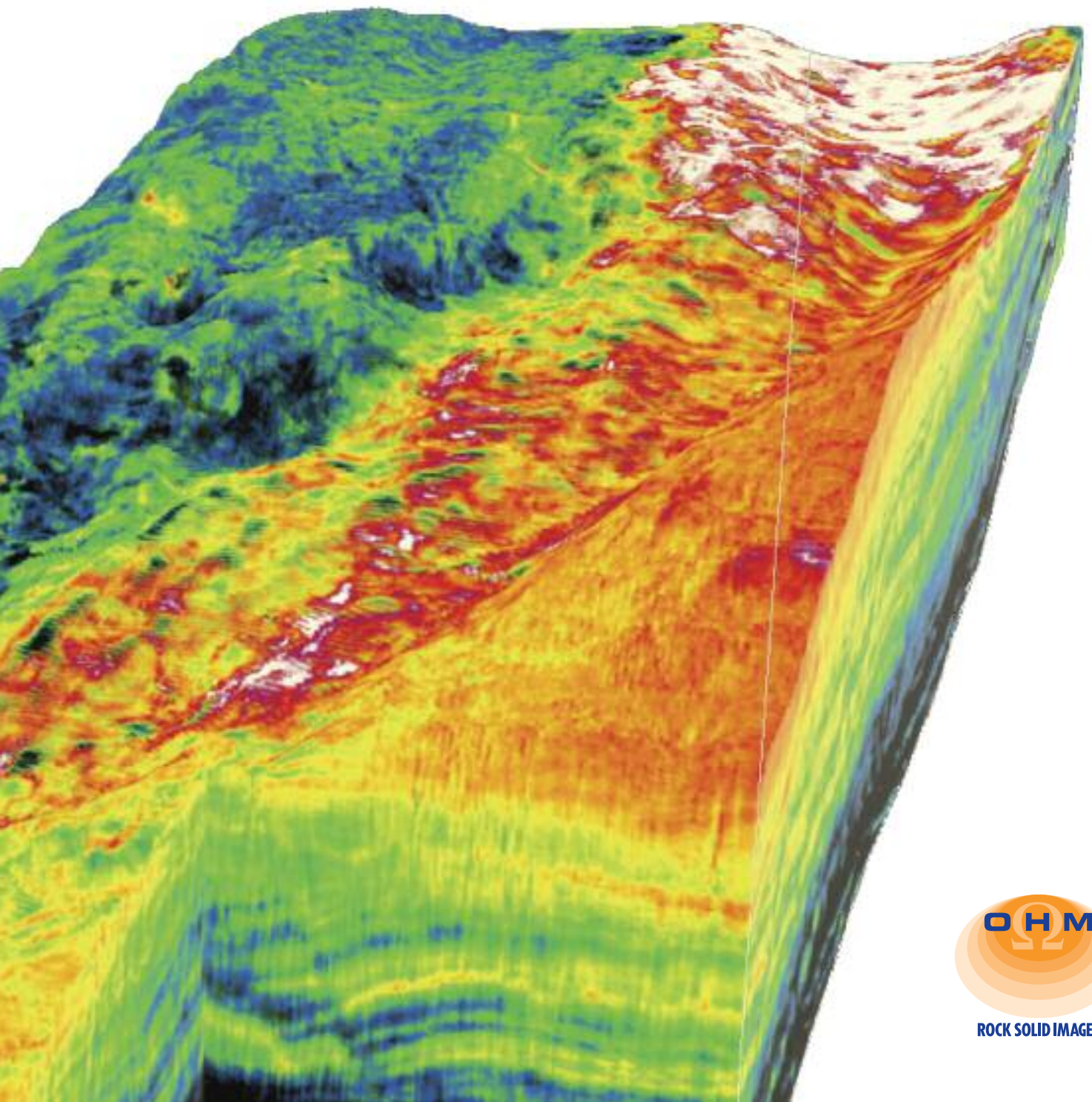


Annual Report 2010

Offshore Hydrocarbon Mapping plc



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Cover image:

An inverted seismic volume sculpted to bisect an interpreted anomaly.
Data courtesy – Vanco Energy Company

OHM is the industry leader in the interpretation and integration of seismic data with well-log, CSEM, and MT data.

We use advanced rock-physics methods combined with sophisticated geologic models to deliver robust and reliable predictions of reservoir geometries and properties to our clients.



Chairman's statement

Peter Reilly
Chairman

<
The challenge now lies in growing revenues, providing excellent levels of service to clients
>

Dear Shareholder,
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.

A handwritten signature in blue ink, appearing to read "Peter Reilly". The signature is fluid and cursive, with a long horizontal stroke at the end.

Peter Reilly
Chairman
3 February 2011

CEO's report

Richard Cooper
Chief Executive Officer

<
*The resulting business
going forward will focus
on value creation
for our shareholders*
>



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:



<
Mark and Lee discussing a seismic inversion project

^
Amanda and David developing a WISE acquisition strategy for a client

- 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.



<
*Paola and Anyela collaborating on a rock-
physics analysis and modeling project*
^
Kush analysing EM responses

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 ongoing 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 years' 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.



<
Eric maintaining the IT infrastructure

^
Prasad and Jeffery discussing a seismic attribute calculation project

The second relates 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 Limited 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 and technology niches.

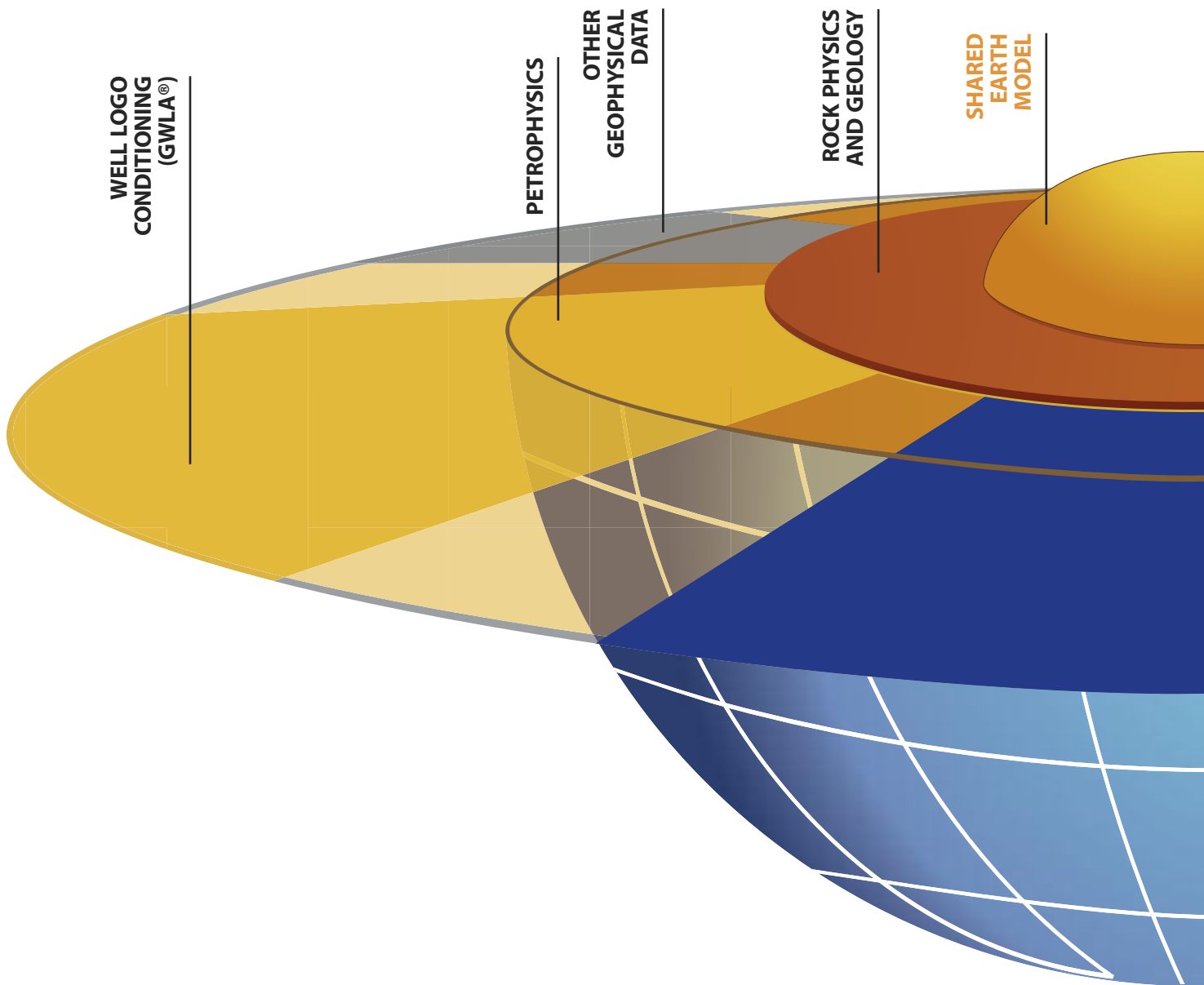
We are seeing increased interest in CSEM technology and your Company is uniquely positioned to take advantage of this market

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.

