

Offshore Hydrocarbon Mapping plc

# Annual Report 2007



Science behind the image

OHM will be the authority in integrating CSEM, seismic, and well data to characterise reservoir properties that are critical at all stages in the oilfield life cycle.

OHM's divisions lead in the fields of rock physics and the acquisition and interpretation of CSEM data.

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**Cover image:**

2D resistivity section corendered with coincident seismic from North Falklands Basin survey collected for Rockhopper Exploration plc, 2007.

	Change	2007	2006
Revenue	Up 70%	<b>£17.7m</b>	£10.4m
Pre-tax loss	Down 37%	<b>(£1.0m)</b>	(£1.6m)
Gross profit	Up 116%	<b>£2.9m</b>	£1.4m
EBITDA	–	<b>£0.3m</b>	(£0.1m)
Employee numbers*	Up 133%	<b>114</b>	49

\* As at end of year, including Rock Solid Images

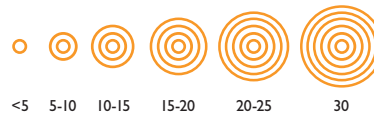
### Global presence

Offices locations and CSEM survey experience



Science behind the image

Number of CSEM surveys conducted



# A vintage year

**Dr. Pierre Jungels CBE**  
Chairman



**The year to 31 August 2007 will be seen in the future as a vintage year for your Company. Controlled Source ElectroMagnetic (CSEM) imaging became a mainstream exploration tool, the Group has emerged unscathed from patent disputes with a competitor, a strategic alliance was formed with CGGVeritas, (the world's largest seismic contractor) and OHM made its first significant acquisition, of Rock Solid Images (RSI). All of these advances bode well for the future.**

Revenue for the year increased by 70% over last year to £17.7 million, and the pre tax loss reduced to £1.0 million.

During the year we raised £24.4 million in three separate placings of new ordinary shares. The funds raised, including a substantial subscription by CGGVeritas, allowed us to finance the acquisition of RSI and provide working capital to invest in building the business while continuing our important research and development efforts. Following the acquisition of RSI, cash balances at the year end amounted to £19 million.

In June 2007 our first dedicated vessel, OHM Express, came into service in Northern Europe. OHM Express, specifically modified for CSEM operations, has already improved our operational uptime and, even more pleasingly, operated at the highest levels of HSE performance. This was recognised by a major client awarding us an HSE safety award.

The performance of the OHM Express, the hard work of our other crew in the South Atlantic Basin, the continuous high level of data processing, modelling and interpretation, as well as some multi-client library sales, together made for strong revenue growth, especially in the fourth quarter.

On the basis of that success, the Board has approved the capital expenditure and the long term charter commitment of a second vessel, the OHM Leader, which will also be modified specifically for CSEM operations. OHM Leader is expected to come into service during the second half of 2008.

When OHM listed on AiM in March 2004 we had two principal medium term objectives: market adoption of the CSEM technique and taking the science of CSEM further to add more commercial value to our offering to clients.

I believe that CSEM is now considered a mainstream exploration tool. It is already being included in exploration licence conditions and will in the next few years be included, as a matter of course, in corporate exploration budget cycles. This is ahead of the typical industry adoption curve.

Our newly formed alliance with CGGVeritas will allow us to access their global marketing strengths and capitalise on opportunities that we may have found difficult to access on our own. CGGVeritas has taken a 15% stake in the Company which I believe demonstrates a faith in the future value of CSEM. CGGVeritas's technical and technology expertise in marine acquisition, seismic processing and equipment design, is likely to open interesting avenues of joint research opportunities, in particular in the field of seismic and electromagnetic offerings to the industry.

On the science, we have also achieved much of what we originally set out to accomplish; integration of CSEM with seismic and the application of CSEM in shallow water or complex geological settings. Our researchers are now developing our thinking in terms of the wider integration of CSEM with other geophysical data such as well log data, 3 and 4D seismic giving quantitative measurement of rock

and fluid properties which will have immense benefits for reservoir characterisation and management. The acquisition of RSI will contribute significantly to this effort.

