interpretation services business suffered in 2010 principally through uncertainty caused by the marine CSEM acquisition business and a lack of investment in processing and interpretation technology and sales personnel. The Directors consider that following the disposal the financial health of the Company is more robust and the renewed investment in processing and interpretation technology and in an increased sales force will flow through to increased backlog.

The timing of the anticipated increase in orders is difficult to predict and 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.

The closing middle market price of Offshore Hydrocarbon Mapping plc's shares at 31st August 2010 was 6.0 pence (market capitalisation of approximately £5.4 million) compared to 11.5 pence (market capitalisation of approximately £5.0 million) at 31st August 2009. The directors believe that the current share price of 6.6 pence per share is some way below the underlying value of the Group and its future prospects following the disposal of the marine CSEM acquisition business on 2 November 2010.

Although further sales will take time to build up, after making enquiries, the directors believe that there are reasonable prospects that order backlog for the data processing and interpretation business and the resulting revenues will increase significantly in 2011 compared to 2010, 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 2010 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 Group Statement of Comprehensive Income 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 and goodwill**

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 September 2009, the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 September 2009, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

For business combinations completed prior to 1 September 2009, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date are treated as an adjustment to cost and, in consequence, result in a change in the carrying value of goodwill.

For business combinations completed on or after 1 September 2009, cost would comprise the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 September 2009, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the Consolidated Group Statement of Comprehensive Income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the Consolidated Group Statement of Comprehensive Income on the acquisition date.

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 and production 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 Consolidated Group Statement of Comprehensive Income.

### **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 Consolidated Group Statement of Comprehensive Income.

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 Consolidated Group Statement of Comprehensive Income. 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 Consolidated Group Statement of Comprehensive Income 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.

#### *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Consolidated Group Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the Consolidated Group Statement of Comprehensive Income (operating profit).

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Consolidated Group Balance Sheet.

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 other comprehensive income in the Consolidated Group Statement of Comprehensive Income. 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 less any impairment provisions.

## **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 equipment	– 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 Consolidated Group Statement of Comprehensive Income 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 flows 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.

#### *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 Consolidated Group Statement of Comprehensive Income 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 Consolidated Group Statement of Comprehensive Income 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 have been enacted or substantively enacted by the end of the reporting period which 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 Consolidated Group Statement of Comprehensive Income, 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.

#### **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.

#### *Assets held for sale and discontinued operations*

At the General Meeting held on 1 November 2010 the members of the Company approved a number of resolutions which included the sale of the entire issued share capital of OHM Limited and OHM Surveys Sdn Bhd for a total consideration of \$150,000 (£97,000). These disposals were completed on 2 November 2010. As a consequence of these disposals the Group has recognised impairment provisions totalling approximately £4.4 million in its consolidated accounts to 31 August 2010 and the Company has recognised impairment provisions totalling approximately £24.7 million in its own accounts to 31 August 2010.

The Group has determined that while management was committed to the sale of OHM Limited and OHM Surveys Sdn Bhd, before the year end, the disposals were not considered highly probable at the balance sheet date. The Company had not entered into legally binding contracts at the balance sheet date and at that time the disposals still required a number of shareholder approvals. Consequently, the Group has not classified these two companies as a disposal group at 31 August 2010 and thus its results are not disclosed as discontinued operations. However, following completion of these transactions after the year end, the trading results of OHM Limited and OHM Surveys Sdn Bhd between the balance sheet date and 2 November 2010 will be reflected as a discontinued operation in the accounts to 31 August 2011.

#### *Impairment of goodwill, tangible and intangible assets*

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

Following the year end, but before the financial statements were signed, the Group disposed of its CSEM cash-generating unit as represented by the trading activities of OHM Limited and OHM Surveys Sdn Bhd. The directors have made impairment provisions against the intangible and tangible assets of the Group and the Company based on the known recoverable amounts.

#### *Impairment of goodwill, tangible and intangible assets (continued)*

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 pre tax discount rate of 22.0% (2009:17.5%). A higher discount rate was used at 31 August 2010 in order to reflect an increased level of uncertainty in forecasts. 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 WISE and WSS segments which are corroborated by external sources, wherever possible.

The Group has determined that, going forward, it has two largely independent cash-generating units, the Well-driven Integration of Seismic and Electromagnetics business (WISE), and the Well and Surface Seismic interpretation business (WSS). These cash-generating units correspond broadly to the Group's business segments.