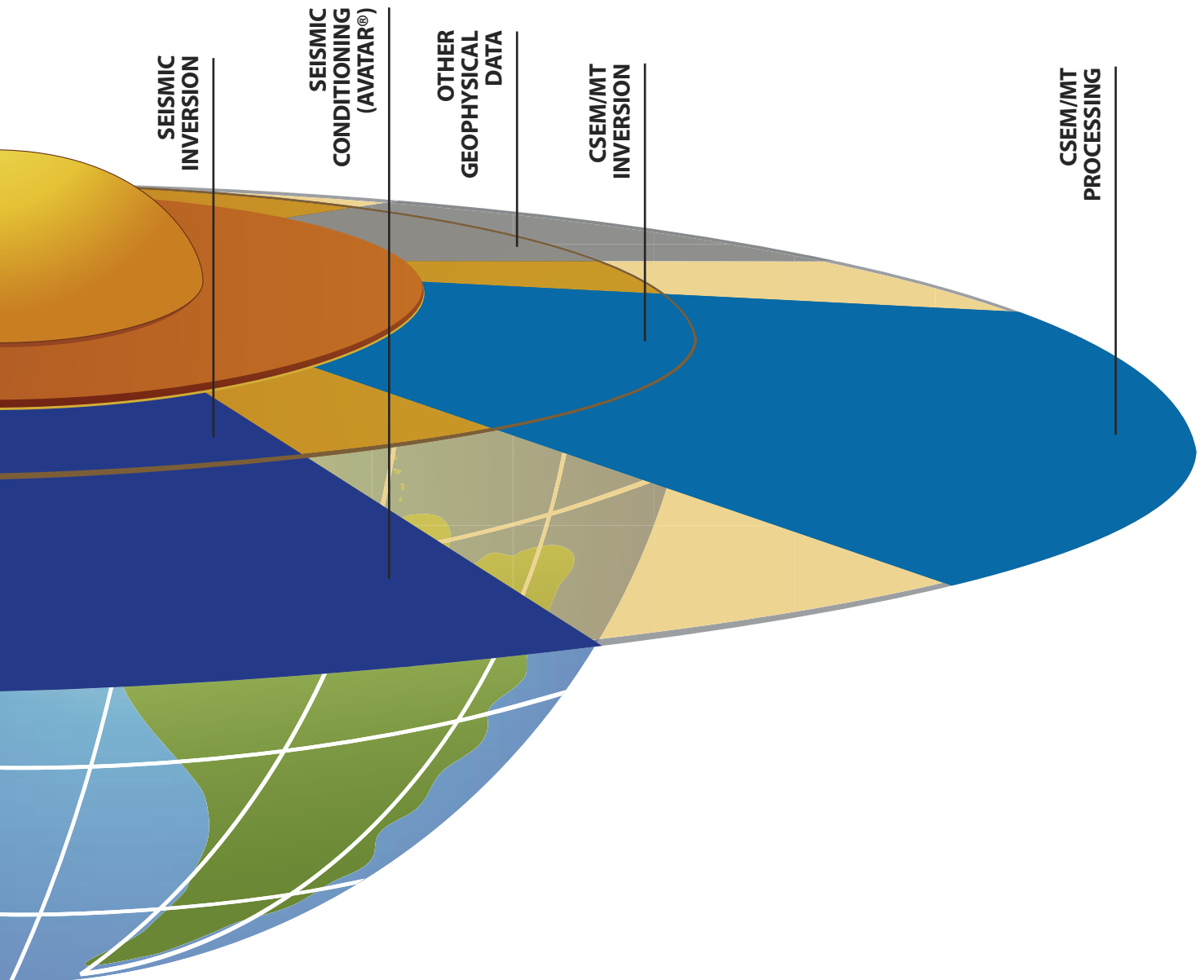
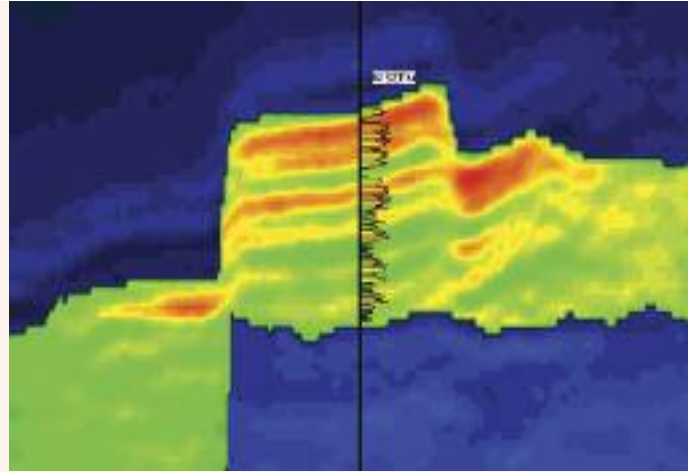
Richard Cooper
Chief Executive Officer
3 February 2011

Shared earth model



OHM Rock Solid Images use an integrated approach to data interpretation in which the strengths of each data type are exploited. The result is a robust, well constrained earth model consistent with all the available data, on which exploration, appraisal or development decisions can be based.

OHM Rock Solid Images continues to develop its seismic, rock physics and electromagnetic processing and interpretation technology, along with the WISE algorithms and workflows that allow intelligent integration of these data types within a shared earth modelling framework.



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.

Oil prices are currently strong and may stay at a high level for a while, however any serious decline in oil prices may lead to delays or declines in spending by OHM's client base.

The supply chain in sectors of the oil and gas industry is exhibiting significant tightness of supply for key resources like skilled staff. 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 natural 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.

Group 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.

Board of directors



1 Peter Andrew Reilly 50
Chairman

Peter Reilly has 23 years experience in the upstream oil industry having worked for five years in each of BP, BG Exploration and Enterprise Oil in tax, commercial and finally investor relations roles, before founding a financial PR consultancy in 2002 focused on helping smaller exploration and production and oil service companies raise their profile among investors and industry. At Enterprise Oil, Peter was appointed as Senior Commercial Adviser and then Commercial Manager, UK, before being appointed Head of Investor Relations from 1999 until the takeover of Enterprise by Shell in 2002. Peter spent 11 years in the Inland Revenue before joining the oil industry in 1988.



2 Richard Charles Cooper 52
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 CCGVeritas) 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. Richard is also a non-executive Director of the privately held company Terraspark Geosciences, L.L.C.



3 Dr. Lucy Margaret MacGregor 38
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.



4 Robert Ian Auckland 50
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.



5 Keith Geddes Lough 51
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.



6 Alan Kennedy Faichney 55
Non-executive director

Alan Faichney is currently Chief Executive of Edinburgh Instruments 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 was also a Director of the UK charity Hatwalk from 2005 to 2011.

Directors' report

for the year ended 31 August 2010

The directors present their report together with the audited financial statements for the year ended 31 August 2010. The Directors' Remuneration Report and the Corporate Governance Report on pages 15 to 19 and the Principal Risks and Uncertainties on page 10 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 Limited 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.

Principal risks and uncertainties

These are referred to on page 10.

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 2010 of £17,118,000 (2009: loss of £8,832,000). The directors do not recommend the payment of a dividend (2009: nil).

Directors

The names of the directors who held office during the year ended 31 August 2010 and up to the date of this report are as follows:

Executive directors

Richard Charles Cooper
Dr. Lucy Margaret MacGregor
Robert Ian Auckland

Non-executive directors

Peter Andrew Reilly (appointed on 17 November 2010)
Keith Geddes Lough
Alan Kennedy Faichney

During the past year both Thierry Le Roux (22 July 2010) and David Charles Newall Pratt (17 November 2010) retired as non-executive directors of the Company.

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 15 to 17.

Substantial shareholders

In addition to the directors' beneficial interests shown on page 16, none of which individually or in aggregate exceeded 3 per cent as at 31 August 2010, the Company has been advised of the following shareholders with interests of 3 per cent or more in its ordinary share capital as at 3 February 2011.

		Ordinary shares of one pence
Sector Omega ASA and its affiliates ("Sector")	35,196,681	31.79%
Euro Trans Skips AS and its affiliates ("Seatrans")	31,634,890	28.57%
East Hill Hedge Fund, LLC and its affiliates ("East Hill")	18,402,359	16.62%

Share capital

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 \$5,000,000 (£3,019,000). This agreed value was not a liability at the balance sheet date but reflects the agreed amount of compensation for removing future years' fixed charter fees on two vessels. The agreed value became an actual or fair value of £2,140,000 as the share price was 15.25 pence when the transaction was completed. 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 £72,000).