One of the greatest challenges facing the oil industry is to increase recovery of hydrocarbons from their reservoirs. Massive investment is being made in complex directional well drilling and smart completions. This infrastructure investment will be much more effective if the reservoir is properly monitored and characterised with enough precision and detail to enable these expensive completions to actually drain the hydrocarbons left behind by the initial development. We see this area as a future opportunity for OHM and, in a joint industry project with BP, the Department for Business, Enterprise and Regulatory Reform and the University of Southampton, we have embarked on a study of life of field CSEM monitoring solutions.

Looking forward, reflecting our recent and anticipated growth we are strengthening our senior management team with the appointments of David Flett (Regional Manager Asia Pacific) and Steve Hunt (Chief Operating Officer). We intend to equip and train additional crews, charter further survey ships fit for OHM's purposes and increase our research and development spending, in particular in the domain of Seismic-EM integration, which we see as the next area of growth for your business.

The alliance with CGGVeritas and the purchase of RSI, added to the progress of OHM's own research and development, have transformed your Group into an entity capable of offering worldwide marketing reach, safe and efficient acquisition of CSEM data and ground breaking technologies of the very nature the oil and gas industry needs to explore, develop and produce cost effectively.

It is to the great credit of your management team that they pursued that vision to transform OHM into the Group that it is today.

At the Board level, we benefited from the wise counsel of Jeffrey Garner whilst he was a Director and I thank him for his contribution. Gary Jones, who has served as a non-executive Director for three years has due to his other business commitments, decided not to stand for re-election at the forthcoming AGM and accordingly will be resigning following the announcement of these results. I thank Gary for his loyal and valuable service to the Company and wish him well for the future.

The various committees of the Board were very busy during the year to deliver Corporate Governance of the highest standard whilst the Group was shifting gear. The Nomination Committee, recognising the changes in the Group's future, has begun a review of the Board composition, strength and skill matrix with the intention to support the Group with the appropriate oversight through its next generation of growth.

On behalf of the Board, I thank the whole OHM team of management, staff, strategic partners and suppliers for their sterling efforts in taking the Group forward during the last 12 months.

**Dr. Pierre Jungels CBE**  
Chairman

# Greater adoption

## Introduction

Offshore Hydrocarbon Mapping plc (OHM plc) uses specialist remote sensing information to help our clients to understand the subsurface of the earth. The Company was formed to commercialise the Controlled Source ElectroMagnetic (CSEM) technique which focused on providing information on the nature of electrically resistive bodies in the subsurface as an aid to oil and gas exploration and development. The acquisition of Rock Solid Images, during fiscal year 2007, has added key skills and capabilities to OHM which will allow the Group to lead the market in the integration of CSEM with the seismic and well logging information which oil companies traditionally use to examine their subsurface formations. Our research leads us to believe that there is immense value to be created in this combination.

The Company was founded in 2002 and was floated on the AiM market of the London Stock Exchange in 2004.

## Science behind the image

Offshore Hydrocarbon Mapping's unique capability is to use the Controlled Source ElectroMagnetic surveying technique, often in combination with other geophysical remote sensing techniques, to provide meaningful images of the structure of the earth which can be used in the search for and production of hydrocarbons.

In its simplest embodiment, CSEM can be used to detect anomalous responses associated with resistive bodies in the earth. Complex processing and analysis of these simple field responses is required to provide detailed images of the subsurface to discriminate between signals related to commercial hydrocarbon deposits and those from other geologic or topographic features of the subsurface. By using its unique techniques and software to identify resistive bodies in the earth that correlate in depth and extent to suspected hydrocarbon plays, and having resistivity values consistent with hydrocarbon saturated sediments, OHM are able to reduce significantly the risk of their clients drilling non-commercial wells.