The WISE market is forecast to grow by between 25% and 30% pa. over the next five years with the Group's share of this market should grow from approximately 15% to approximately 50%. In 2009 the WISE business was not classified as a separate cash-generating unit. The Group's WISE revenues are forecast to increase by between 50% and 60% pa over this period. Assumptions relating to the growth of the WISE market are based on projections made by the Board of Directors.

The WSS market is forecast to grow by between 5% and 10% pa (2009: between 10% and 15% pa) over the next five years with the Group's share of this market increasing from approximately 5% (2009: 10%) to between 10% and 15% (2009: between 10% and 25%). The Group's WSS revenues are therefore forecast to increase by approximately 40% pa (2009: between 30% and 40% pa) over this period. The forecasts for the WSS market and the Group's relative share of this market have changed during the year as a result of carrying out further research.

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

(a) the forecast rate of growth of the Group's revenues in the WISE and WSS markets over the next five years; and

(b) the discount rate used.

The Board considers the value attributable to net cash flows generated from the WISE and WSS businesses to be lower than the current carrying value of goodwill, tangible and intangible assets and consequently an impairment adjustment totalling £2,200,000 is required. This impairment provision has been made against the carrying value of goodwill.

#### *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 over which 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.

#### *Share based payments*

The Group has two types of equity-settled share-based remuneration schemes for employees. Employee services received, and corresponding credit to reserves, 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 include, among others, the dividend growth rate, expected volatility, estimated number of employees leaving, expected life of the options and number expected to vest.

## **4 Business and geographical segments**

IFRS 8 defines operating segments as components of an entity about which separate financial information is evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker has been identified as the Chief Executive Officer ("CEO").

At 31 August 2010 and 31 August 2009 the Group is organised into three reportable business segments - Controlled Source ElectroMagnetic (CSEM) business, Well-driven Integration of Seismic and Electromagnetics (WISE) business and the Well and Surface Seismic (WSS) business.

The CEO considers the performance of the operating segments based on revenue, gross profit contribution, overheads and a measure of Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA). He also reviews performance, investment and asset allocations by segments and in geographical regions.

#### 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.

Following the balance sheet date the Company disposed of the CSEM business segment.

#### 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.

The following tables present revenue, profit and loss, and certain asset and liability information regarding the Group's three business segments for the years ended 31 August 2010 and 2009. The comparatives are restated for consistency of presentation.

**Business segments**

<b>2010</b>	<b>CSEM 2010 £'000</b>	<b>WISE 2010 £'000</b>	<b>WSS 2010 £'000</b>	<b>Total 2010 £'000</b>
<b>Continuing operations revenue</b>				
<b>External revenue</b>	<b>6,474</b>	<b>667</b>	<b>2,784</b>	<b>9,925</b>
Cost of sales	(10,930)	(348)	(1,789)	(13,067)
<b>Segment gross (loss)/ profit</b>	<b>(4,456)</b>	<b>319</b>	<b>995</b>	<b>(3,142)</b>
Administrative expenses	(2,292)	(515)	(2,344)	(5,151)
Charge on conversion of vessel charter commitments into shares	(2,140)	-	-	(2,140)
Impairment provisions	(4,359)	(500)	(1,890)	(6,749)
<b>Segment operating loss</b>	<b>(13,247)</b>	<b>(696)</b>	<b>(3,239)</b>	<b>(17,182)</b>
Add back depreciation and amortisation	2,176	16	714	2,906
Add back charge on conversion of vessel charter commitments into shares	2,140	-	-	2,140
Add back impairment provisions	4,359	500	1,890	6,749
<b>Segment EBITDA</b>	<b>(4,572)</b>	<b>(180)</b>	<b>(635)</b>	<b>(5,387)</b>

<b>2009</b>	<b>CSEM 2009 £'000</b>	<b>WISE 2009 £'000</b>	<b>WSS 2009 £'000</b>	<b>Total 2009 £'000</b>
<b>Continuing operations revenue</b>				
<b>External revenue</b>	<b>4,486</b>	<b>972</b>	<b>3,769</b>	<b>9,227</b>
Cost of sales	(9,702)	(399)	(2,137)	(12,238)
<b>Segment gross (loss)/ profit</b>	<b>(5,216)</b>	<b>573</b>	<b>1,632</b>	<b>(3,011)</b>
Administrative expenses	(2,654)	(429)	(2,687)	(5,770)
<b>Segment operating loss/(profit)</b>	<b>(7,870)</b>	<b>144</b>	<b>(1,055)</b>	<b>(8,781)</b>
Add back depreciation and amortisation	1,098	39	1,155	2,292
<b>Segment EBITDA</b>	<b>(6,772)</b>	<b>183</b>	<b>100</b>	<b>(6,489)</b>