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.

On 8 April 2010 the Company issued 3,475,000 ordinary shares of one pence each to one substantial shareholder at a price of 16.00 pence for a total consideration of approximately £0.56 million (before expenses of approximately £10,000). On 28 April 2010 the Company issued a further 17,525,000 ordinary shares of one pence each to the same substantial shareholder at a price of 16.00 pence for a total consideration of approximately £2.8 million (before expenses of approximately £99,000).

Subsequent to the year end on 14 October 2010 the Company issued 9,000,000 ordinary shares of one pence each to two substantial shareholders at a price of 10.00 pence for a total consideration of approximately £0.9 million (before expenses of approximately £10,000). On 1 November 2010 the Company issued a further 11,000,000 ordinary shares one pence each to the same two substantial shareholders at a price of 10.00 pence for a total consideration of approximately £1.1 million (before expenses of approximately £108,000).

On 22 November 2010 the Company issued 192,567 ordinary shares of one pence each to ten 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 £1,926.

These share issues brought the Company's total allotted, called up and fully paid share capital to 110,710,256 ordinary shares of one pence each at 3 February 2011.

Directors' report

continued

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 2010 represents 31 days worth, as a proportion of the total amount invoiced by suppliers during the year ended on that date.

Charitable and political donations

The Group made no charitable donations during the year (2009: £nil) and no political donations during the year (2009: £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 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.

During the two month period from the balance sheet date to 2 November 2010 (when the transactions were completed), OHM Limited and OHM Surveys Sdn Bhd made aggregate losses before tax of approximately £1.45 million. These losses will be treated as discontinued operations in the consolidated accounts to 31 August 2011.

At the General Meeting on 1 November 2010 the Company also obtained shareholder approval to raise additional cash of approximately £2.0 million (before expenses of £118,000) through the placing of 20,000,000 new ordinary shares with two substantial shareholders. The Company used part of this cash to repay, in full, the outstanding balance of approximately \$2.0 million on a credit line provided by two substantial shareholders which had been entered into in December 2009. This line of credit was guaranteed by the Company and was secured against all the assets of one of the Group's subsidiary undertakings. The interest rate on this credit line was US prime rate plus 5%.

On 2 November 2010, the Company, OHM Limited and OHM Surveys Sdn Bhd entered into a services agreement for CSEM data acquisition, processing and interpretation services. This was done in order for the Company, OHM Limited and OHM Surveys Sdn Bhd to continue to provide a seamless integrated CSEM service to its clients. Under the terms of this services agreement OHM Limited and OHM Surveys Sdn Bhd agreed to prepay \$3.0 million (£1.95 million) to the Company to secure 2,033 man-days of WISE services at a rate of \$2,200 (£1,427) per day, of which \$1,475 (£957) per day is prepaid with the balance of \$725 (£470) per day payable as the man-days are utilised. WISE services are those services relating to the advanced combination of CSEM data and seismic information to provide analysis of rock and fluid properties.

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

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
3 February 2010

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.

Directors' remuneration report

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 these regulations.

The Company's remuneration policy is the responsibility of the Remuneration Committee. The Committee is chaired by Keith Lough and also comprises Peter Reilly 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 2010 were not paid as the performance criteria outlined in the plan were not achieved.

Pensions

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 £7,181 for Dr. Lucy MacGregor and £11,444 for Bob Auckland. David Pratt also received contributions of £19,400 during the financial year.

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

Peter Reilly, Keith Lough and Alan Faichney each receive a fixed fee for services 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 had a service contract which commenced on 8 July 2002, and contained 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 nine 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' remuneration report

continued

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) 2010 £	Total (excluding pension) 2009 £	Pension 2009 £	Total (including pension) 2009 £
Executive										
Richard Cooper ⁽¹⁾	192,407	–	–	12,276	204,683	–	204,683	20,729	–	20,729
Dr. Lucy MacGregor	109,440	–	–	439	109,879	7,181	117,060	101,652	7,141	108,793
Bob Auckland	114,440	–	–	1,654	116,094	11,444	127,538	106,470	11,361	117,831
Non executive										
Peter Reilly	–	–	–	–	–	–	–	–	–	–
David Pratt ⁽²⁾	50,000	–	–	1,765	51,765	19,400	71,165	123,669	19,400	143,069
Keith Lough	20,000	–	–	–	20,000	–	20,000	20,000	–	20,000
Alan Faichney	20,000	–	–	–	20,000	–	20,000	8,333	–	8,333
Thierry Le Roux ⁽³⁾	–	–	–	–	–	–	–	–	–	–
Steven Ludlow ⁽⁴⁾	–	–	–	–	–	–	–	6,667	–	6,667
Total	506,287	–	–	16,134	522,421	38,025	560,446	387,520	37,902	425,422

(1) Richard Cooper was the highest paid director during the year ended 31 August 2010. He was appointed a director of the Board, shortly before the 2009 financial year end, on 23 July 2009.

(2) David Pratt retired from the Board on 17 November 2010 and he received £50,000 in lieu of notice under his service agreement and £21,010 as compensation for loss of office.

(3) Thierry Le Roux resigned from the Board on 22 July 2010.

(4) Steven Ludlow resigned from the Board on 9 January 2009.

Directors' interests in ordinary shares

The directors who held office at 31 August 2010 had the following interests in the ordinary shares of the Company:

	Number of shares 2010	Number of shares 2009
David Pratt	200,000	200,000
Richard Cooper	298,306	298,306
Dr. Lucy MacGregor	1,039,686	1,039,686
Bob Auckland	100,000	100,000
Keith Lough	50,000	50,000
Alan Faichney	–	–

(1) There has been no change in the directors' interests set out above between 31 August 2010 and 3 February 2011.

(2) Peter Reilly, who was appointed a director of the Board on 17 November 2010, held 55,000 shares in the Company at 3 February 2011.

Directors' remuneration report

continued

Directors' options and share awards (unaudited)

The following information has not been subject to audit. The 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 2009	Granted during year	Lapsed during year	At 31 August 2010	Exercise price (p)	Earliest exercise date	Expiry date
David Pratt							
01/03/04 ⁽¹⁾	940,008	–	–	940,008	170.00	01/03/05	28/02/14
01/12/06 ⁽²⁾	76,252	–	(76,252)	–	1.00	–	–
01/10/07 ⁽³⁾	248,227	–	–	248,227	1.00	01/10/10	01/10/17
Richard Cooper							
01/10/07 ⁽³⁾	29,692	–	–	29,692	1.00	01/10/10	01/10/17
14/09/09 ⁽⁴⁾	–	570,859	–	570,859	1.00	30/11/12	14/09/19
Dr. Lucy MacGregor							
01/12/03	141,031	–	–	141,031	29.81	01/12/04	30/11/13
01/12/06 ⁽²⁾	40,668	–	(40,668)	–	1.00	–	–
01/10/07 ⁽³⁾	225,721	–	–	225,721	1.00	01/10/10	01/10/17
14/09/09 ⁽⁴⁾	–	339,030	–	339,030	1.00	30/11/12	14/09/19
Bob Auckland							
01/12/06 ⁽²⁾	40,668	–	(40,668)	–	1.00	–	–
01/10/07 ⁽³⁾	25,721	–	–	25,721	1.00	01/10/10	01/10/17
14/09/09 ⁽⁴⁾	–	354,519	–	354,519	1.00	30/11/12	14/09/19

These share options and awards have been granted under:

- (a) the Company's Enterprise Management Incentive option scheme (EMI),
- (b) unapproved Share Option Scheme, and
- (c) Share Award Plan.

(1) 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.

(2) The share awards granted to David Pratt, Dr. Lucy MacGregor and Bob Auckland on 1 December 2006 under the Company's Share Award Plan failed to vest on 30 November 2009 as the performance criteria agreed with the Remuneration Committee were not satisfied

(3) The share awards granted to David Pratt, Richard Cooper, Dr. Lucy MacGregor and Bob Auckland on 1 October 2007 under the Company's Share Award Plan failed to vest on 1 October 2010 as the performance criteria agreed with the Remuneration Committee were not satisfied.

(4) The share awards granted to Richard Cooper, Dr. Lucy MacGregor and Bob Auckland on 14 September 2009 under the Company's Share Award Plan vest on 30 November 2012 upon the satisfaction of performance criteria agreed with the Remuneration Committee.

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 2010 was 6.00 pence. The high and low market prices during the year were 16.50 pence and 4.07 pence respectively.