## Operating activity in 2007

Since inception in 2002, OHM's CSEM equipment packages have been designed to be portable enabling us to mobilise them cost effectively to remote locations using commercial sea freight. Once they arrive in a port close to a client's work site, they are mobilised onto locally sourced vessels for the survey operations to be undertaken. Our skilled survey crews fly out to join these vessels and execute the surveys. As industry adoption has progressed, and our order visibility has become greater, it made sense for us to move to securing some dedicated tonnage to meet our offshore survey needs. Accordingly, we entered into a five year charter for OHM Express, our new flagship.

At 110 metres long, the OHM Express is a relatively large vessel and has a hull designed for voyages in the rough sea conditions prevalent in higher attitude seas. This affords her excellent sea keeping capabilities and provided an excellent foundation for a purpose designed conversion that has resulted in a safe, comfortable operating platform for our CSEM surveys. The vessel entered service in June 2007 conducting surveys in the North Sea, northern Norway, and the North Atlantic. To date, the OHM Express has exceeded our expectations in terms of economy and efficiency.

Elsewhere, our crews performed work in West Africa and in the Falkland Islands. Our work programme in the Falkland Islands was hampered by extraordinarily bad weather during the southern hemisphere summer season. This caused the survey to be extended beyond the time for which we had the

original vessel chartered. The changeover of vessel that this necessitated impacted on the profitability of that contract and without this our results for the year would have been even better.

Workloads for our data processing groups in Houston and Aberdeen have remained extremely high, working on data acquired by our own field crews as well as applying OHM's ever advancing processing and analysis techniques on a contract basis to clients who wish to enhance data acquired on earlier contracts or by other contractors.

Our recruitment and training programme has produced a good flow of qualified personnel to support both our offshore operations and onshore processing groups and we are particularly pleased with this achievement given the competition for personnel created by an overheated oil and gas industry.

## Rock Solid Images

Rock Solid images (RSI) joined the group in the last weeks of our 2007 fiscal year and so made only the smallest of contributions to our 2007 results.

RSI is the industry leader in the application of rock-physics for integrating and calibrating seismic and borehole data to provide geologic insight and reservoir understanding at all stages of the oilfield lifecycle.

RSI was founded in November 1998 though the merger of The Discovery Bay Company, Seismic Research Corporation and PetroSoft, Inc. RSI offers a range of products and services including seismic and well data conditioning, seismic inversion for rock and fluid properties and software for rock-physics, seismic modelling and seismic attribute calculation and classification.

Unique to Rock Solid Images is our LFP (Lithology and Fluid Prediction) consortium. This consortium has been in continuous existence, under a variety of names, since early 1991. 2007 saw the launch of Phase II of our LFP project with 18 oil-industry sponsors supporting our research in rock-physics, seismic modelling and well-seismic integration.

In 2005, OHM and RSI commenced work together on the integration of CSEM and seismic data. We found that OHM and RSI have much in common; a similar culture of high quality science coupled with exceptional customer service. Initial joint research gave intriguing insight into the potential for total rock and fluid property measurement from the intelligent combination of CSEM and seismic data and led to some early patent applications. OHM's management believe that this combination will create new products with exciting application in reservoir management and enhanced recovery from our clients' oil and gas reservoirs. This is the justification for the strategic acquisition of Rock Solid Images.

We have announced to industry the launch of our WISE project (Well-driven Integration of Seismic and EM data) for the development of technology, products and services in this important new area and this has met with a high level of industry interest.

## Safety and the environment

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

**Dave Pratt**  
Chief Executive Officer



It is a testament to the dedication of all that we have, for the sixth successive year, achieved our goal of conducting our operations without significant injury, lost time incidents or accidental damage to our environment. In 2007 we were also grateful to have received awards from some of our clients for our HSE performance.

### Research and Development

OHM's industry leading capabilities are driven by the Group's efforts in research and development. In Dr. Lucy MacGregor and her team we have assembled a group of the leading researchers in our field.

Our research efforts over the past years have focused on initiatives to improve the images of the earth that CSEM provides and to widen the application of the method to a wider set of geological environments. We lead the market in our ability to conduct CSEM operations in a full range of water depths and to produce images of complex resistive structures in complex basins.