	<b>CSEM 2010 £'000</b>	<b>WISE 2010 £'000</b>	<b>WSS 2010 £'000</b>	<b>Total 2010 £'000</b>
<b>Net capital investment during 2010</b>				
Capital additions - multi client data library	-	-	-	-
- software	-	31	84	115
- patent costs	-	56	-	56
- tangible fixed assets	96	14	236	346
	96	101	320	517
Depreciation and amortisation charges	(2,176)	(16)	(714)	(2,906)
	<b>(2,080)</b>	<b>85</b>	<b>(394)</b>	<b>(2,389)</b>

	<b>CSEM</b>	<b>WISE</b>	<b>WSS</b>	<b>Total</b>
	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance sheet at 31 August 2010</b>				
Segment assets	<b>6,163</b>	<b>3,373</b>	<b>11,975</b>	<b>21,511</b>
Segment liabilities	<b>(5,728)</b>	<b>(295)</b>	<b>(1,610)</b>	<b>(7,633)</b>
<b>Total net assets</b>	<b>435</b>	<b>3,078</b>	<b>10,365</b>	<b>13,878</b>
	CSEM	WISE	WSS	Total
	2009	2009	2009	2009
	£'000	£'000	£'000	£'000
<b>Net capital investment during 2009</b>				
Capital additions - multi client data library	59	-	-	59
- software	138	5	151	294
- patent costs	119	-	5	124
- tangible fixed assets	82	24	94	200
	398	29	250	677
Depreciation and amortisation charges	(1,098)	(39)	(1,155)	(2,292)
	(700)	(10)	(905)	(1,615)
	CSEM	WISE	WSS	Total
	2009	2009	2009	2009
	£'000	£'000	£'000	£'000
<b>Balance sheet at 31 August 2009</b>				
Segment assets	8,754	3,316	13,756	25,826
Segment liabilities	(2,181)	(342)	(1,211)	(3,734)
<b>Total net assets</b>	<b>6,573</b>	<b>2,974</b>	<b>12,545</b>	<b>22,092</b>

### 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:

	<b>Revenue</b>	
	<b>2010</b>	2009
	<b>£'000</b>	restated £'000
Europe (particularly in the North Sea)	<b>910</b>	3,860
Africa (particularly Equatorial Guinea and Cote d'Ivoire)	<b>3,554</b>	2,835
Americas (particularly the USA)	<b>496</b>	1,966
Asia Pacific (particularly India and Australia)	<b>4,965</b>	566
	<b>9,925</b>	9,227

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

	<b>Total assets</b>		<b>Capital expenditure</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Europe	<b>5,160</b>	6,961	<b>113</b>	412
Africa	-	-	-	-
Americas	<b>14,798</b>	16,298	<b>323</b>	243
Asia Pacific	<b>66</b>	152	-	9
Unallocated – including plant and machinery on vessels	<b>1,487</b>	2,415	<b>81</b>	13
	<b><u>21,511</u></b>	<u>25,826</u>	<b><u>517</u></b>	<u>677</u>

The total assets located in Europe include £3,213,000 of cash and cash equivalents (2009: £488,000).

#### **Major clients**

The Group had four different clients (2009: two) who accounted for more than 10% of the Group's external revenue during the year as shown below:

	<b>Major clients</b>	
	<b>2010</b>	2009
	<b>£'000</b>	£'000
Client A	<b>2,048</b>	-
Client B	<b>1,675</b>	-
Client C	<b>1,464</b>	-
Client D	<b>1,278</b>	-
Client E	-	1,243
Client F	-	1,063
Other clients accounting for less than 10% of the Group's external revenues	<b>3,460</b>	6,921
<b>Total revenue</b>	<b><u>9,925</u></b>	<u>9,227</u>

The revenue from Clients A-F is attributable to the CSEM and WISE business segments. The names of these clients are confidential to the business.