Apart from the interests disclosed above, none of the directors had any interest at any time during the year ended 31 August 2010 in the share capital of the Company or its subsidiaries.

By order of the Board

Keith Lough

Chairman of the Remuneration Committee
3 February 2011

Corporate governance report

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 eleven times during the year ended 31 August 2010. 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 six directors, three of whom are non-executive. Their names are set out on page 11. The Company has a separate non-executive Chairman and Chief Executive Officer. Peter Reilly, 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 Peter Reilly. As noted above all three 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), Alan Faichney and Peter Reilly. As noted above, all three 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 15 to 17.

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 Peter Reilly (Chairman), Keith Lough and Alan Faichney, and as noted above, all three of these directors are considered to be independent non-executive directors. 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, Peter Reilly will submit himself for re-election, having been appointed since the last Annual General Meeting. Dr, Lucy MacGregor will submit herself for re-election as it is three years since the shareholders last considered her 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.

Business Ethics Committee

In order to ensure compliance with the Bribery Act 2010 the Company has set up a Business Ethics Committee. This committee will be responsible for setting up procedures to prevent, deter and detect bribery. The Board receives reports from Alan Faichney who is Chairman and two other executive directors, Richard Cooper and Bob Auckland also sit on this committee. The Company believes that it best serves its stakeholders by ensuring that its activities are carried out in an ethical manner. OHM specifically prohibits any of its staff from giving or receiving bribes and any such activity will be treated as gross misconduct. The Company further prohibits the giving or receiving of bribes through intermediaries (agents etc.) and will report any acts of bribery it discovers to the relevant authorities.

Corporate governance report

continued

Board balance and independence

During the year and up to the date of this Report, the Board continued to be of the opinion that, Peter Reilly (appointed to the Board on 17 November 2010), Keith Lough and Alan Faichney 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 Committees 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		Audit Committee		Remuneration Committee		Nomination Committee	
	P	A	P	A	P	A	P	A
Executive directors								
Richard Cooper (Chief Executive Officer)	11	11	2	2	1	1	–	–
Dr. Lucy MacGregor (Chief Scientific Officer)	11	11	–	–	–	–	–	–
Bob Auckland (Chief Financial Officer)	11	11	2	2	–	–	–	–
Non-executive directors								
David Pratt	11	11	2	2	1	1	1	1
Keith Lough	11	11	2	2	1	1	1	1
Alan Faichney	11	11	2	2	1	1	1	1
Former directors								
Thierry Le Roux (retired 22 July 2010)	10	9	1	1	1	1	1	–
Total number of meetings	11		2		1		1	

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 Richard Cooper 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 11.00am on 28 February 2011 at the office of Peel Hunt LLP, 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 non-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
3 February 2011

Independent Auditor's 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 2010 which comprise the Consolidated Group Statement of Comprehensive Income, the Consolidated Group and Company Balance Sheets, the Consolidated Group and Company Cash Flow Statements, the Consolidated Group 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 2010 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
4 February 2011

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

Financial statements

Consolidated Group Statement of Comprehensive Income

for the year ended 31 August 2010

	Note	2010 £'000	2009 £'000
Revenue		9,925	9,227
Cost of sales		13,067	12,238
Gross loss		(3,142)	(3,011)
Administrative expenses		5,151	5,770
Charge on conversion of vessel charter commitments into shares	5	2,140	–
Impairment provisions	5, 13	6,749	–
Group operating loss	5	(17,182)	(8,781)
Finance income	8	3	81
Finance costs	9	(76)	(11)
Loss before taxation		(17,255)	(8,711)
Income tax credit/(expense)	10	137	(121)
Loss for the year attributable to equity holders of the parent company		(17,118)	(8,832)
Other comprehensive income:			
Exchange differences on translating foreign operations		875	1,555
Other comprehensive income and expense for the year, net of tax		875	1,555
Total comprehensive loss for the year attributable to equity holders of the parent company		(16,243)	(7,277)
Loss per ordinary share	11		
Basic		(22.41)p	(20.41)p
Diluted		(22.41)p	(20.41)p

Consolidated Group Balance Sheet

at 31 August 2010

	Note	2010 £'000	2009 £'000
Assets			
Non-current assets			
Goodwill	13	11,124	12,636
Intangible assets – multi client data library	14	–	2,679
– software	14	2,430	2,575
– patent costs	14	852	1,101
– consortium fees	14	143	153
Plant and machinery	15	3,425 667	6,508 4,283
Current assets		15,216	23,427
Inventories	17	487	607
Trade and other receivables	18	2,365	749
Cash and cash equivalents	19	3,443	1,043
		6,295	2,399
Total assets		21,511	25,826
Liabilities			
Current liabilities			
Borrowings	22	973	–
Trade and other payables	20	5,466	2,941
Current tax liabilities		63	48
Finance leases	24	34	9
		6,536	2,998
Non current liabilities			
Borrowings	22	324	–
Deferred tax liabilities	23	710	736
Finance leases	24	63	–
		1,097	736
Total liabilities		7,633	3,734
Net assets		13,878	22,092
Shareholders' equity			
Share capital	26	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
Total shareholders' equity		13,878	22,092

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 Cooper
Director



R I Auckland
Director

Company Balance Sheet

At 31 August 2010

	Note	2010 £'000	2009 Restated £'000
Assets			
Non-current assets			
Fixed asset investments	16	6,011	7,202
Plant and equipment	15	6	–
Trade and other receivables	18	11,321	23,462
		17,338	30,664
Current assets			
Trade and other receivables	18	2,957	3,902
Cash and cash equivalents	19	1,117	136
		4,074	4,038
Total assets		21,412	34,702
Liabilities			
Current liabilities			
Borrowings	22	973	–
Trade and other payables	20	258	168
		1,231	168
Non current liabilities			
Borrowings	22	324	–
Net assets		19,857	34,534
Shareholders' equity			
Share capital	26	905	434
Share premium		44,103	36,668
Other reserves		1,443	1,322
Merger reserve		5,355	5,355
Retained earnings		(31,949)	(9,245)
Total shareholders' equity		19,857	34,534

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 Cooper
Director



R I Auckland
Director

Consolidated Group Cashflow Statement

for the year ended 31 August 2010

	Note	2010 £'000	2009 £'000
Cash flows from operating activities			
Loss before taxation		(17,255)	(8,711)
Adjustments for:			
Depreciation of tangible fixed assets	15	1,840	947
Amortisation of intangible fixed assets	14	1,066	1,345
Share based payments charge	28	121	215
Intangible asset transfer from balance sheet	14	–	53
Loss on disposal of plant and equipment		172	35
Impairment provisions	5	6,749	–
Charge on conversion of vessel charter commitments	5	2,140	–
Finance income	8	(3)	(81)
Operating cash flows before changes in working capital		(5,170)	(6,197)
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)
		(4,341)	(6,466)
Cash absorbed by operations			
Foreign taxes paid	10	137	–
Net cash used in operating activities		(4,204)	(6,466)
Cash flows from investing activities			
Payments to acquire multi client data library	14	–	(59)
Payments to acquire software	14	(115)	(294)
Payments to acquire patents	14	(56)	(124)
Purchase of plant and equipment		(232)	(200)
Proceeds from sale of plant and equipment		25	11
Interest received	8	3	81
Net cash used in investing activities		(375)	(585)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	26	5,947	2
Share issue costs	26	(181)	–
Borrowings received	22	1,297	–
Finance lease obligation		(26)	(41)
Net cash from financing activities		7,037	(39)
Net increase/(decrease) in cash and cash equivalents		2,458	(7,090)
Opening cash and cash equivalents		1,043	8,222
Effect of foreign exchange rate changes		(58)	(89)
Closing cash and cash equivalents	19	3,443	1,043

Company Cashflow Statement

for the year ended 31 August 2010

	Note	2010 £'000	2009 £'000
Cash flows from operating activities			
Loss before taxation	12	(22,704)	2,085
Adjustments for:			
Finance income		(1,623)	(1,359)
Gain on conversion of vessel charter commitments	5	(879)	–
Impairment provisions	16	24,668	–
Operating cash flows before changes in working capital		(538)	726
Increase in trade and other receivables	18	(26)	(9)
Increase in trade and other payables	20	90	177
Net cash flows (used in)/generated by operating activities		(474)	894
Cash flows from investing activities			
Advances of loans to subsidiary undertakings		(6,319)	(915)
Purchase of plant and equipment		(6)	–
Bank interest receivable		3	–
Interest received on loans from subsidiary undertakings		714	117
Net cash used in investing activities		(5,608)	(798)
Cash flows from financing activities			
Borrowings	22	1,297	–
Proceeds from issue of ordinary share capital	26	5,947	2
Share issue expenses	26	(181)	–
Net cash from financing activities		7,063	2
Net increase in cash and cash equivalents		981	98
Opening cash and cash equivalents			
Effect of foreign exchange rate changes		–	–
Closing cash and cash equivalents	19	1,117	136

The comparatives are restated for consistency of presentation.