This work goes on apace, but the addition of Rock Solid Images heralds an extra layer of research that will focus on the derivation and quantitative measurement of rock and fluid properties from surface geophysical measurements. Co-operations between the research groups of OHM and RSI over the last two years has already revealed exciting benefits from the intelligent combination of CSEM and seismic measurements of the same piece of the subsurface. Our joint industry research project with BP and the UK's Department for Business Enterprise and Regulatory Reform is also contributing vital knowledge and understanding in this area, and is a guiding force in assisting us to prioritise research for the maximum commercial benefit.

Rock Solid Images have successfully attracted a number of leading oil companies to their Lithology and Fluid Prediction Consortium. This client involvement is a valuable tool in accelerating the adoption of new technology within oil companies whilst making a valuable contribution to the costs of research. We are widening this concept with the launch of our WISE consortium which will focus on the role that integrated seismic and CSEM can play in developing understanding of subsurface rock and fluid properties.

All of this research has valuable impact on our ability to provide enhanced subsurface understanding to our exploration clients. This will enable us to stay far ahead of those that seek to enter the CSEM market. The potentially bigger prize though is the possibility of developing a significant new market in applying CSEM, integrated with seismic, to reservoir monitoring and management. The oil industry produces only about one third of the oil and gas that it discovers. Studies to date have shown that reservoir monitoring and management strategies can significantly increase the recovery of reserves. The seismic technique has been used to provide time lapse images of reservoirs as they are produced, but we believe the integration of CSEM data into these studies will enable a significantly more complete understanding of the subsurface performance of the reservoir.

### Intellectual Property

The work conducted by OHM's researchers led to a number of patent filings in the course of the year adding to OHM's growing portfolio of intellectual property rights in the CSEM space. OHM's intellectual property strategy is to patent instrumentation, processes and applications that improve the effectiveness of the CSEM technique. A competitor has, for a number of years, pursued a general method patenting strategy in this area. OHM has always contended that these general method patent applications were flawed mainly due to the

amount of information relating to the technique that was published by academics before the commercialisation phase began. The decision during the year by the European Patent Office to reject one of these applications seems to support OHM's viewpoint.

### Financial review

The growth trend that we saw in our 2006 fiscal year has continued through 2007. Our revenues for the second half of the year were £10.1 million, building on the £7.6 million of the first half year. This total revenue for OHM's traditional businesses of £17.6 million represents a 69% growth over the £10.4 million achieved in fiscal 2006. In addition, we had a revenue contribution of £0.1 million resulting from nine days of trading at Rock Solid Images whose acquisition closed near the end of the fiscal year.

Strong performance in our proprietary, full service survey activities and advanced data processing groups compensated for a shortfall in data library sales driven by the postponement by the Norwegian authorities of the 20th Offshore Exploration Licensing round. We anticipate that these sales will flow through now in fiscal 2008.

The gross profit contribution rose to £2.9 million for fiscal 2007 (from £1.4 million a year earlier) representing 17% of revenue (2006: 13% of revenue). Operating margins continued to remain under pressure from rising costs of chartering vessels on the spot market in a tight shipping market and were further impacted by the cost of sending an additional vessel to complete work in the Falkland Islands which overran due to unusually high weather downtime experienced during the southern hemisphere operating season. However, the introduction of the OHM Express on long term charter improved operating margins in our offshore operations considerably and contributed towards a second half gross profit of £2.2 million (22% of revenue) for the Group.

Overheads rose from £2.8 million to £4.0 million as the Group increased its investment in staff and geared up for further growth.

The progress made during fiscal 2007 has reduced the loss before tax to slightly under £1.0 million from £1.6 million in 2006 and we were pleased to see a net profit of £0.2 million in the second half of the year following the £1.2 million loss reported in our Interim Accounts.

The Group has adopted International Financial Reporting Standards, as approved for use by the European Union in preparing these Accounts and a reconciliation to the figures previously reported under UK GAAP has been included in note 32. The financial impact of adopting IFRS on the Group's Income Statement and Balance Sheet has not been significant. The main areas where adjustments have been made relate to the accounting for intangible assets, such as patent protection costs and internally generated software and accounting for share based payments (such as share options and awards) made to the Group's employees. The net impact of these conversion adjustments was to increase total shareholders' equity at 1 September 2006 by £0.2 million to £7.2 million.

The Group's cash balance was a healthy £19.0 million following successful fund raisings during the year. Some of this money is already committed to capital expenditure on equipment for our third data acquisition crew, which is currently under construction. We anticipate that we will bring this crew into service at the start of the North Sea operating season in May of 2008 and are preparing for a fourth crew to follow closely behind if market demand continues to grow as anticipated. The Group should move to sustained profitability with the third crew in operation with profits growing as more crews are added thereafter.

### Principal risks and uncertainties

The 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 sales strategies and by patenting key elements of its technology. It invests in research and development to maintain its lead over its competitors. A number of oil service companies have indicated intent to enter the Group's core offshore electromagnetic market and accordingly earnings could be impacted if these companies succeeded in developing a competitive offering which captured market share.

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

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

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

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

In the past there have been challenges to the Group's freedom to operate resulting from a competitor attempting to enforce intellectual property rights. The Group invests in the 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 severe restrictions on its operations.

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

### Trading outlook

The progressive adoption of our core CSEM technology by the exploration industry is leading us to change some of our business practices. In the early phases of technology adoption our customer base was a small number of technology focused oil companies, and we were able to focus on them with a small sales group. As industry adoption increases, the number of client companies that we have to address is growing significantly and we are expanding our sales force to cope with this. To boost further our sales efforts, we have entered into an alliance with CGGVeritas, a global provider of seismic services. Under this alliance, we have access to CGGVeritas' global sales and marketing reach together with a truly global logistics support network. More importantly, we will access their long term relationships with key clients including the prestigious national oil companies that we anticipate as being significant clients for the future.

Following our fund raising during the year, we are well advanced with building the equipment and training the personnel necessary to launch our third marine CSEM crew which we plan to bring into service at the start of the North Sea "season" in May 2008. Work is also scheduled to commence on the equipment for our fourth crew which will follow a few months behind by which time we hope to be seeing tangible benefits from our CGGVeritas relationship.

A number of companies have indicated a desire to enter the offshore electromagnetic market and we monitor this situation closely. We believe that the time and cost to develop industrial instrumentation together with the rarity of experienced EM practitioners represent extremely high barriers to entry. In addition, our research and development efforts continue to improve the quality of our offering, constantly raising the bar in industry requirements. Where appropriate, OHM applies for patent protection for this differentiation and our awarded patent portfolio continues to grow.

Rock Solid Images' traditional business area is seeing strong demand for its services, especially the inversion of seismic data. We are recruiting and training more staff in this area to meet this demand. Our research on the integration of EM data with seismic and well log data is creating exciting opportunities and we hope to see commercial products coming to market in this area within our 2008 fiscal year leading to further growth at RSI.

We seek in 2008 to continue the growth in revenues and improvements in profitability achieved over the last two years. We are fortunate in having a dedicated team of professional staff whose efforts have delivered our growth to date and who are eagerly anticipating the challenges ahead.



**Dave Pratt**  
Chief Executive Officer

19 November 2007

# Continuing growth and expansion – 2007

**OHM has seen significant and sustained growth and development on many fronts throughout the last financial year.**

On a strategic level, OHM formed an alliance with CGGVeritas and acquired Houston-based Rock Solid Images.

In operations, OHM completed its first sub-basalt survey proving the technology in that geology, the OHM Express vessel came into service and our proprietary and multi-client CSEM survey acquisition operations continued around the world.

Our industry leading research and development team continued to develop and widen the applications of our technology, and investment in recruitment and training programmes continued producing a good flow of qualified personnel.