Consolidated Group Statement of Changes in Equity

for the year ended 31 August 2010

	Attributable to equity holders of the parent company						
	Share capital £'000	Share premium £'000	Share based payments reserve £'000	Merger reserve £'000	Retained earnings £'000	Translation reserve £'000	Total equity £'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 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 on consolidation of subsidiaries	–	–	–	–	–	875	875
Share based payments	–	–	121	–	–	–	121
Other adjustments	–	–	–	–	–	2	2
Share placings	471	7,435	–	–	–	–	7,906
Balance at 31 August 2010	905	44,103	1,443	5,355	(41,649)	3,721	13,878

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.

Company Statement of Changes in Equity

for the year ended 31 August 2010

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 September 2008	432	36,668	5,355	1,107	(11,330)	32,232
Profit for the year	–	–	–	–	2,085	2,085
Share based payments	–	–	–	215	–	215
Share placing	2	–	–	–	–	2
Balance at 31 August 2009	434	36,668	5,355	1,322	(9,245)	34,534
Loss for the year	–	–	–	–	(22,704)	(22,704)
Share based payments	–	–	–	121	–	121
Share placings	471	7,435	–	–	–	7,906
Balance at 31 August 2010	905	44,103	5,355	1,443	(31,949)	19,857

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

Notes forming part of the financial statements

for the year to 31 August 2010

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 and which have impacted on the Group and Company:
IAS 1 Presentation of Financial Statements (2007) became effective for the Group this year. As a result, the Group presents in the Consolidated Group Statement of Changes in Equity all owner changes in equity, whereas all non-owner changes in equity are presented in the Consolidated Group Statement of Comprehensive Income.

As permitted under the revised IAS 1, the Group has elected to present one statement comprising Consolidated Group Statement of Comprehensive Income. Comparative information has been re-presented on this basis.

IFRS 8 'Operating Segments' became effective for the Group this year and has replaced IAS 14 'Segmental Reporting' and the amendment to IFRS 8 from the Improvements to IFRSs in April 2009 has been adopted early.

Operating segments are reported in Note 4 in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Executive Officer. Management has determined the operating segments based on the internal reports used by the Chief Executive Officer and the measures of segment revenues, gross profit contributions, overheads and a measure of Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) are based on the measures reviewed internally in those reports.

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

Amendments to IAS 1 and IAS 32: Financial Instruments (Puttable Instruments and Obligations Arising on Liquidation)

Amendments to IAS 27: Cost of an investment in a subsidiary, jointly-controlled entity or associate

IAS 23: Borrowing Costs (Revision to prohibit immediate expensing)

Amendments to IFRS 2: Share-based Payment (Vesting Conditions and Cancellations)

Improvements to IFRSs (May 2008)

IFRS 3 (Revised 2008): Business Combinations

Amendments to IAS 27: Consolidated and Separate Financial Statements

Amendment to IAS 39: Financial Instruments – Recognition and Measurement - Eligible Hedging Items

IFRIC 12: Service Concession Arrangements

IFRIC 15: Agreements for the Construction of Real Estate

IFRIC 16: Hedges of a Net Investment in a Foreign Operation

IFRIC 17: Distributions of Non-Cash Assets to Owners

IFRIC 18: Transfer of Assets from Customers

Embedded Derivatives – amendments to IFRIC 9 and IAS 39

Notes forming part of the financial statements

continued

1 General information – continued

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
Improvements to IFRSs (April 2009)	Annual periods beginning on or after 1 January 2010	Amendment to IFRS 8 has been adopted early otherwise no effect on Group anticipated
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
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	Annual periods beginning on or after 1 July 2010	None
IAS 24 (Revised in 2009): Related Party Disclosures	Annual periods beginning on or after 1 January 2011	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
IFRS 9: Financial Instruments	Annual periods beginning on or after 1 January 2013	Management is considering future impact
Amendment to IAS 12: Recovery of Underlying Assets	Annual periods beginning on or after 1 January 2012	None
Amendment to IFRS 7: Transfers of Financial Assets	Annual periods beginning on or after 1 July 2011	None
Improvements to IFRSs (May 2010)	Annual periods beginning on or after 1 January 2011	Management is considering future impact

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.

Notes forming part of the financial statements

continued

2 Significant accounting policies – continued

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.

Notes forming part of the financial statements

continued

2 Significant accounting policies – continued

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.

Notes forming part of the financial statements

continued

2 Significant accounting policies – continued

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.

Notes forming part of the financial statements

continued

2 Significant accounting policies – continued

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.

Notes forming part of the financial statements

continued

2 Significant accounting policies – continued

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

Notes forming part of the financial statements

continued

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.

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.

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.

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 and further information describing these is set out in note 4.

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 increasing 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.

Notes forming part of the financial statements

continued

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

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. (Refer to note 13).

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. More details are included in notes 14 and 15.

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 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 are disclosed in note 28.

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.

Notes forming part of the financial statements

continued

4 Business and geographical segments – continued

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. Further details of this disposal are set out in Note 30.

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.

Notes forming part of the financial statements

continued

4 Business and geographical segments – continued

Business segments

	CSEM 2010 £'000	WISE 2010 £'000	WSS 2010 £'000	Total 2010 £'000
2010				
Continuing operations revenue				
External revenue	6,474	667	2,784	9,925
Cost of sales	(10,930)	(348)	(1,789)	(13,067)
Segment gross (loss)/profit	(4,456)	319	995	(3,142)
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)
Segment operating loss	(13,247)	(696)	(3,239)	(17,182)
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
Segment EBITDA	(4,572)	(180)	(635)	(5,387)
	CSEM 2009 £'000	WISE 2009 £'000	WSS 2009 £'000	Total 2009 £'000
2009				
Continuing operations revenue				
External revenue	4,486	972	3,769	9,227
Cost of sales	(9,702)	(399)	(2,137)	(12,238)
Segment gross (loss)/profit	(5,216)	573	1,632	(3,011)
Administrative expenses	(2,654)	(429)	(2,687)	(5,770)
Segment operating (loss)/profit	(7,870)	144	(1,055)	(8,781)
Add back depreciation and amortisation	1,098	39	1,155	2,292
Segment EBITDA	(6,772)	183	100	(6,489)
	CSEM 2010 £'000	WISE 2010 £'000	WSS 2010 £'000	Total 2010 £'000
Net capital investment during 2010				
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)
	(2,080)	85	(394)	(2,389)

Notes forming part of the financial statements

continued

4 Business and geographical segments – continued

	CSEM 2010 £'000	WISE 2010 £'000	WSS 2010 £'000	Total 2010 £'000
Balance sheet at 31 August 2010				
Segment assets	6,163	3,373	11,975	21,511
Segment liabilities	(5,728)	(295)	(1,610)	(7,633)
Total net assets	435	3,078	10,365	13,878
	CSEM 2009 £'000	WISE 2009 £'000	WSS 2009 £'000	Total 2009 £'000
Net capital investment during 2009				
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 2009 £'000	WISE 2009 £'000	WSS 2009 £'000	Total 2009 £'000
Balance sheet as at 31 August 2009				
Segment assets	8,754	3,316	13,756	25,826
Segment liabilities	(2,181)	(342)	(1,211)	(3,734)
Total net assets	6,573	2,974	12,545	22,092

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

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

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

Notes forming part of the financial statements

continued

4 Business and geographical segments – continued

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:

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

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.

5 Group operating loss

	2010 £'000	2009 £'000
The Group operating loss is arrived at after charging/(crediting):		
Net foreign exchange losses/(gains)	263	(369)
Research and development expenses	719	900
Depreciation of tangible fixed assets	1,840	947
Amortisation of intangible fixed assets	1,066	1,345
Impairment losses of data library (which are included in total amortisation of intangible fixed assets above)	–	670
Charge on conversion of vessel charter commitments into shares (see below)	2,140	–
Impairment provisions (see below)	6,749	–
Operating lease rentals – property	319	289
– vessels, plant and equipment	3,629	5,138
Cost of inventories recognised as expense	237	299
Total staff costs (note 6)	4,927	6,078
Redundancy costs (included in total staff costs above)	–	116
Auditors' remuneration for audit services (see below)	80	130

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 Company has accounted for a charge in its Condensed Consolidated Statement of Comprehensive Income 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).

At 31 August 2010 the Group made an impairment provision of £2,200,000 (2009: £nil) against the carrying value of goodwill. Refer to note 13 for further details.

Following the year end, but before the financial statements were signed, the Company disposed of its CSEM business segment as represented by the trading activities of OHM Limited and OHM Surveys Sdn Bhd for a total consideration of \$150,000 (£97,000). The background to these disposals is referred to in the Directors' Report. At 31 August 2010 the Group made impairment provisions totalling £4,549,000 (2009: £nil) against the carrying value of its intangible and tangible assets in its CSEM business segment which reduced these assets to their fair values.

Notes forming part of the financial statements

continued

5 Group operating loss – continued

	OHM Limited 2010 £'000	OHM Surveys Sdn Bhd 2010 £'000	2010 £'000	2009 £'000
Impairment provisions				
Intangible assets – multi client data library	2,095	–	2,095	–
– software	103	–	103	–
– patent costs	210	–	210	–
Tangible assets – plant and equipment	1,902	–	1,902	–
– computer equipment	16	14	30	–
– office equipment	–	19	19	–
Other assets	–	190	190	–
	4,326	223	4,549	–

Refer to note 30 for further details.

Audit fees

Amounts payable to the auditors and their associates by the parent company and its UK subsidiary undertakings in respect of non-audit services were £13,000 (2009 £32,000).

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

	2010 £'000	2009 £'000
Recurring remuneration		
Fees payable to the Company's auditors for the audit of the Company's annual consolidated and parent company financial statements	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	42	92
	80	130
Further assurance services		
Tax services	13	23
Other services	–	9
	13	32

The audit fees for the separate Company financial statements are not disclosed as this information is disclosed on a consolidated basis.

6 Employees**Group**

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

	2010 Number	2009 Number
Management, sales and administration	28	31
Scientists	26	36
Operations	16	28
	70	95

The Group had 72 employees as at 31 August 2010 (2009: 69 employees). The Company had no employees.

	2010 £'000	2009 £'000
Staff costs (including directors) consist of:		
Wages and salaries	4,109	5,060
Social security costs	650	726
Other pension costs	47	77
Share based payments charge (see note 28)	121	215
	4,927	6,078

Notes forming part of the financial statements

continued

7 Directors' remuneration

	2010 £'000	2009 £'000
Directors' emoluments	522	381
Company contributions to directors' personal pension schemes	38	38
Amounts paid to third parties in respect of directors' services	–	7
	560	426
Share based payments charge (see note 28)	74	47
	634	473

The total amount payable to the highest paid director in respect of emoluments (including his share based payments charge) was £222,774 (2009: £146,472). Group pension contributions of £nil (2009: £19,400) were made to his personal pension plan during the year.

More detail of directors' emoluments can be found in the Remuneration Report.

8 Finance income

	2010 £'000	2009 £'000
Interest on bank deposits	3	81

9 Finance costs

	2010 £'000	2009 £'000
Other interest payable	76	11

10 Income tax expense

	2010 £'000	2009 £'000
UK Corporation tax:		
Corporation tax	–	–
Foreign tax:		
Current tax on foreign income for the year	(61)	197
Deferred tax:		
Relating to the origination and reversal of timing differences	(76)	(76)
Income tax expense as reported in the Consolidated Group Statement of Comprehensive Income	(137)	121

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

	2010 £'000	2009 £'000
Loss on ordinary activities before tax	(17,255)	(8,711)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009: 28%)	(4,831)	(2,439)
Tax effect of:		
Expenses not deductible for tax purposes	1,971	(23)
Research and development enhancement	–	(41)
Tax effect of share based remuneration	34	60
Transfers to unrecognised tax assets	2,586	2,564
Foreign tax paid	103	–
Income tax expense as reported in the Consolidated Group Statement of Comprehensive Income	(137)	121

Notes forming part of the financial statements

continued

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 2010 is 76,387,863 (2009: 43,282,093).

Losses after tax are £17,118,000 (2009: loss of £8,832,000).

	2010 Number	2009 £'000
Reconciliation of denominator for diluted EPS calculation		
Number of shares used in calculation of basic EPS	76,387,863	43,282,093
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	76,387,863	43,282,093

In both 2010 and 2009, the loss for the years 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 2010 there were 5,199,707 (2009: 2,797,518) 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 Statement of Comprehensive Income in these financial statements. The Group loss for the year includes, after allowing for consolidation eliminations, a loss after tax and before dividends of £22,704,000 (2009: profit of £2,085,000) which is dealt with in the financial statements of the parent company. This loss of £22,704,000 for the year ended 31 August 2010 was arrived at after the parent company recognised impairment provisions totalling £24,668,000 on the carrying value of its investment in and loans to OHM Limited and OHM Surveys Sdn Bhd which were disposed of on 2 November 2010.

13 Goodwill

	£'000
Cost	
At 1 September 2008	11,414
Foreign exchange differences	1,222
At 1 September 2009	12,636
Foreign exchange differences	688
At 31 August 2010	13,324
Accumulated impairment losses	
At 1 September 2009	–
Impairment provision	(2,200)
At 31 August 2010	(2,200)
Net book value	
At 31 August 2010	11,124
At 31 August 2009	12,636
At 31 August 2008	11,414

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. After recognition of impairment losses, the carrying amount of goodwill, which is comprised of two CGUs, had been allocated as follows:

	2010 £'000	2009 Restated £'000
Well-driven Integration of Seismic and Electromagnetics (WISE) CGU	1,446	1,842
Well and Surface Seismic (WSS) CGU	9,678	10,794
	11,124	12,636

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. An impairment provision of £2,200,000 was made in 2010 (2009: £nil).

Notes forming part of the financial statements

continued

14 Intangible assets

Group	Multi-client data library £'000	Software £'000	Patent costs £'000	Consortium fees £'000	Total £'000
Cost					
At 1 September 2008	4,284	2,646	1,036	169	8,135
Additions	59	294	124	–	477
Disposals	(53)	–	–	–	(53)
Foreign exchange differences	88	240	69	19	416
At 31 August 2009	4,378	3,180	1,229	188	8,975
Additions	–	115	56	–	171
Disposals	(893)	–	–	–	(893)
Foreign exchange differences	50	149	41	10	250
At 31 August 2010	3,535	3,444	1,326	198	8,503
Amortisation					
At 1 September 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
Provided for the year	628	283	135	20	1,066
Disposals	(893)	–	–	–	(893)
Impairment provisions (note 5)	2,095	103	210	–	2,408
Foreign exchange differences	5	23	1	–	29
At 31 August 2010	3,535	1,014	474	55	5,078
Net book value					
At 31 August 2010	–	2,430	852	143	3,425
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

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.

	Net book value 2010 £'000	Cost at acquisition 2009 £'000	Remaining economic life 31 August 2010 £'000
Intangible assets			
Multi-client data library	–	2,679	0 years
Software portfolio	2,430	2,575	5-7 years
Patent & trademark portfolio	852	1,101	13-16 years
Consortium fees	143	153	7 years
	3,425	6,508	

Notes forming part of the financial statements

continued

15 Tangible fixed assets

Group	Plant and machinery £'000	Computer equipment £'000	Office equipment £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 September 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
Additions	102	241	3	–	346
Disposals	(457)	(442)	(15)	–	(914)
Transfers	1,470	–	–	(1,470)	–
Foreign exchange difference	3	81	16	–	100
At 31 August 2010	8,280	1,536	256	–	10,072
Depreciation					
At 1 September 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
Provided for the year	1,532	293	15	–	1,840
Disposals	(276)	(417)	(15)	–	(708)
Transfers	–	–	–	–	–
Impairment provisions (note 5)	1,902	30	19	–	1,951
Foreign exchange difference	–	59	6	–	65
At 31 August 2010	7,982	1,179	244	–	9,405
Net book value					
At 31 August 2010	298	357	12	–	667
At 31 August 2009	2,338	442	33	1,470	4,283
At 31 August 2008	1,838	582	62	2,546	5,029

Company

The Company had computer equipment with a cost of £10,000, accumulated depreciation of £4,000 and a net book value of £6,000 at 31 August 2010 (2009: £nil).

16 Subsidiaries

Company	Group undertakings £'000
Cost and net book value	
At 1 September 2008	6,987
Capitalisation of share based payments	215
At 31 August 2009	7,202
Capitalisation of share based payments	121
Cost at 31 August 2010	7,323
Impairment provision – OHM Limited	(1,238)
Impairment provision – OHM Surveys Sdn Bhd	(74)
Net book value at 31 August 2010	6,011

Notes forming part of the financial statements

continued

16 Subsidiaries – continued

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

Following the year end, but before the financial statements were signed, the Company disposed of its CSEM business segment as represented by the trading activities of OHM Limited and OHM Surveys Sdn Bhd for a total consideration of \$150,000 (£97,000). The background to these disposals is referred to in the Directors' Report. At 31 August 2010 the Company made impairment provisions totalling £1,312,000 (2009: £nil) against the carrying value of its investments in these two companies which reduced the investments to the fair value of the disposal consideration.

The Company also made impairment provisions totalling £23,356,000 (2009: £nil) against amounts receivable from OHM Limited. These provisions are based on the known recoverable amounts and are equivalent to 100% of the balances outstanding on certain loans and other amounts due which were forgiven after the balance sheet date. The total of these impairment provisions, which largely eliminate on consolidation, is £24,668,000 (2009: £nil). Refer to note 30 for further details.

17 Inventories

	Group 2010 £'000	Group 2009 £'000
Fuel, at cost	23	23
Stock of spares & consumables	464	584
	487	607

18 Trade and other receivables

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 Restated £'000
Current assets				
Trade receivables	1,708	173	–	–
Less: provision for impairment of trade receivables	–	–	–	–
	1,708	173	–	–
Amounts owed by group undertakings	–	–	2,922	3,893
Other receivables	60	61	–	3
Prepayments and accrued income	597	515	35	6
	2,365	749	2,957	3,902
Non current assets				
Amounts owned by group undertakings	–	–	11,321	23,462
	–	–	11,321	23,462
	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Classification of financial assets:				
Trade receivables	1,708	173	–	–
Other receivables	60	61	–	3
Cash and cash equivalents	3,443	1,043	1,117	136
Amounts owed by group undertakings	–	–	14,243	27,355
Total financial assets classified as loans and receivables at amortised cost	5,211	1,277	15,360	27,494

The directors consider that the carrying amount of financial assets approximates to their fair value.

Notes forming part of the financial statements

continued

18 Trade and other receivables – continued

During the year the Company made impairment provisions of £23,356,000 (2009: £nil) against amounts receivable from one of its subsidiary undertakings, OHM Limited. Refer to note 16 for further details.

The comparative balance sheet has been restated to reflect the separate presentation of non-current assets.

Financial assets:

The Group's interest bearing financial assets comprise cash at bank. There are no fixed rate financial assets for 2010 (2009: none).

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

	Group 2010 £'000	Group 2009 £'000
At the beginning of the year	–	(37)
Repaid during the year	–	16
Written off during the year	–	21
Provided during the year	–	–
At the end of the year	–	–

At 31 August 2010 trade receivables of £14,000 (2009: £49,000) were past due but not impaired.

They relate to clients with no default history. The ageing analysis of trade receivables is as follows:

	Group 2010 £'000	Group 2009 £'000
Not yet due	1,694	124
Overdue by less than one month	14	49
Overdue by between one to two months	–	–
Overdue by between two to three months	–	–
	1,708	173

19 Cash and other receivables

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Cash at bank and on hand	3,443	1,043	1,117	136
Short-term bank deposits	–	–	–	–
Cash and cash equivalents	3,443	1,043	1,117	136
Bank overdraft repayable on demand	–	–	–	–
	3,443	1,043	1,117	136

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 \$476,000 (£309,000), (2009: MYR 85,000 (£15,000)) which is held as security by one bank (2009: one bank, but a different bank) in interest bearing accounts to secure the bank guarantee issued by the bank on the Group's behalf to one of its clients. The guarantee is in respect of one project and the guarantee should expire three months after completion of the contract.

20 Trade and other payables

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Trade payables	1,320	431	122	9
Accruals and deferred income	4,146	2,510	136	159
	5,466	2,941	258	168

Notes forming part of the financial statements

continued

20 Trade and other payables – continued

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Classification of financial liabilities:				
Trade payables	1,320	431	122	9
Accruals	4,146	2,510	136	159
Obligations under finance leases	34	9	–	–
Borrowings – line of credit facility	973	–	–	–
Amounts shown within current liabilities	6,473	2,950	258	168
Obligations under finance leases	63	–	–	–
Borrowings – line of credit facility	324	–	–	–
Total financial liabilities measured at amortised cost	6,860	2,950	258	168

Trade payables and accruals principally comprise amounts outstanding for trade purchases and outgoing costs. The average credit period taken for trade purchases is 31 days (2009: 34 days).

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

The following table sets out the amount, by maturity, of the Group's financial liabilities as at 31 August 2010:

	Less than three months £'000	Three to twelve months £'000	Over twelve months £'000	Total £'000
Trade payables	1,320	–	–	1,320
Accruals	4,146	–	–	4,146
Obligations under finance leases	34	–	63	97
Borrowings – line of credit facility	–	973	324	1,297
	5,500	973	387	6,860

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
Borrowings – line of credit facility	–	–	–	–
	2,950	–	–	2,950

21 Financial instruments

The Group had a number of 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

Notes forming part of the financial statements

continued

21 Financial instruments – continued

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 2010 totalled £5,211,000 (2009: £1,216,000). 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 2010 (2009: 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, and at the balance sheet date the Group had £1,443,000 receivable from one client. This amount was fully recovered after the year end. In 2009 there were no material concentrations of credit risk.

Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currencies, primarily US Dollars, Pounds Sterling and 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 borrowing 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.

If the average Sterling/US Dollar rate had been 25% higher during 2010, the impact on profitability and equity would have been to reduce the Group's post tax losses by approximately £559,000 (2009: reduction £448,000). If the average Sterling/US Dollar rate had been 25% lower during 2010, the impact on profitability and equity would have been to increase the Group's post tax losses by approximately £932,000 (2009: increased £746,000).

If the average Sterling/Norwegian Kroner rate had been 10% higher during 2010, the impact on profitability and equity would have been to reduce the Group's post tax losses by approximately £150,000 (2009: £136,000). If the average Sterling/Norwegian Kroner rate had been 10% lower during 2010, the impact on profitability and equity would have been to increase the Group's post tax losses by approximately £183,000 (2009: £166,000).

If the closing Sterling/US Dollar rate had been 25% higher at 31 August 2010, the impact on equity would have been to reduce shareholders' equity by approximately £4.3 million (2009: £3.2 million). If the closing Sterling/US Dollar rate had been 25% lower at 31 August 2010, the impact on equity would have been to increase shareholders' equity by approximately £7.1 million (2009: £5.4 million). A 10% change in the Sterling/Norwegian Kroner rate at 31 August 2010 or at 31 August 2009 would not have had a significant impact on equity.

Some of the sales by the Group's businesses are to clients in foreign locations. These sales are priced in local Sterling or US Dollars but invoiced in the currencies of the clients involved.

Currency exposure

As at 31 August 2010 and 2009, 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 financial assets £'000	Fixed rate financial assets £'000
Currency exposure of cash and cash equivalents as at 31 August 2010:			
Sterling	471	471	–
Norwegian Kroner	18	18	–
Malaysia Ringgit	59	59	–
US Dollars	2,895	2,895	–
	3,443	3,443	–

Notes forming part of the financial statements

continued

21 Financial instruments – continued

	Total £'000	Floating rate financial 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	–

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 2010, it is estimated that a general decrease of one percentage point in interest rates would increase the Group's post tax losses and reduce its equity by approximately £7,000 (2009: £33,000) and a general increase of one percentage point in interest rates would decrease the Group's post tax losses and increase its equity by approximately £7,000 (2009: £33,000).

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.

In December 2009 the Company entered into a credit line facility for up to \$2 million (£1.3 million) from two of its substantial shareholders. At 31 August 2010 the full amount was drawn down on this facility. This line of credit was guaranteed by a floating charge over all the assets of the Company and its main trading subsidiaries, OHM Limited and Rock Solid Images, Inc. The interest rate is the US prime rate plus 5%.

Financial liabilities

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

Capital

The Group's and Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they 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 and Company set the amount of capital in proportion to risk. The Group and Company manage their capital structure and make 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 2010 the Group drew down on an external borrowing facility. At the year end the Group's borrowing related to this external borrowing facility together with capital finance leases used for the purchase of computer equipment. The Company had borrowings (other than finance leases) of £1,297,000 at 31 August 2010 (2009: £nil).

The Group and Company regard 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) together with cash.

22 Borrowings

	2010 £'000	2010 %	2009 £'000	2009 %
Group and Company				
Analysis of borrowings by currency and average interest rates paid:				
US Dollars	1,297	8.25	–	–

Notes forming part of the financial statements

continued

23 Deferred tax

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Deferred tax liability				
Capital allowances in advance of depreciation	(308)	(638)	–	–
Relating to fair value adjustments on business combination in 2007	(710)	(736)	–	–
Trading losses	308	638	–	–
	(710)	(736)	–	–
Movements on the deferred tax provision were as follows:				
At the beginning of the year	(736)	(724)	–	–
Release to the Consolidated Group Statement of Comprehensive Income	76	76	–	–
Foreign exchange differences	(50)	(88)	–	–
At the end of the year	(710)	(736)	–	–
Unrecognised deferred tax asset				
Carry forward losses (gross)	37,345	24,715	–	–
Unrecognised deferred tax asset	10,722	7,271	–	–

At 31 August 2010, 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 £37,345,000 (2009: £24,715,000).

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 foreseeable future is uncertain.

Temporary differences associated with investments made by the Group

At 31 August 2010 (2009: £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 foreseeable future.

24 Finance leases

	Minimum lease payments 2010 £'000	Future finance charges 2010 £'000	Present value of lease payments 2010 £'000	Minimum lease payments 2009 £'000	Future finance charges 2009 £'000	Present value of lease payments 2009 £'000
Finance leases which expire:						
Within one year	44	(10)	34	14	(5)	9
In the second to fifth years inclusive	68	(5)	63	–	–	–
	112	(15)	97	14	(5)	9
Included in current liabilities			34			9
Included in non-current liabilities			63			–
			97			9

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

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

Notes forming part of the financial statements

continued

25 Operating lease arrangements

	2010 £'000	2009 £'000
Minimum lease payments under operating leases recognised as an expense in the period	3,958	5,427

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:

	2010 £'000	2009 £'000
Within one year	1,517	7,418
In the second to fifth years inclusive	2,197	25,300
	3,714	32,718

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. Both these vessel charter leases are contracted with OHM Limited which the Company disposed of after the balance sheet date. Refer to Note 30 for further details.

26 Share capital

	At 31 August 2010 £'000	At 31 August 2009 £'000
Allotted, called up and fully paid		
90,517,689 (31 August 2009: 43,369,382) ordinary shares of one pence each	905	434
	Ordinary shares of 1p each Number	£'000
In issue at 1 September 2009	43,369,382	434
Issued on 9 September 2009	26,053,743	260
Issued on 2 October 2009	94,564	1
Issued on 8 April 2010	3,475,000	35
Issued on 28 April 2010	17,525,000	175
In issue at 31 August 2010	90,517,689	905

Share Option Plan

At 31 August 2010 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 2010 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	27,606	February 2009 – February 2016	1.00p
1 October 2007	597,343	December 2010 – October 2017	1.00p
1 September 2008	429,842	December 2011 – August 2018	1.00p
14 September 2010	2,816,953	December 2011 – August 2018	1.00p
	3,871,744		

Overall 5,199,707 share options and share awards were outstanding at 31 August 2010.

27 Capital commitments

Group capital commitments approved and committed as at 31 August 2010 were £79,000 (2009: £64,000).

The Company had no capital commitments as at 31 August 2010 (2009: £nil).

Notes forming part of the financial statements

continued

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 2010	Weighted average exercise price (in pence)	Number 2009	Weighted average exercise price (in pence)
At 1 September	2,797,518	60.67	2,823,016	60.13
Granted	2,898,291	1.00	768,258	1.00
Forfeited	(191,036)	1.00	(599,484)	1.00
Expired/lapsed	(210,502)	–	–	–
Exercised	(94,564)	1.00	(194,272)	1.00
At 31 August	5,199,707	33.10	2,797,518	60.67
Exercisable at 31 August	1,357,548		1,452,114	

Of the share options and awards outstanding at 31 August 2010 and 31 August 2009 the exercise prices are as follows:

Share Award Plan	3,871,744	1.00 p	1,469,555	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
	5,199,707		2,797,518	

On 2 October 2009 94,564 shares were issued at a price of one pence for share awards exercised by seven employees. The closing mid market share price on 9 October 2009, which was the date when these new shares were admitted by the London Stock Exchange was 10.5 pence.

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.

The weighted average exercise price of the share options outstanding under the Share Option Plans at 31 August 2010 was 126.70 pence (2009: 126.70 pence) and under the Share Award and Annual Bonus Plans it was one pence (2009: one pence).

Notes forming part of the financial statements

continued

28 Share-based payments – continued

In total, the share options and awards outstanding at 31 August 2010 had a weighted average exercise price of 33.1 pence (2009: 60.67 pence), and a weighted average remaining contractual life of 7.25 years (2009: 6.38 years). In 2010 share awards were granted on 14 September 2009 and the aggregate of the estimated fair values of the share awards granted on this date is £401,000. In 2009 share awards were granted on 1 September 2008 and the aggregate of the estimated fair values of the share awards granted on that date is £187,000. The weighted average fair value of the share awards granted during the year was 14.22 pence (2009: 34.99 pence).

Included in staff costs (note 6), is an expense arising from share based payment transactions of £121,000 (2009: £215,000) all of which relate to the fair value of equity settled share based payments. Of this total £nil (2009: £nil) relates to the Share Option Plans and £121,000 (2009: £215,000) 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. 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 2010 which did not have market related performance criteria.

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

	Used for 2010 Monte Carlo model	Used for 2010 Cox, Ross & Rubinstein binomial model	Used for 2009 Cox, Ross & Rubinstein binomial model
Expected volatility	156%	156%	77%
Expected life	10 years	10 years	10 years
Risk free rate	2.84%	2.84%	4.37%
Dividend yield	Nil %	Nil %	Nil%
Share price	16.5p	16.5p	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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
OHM Limited	23,356	15,254	30	20
OHM US Group Inc.	14,243	12,098	60	–
OHM Surveys Sdn Bhd	3	3	2	–
	37,602	27,355	92	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 £1,620,000 (2009: £1,359,000).

During the year the Company made impairment provisions of £23,356,000 (2009: £nil) against amounts receivable from one of its subsidiary undertakings, OHM Limited. These provisions are equivalent to 100% of the balances outstanding on certain loans and other amounts due which were forgiven after the balance sheet date. Refer to note 16 for further details.

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 £97,000 (2009: £73,000) and receipts of £1,186,000 (2009: £176,000). At the year end there was a balance of £14,000 (2009: £9,000) due to the Group and a balance of £nil (2009: £9,000) payable by the Group.

Notes forming part of the financial statements

continued

29 Related party disclosures – continued

During the year the Group had transactions with various operating subsidiaries of its strategic partner Seatrans. These transactions were in the normal course of business and comprised charges of £3,296,000 (2009:£5,970,000) and receipts of £28,000 (2009:£64,000). At the year end there was a balance of £21,000 (2009:£1,500) due to the Group and a balance of £868,000 (2009: £199,000) payable by the Group.

In December 2009 the Company entered into a credit line facility for up to \$2 million (£1.3 million) from two of its substantial shareholders, Seatrans and East Hill. At 31 August 2010 the full amount was drawn down on this facility. This line of credit was guaranteed by a floating charge over all the assets of the Company and its main trading subsidiaries, OHM Limited and Rock Solid Images, Inc. The interest rate is the US prime rate plus 5%.

Remuneration of key management personnel:

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

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

	2010 £'000	2009 £'000
Short-term employee benefits	500	680
Pension contributions	9	13
Share-based payments	17	12
	526	705

30 Post balance sheet events

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.

During the two month period from the balance sheet date to 2 November 2010 (when the transactions were completed), OHM Limited and OHM Surveys Sdn Bhd made aggregate losses before tax of approximately £1.45 million. These losses will be treated as discontinued operations in the consolidated accounts to 31 August 2011.

At the General Meeting on 1 November 2010 the Company also obtained shareholder approval to raise additional cash of approximately £2.0 million (before expenses of £110,000) through the placing of 20,000,000 new ordinary shares with two substantial shareholders. The Company used part of this cash to repay, in full, the outstanding balance of approximately \$2.0 million on a credit line provided by two substantial shareholders which had been entered into in December 2009. This line of credit was guaranteed by the Company and was secured against all the assets of one of the Group's subsidiary undertakings. The interest rate on this credit line was US prime rate plus 5%.

On 2 November 2010, the Company, OHM Limited and OHM Surveys Sdn Bhd entered into a services agreement for CSEM data acquisition, processing and interpretation services. This was done in order for the Company, OHM Limited and OHM Surveys Sdn Bhd to continue to provide a seamless integrated CSEM service to its clients. Under the terms of this services agreement OHM Limited and OHM Surveys Sdn Bhd agreed to prepay \$3.0 million (£1.95 million) to the Company to secure 2,033 man-days of WISE services at a rate of \$2,200 (£1,427) per day, of which \$1,475 (£957) per day is prepaid with the balance of \$725 (£470) per day payable as the man-days are utilised. WISE services are those services relating to the advanced combination of CSEM data and seismic information to provide analysis of rock and fluid properties.

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

Shareholder information

Company registration number

04329960

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Richard Charles Cooper
Chief Executive Officer
Dr. Lucy Margaret MacGregor
Chief Scientific Officer
Robert Ian Auckland
Chief Financial Officer
Keith Geddes Lough
Non-executive director
Alan Kennedy Faichney
Non-executive director

Secretary

Robert Ian Auckland

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