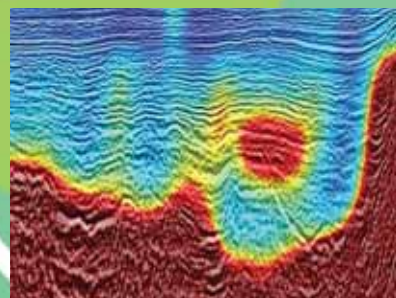
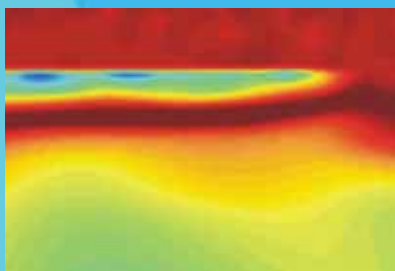


**Summer 2007**  
Record number of successfully completed client surveys in North West Europe season

**March 2007**  
First complex geology case study published  
*The Leading Edge*

**January 2007**  
BP/Department for Business, Enterprise and Regulatory Reform/UoS/OHM research consortium launched

**August 2006**  
First sub-basalt survey





**August 2007**  
CGGVeritas strategic alliance

**August 2007**  
Acquisition of Rock Solid Images



**July 2007**  
World's first purpose converted CSEM  
survey vessel launched



**June 2007**  
Publication of landmark bathymetric  
inversion research



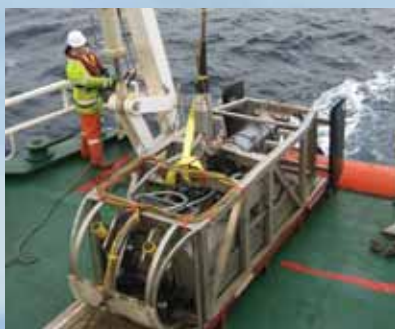
**May 2007**  
Dr. Lucy MacGregor awarded SEG  
Distinguished Achievement Award for  
contribution to commercialisation of CSEM



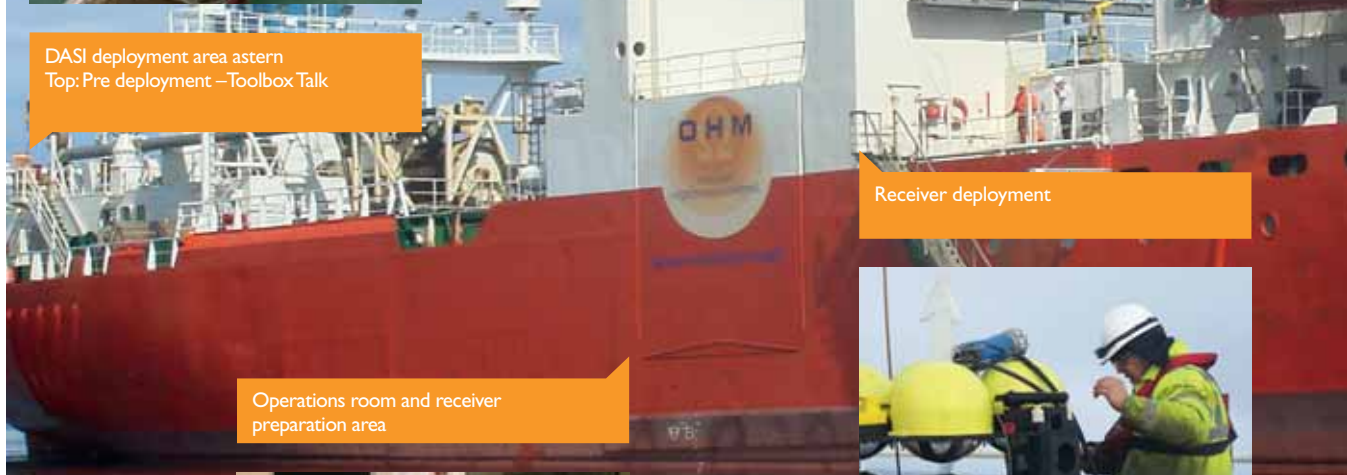
# Setting industry standards – OHM Express



Experienced CSEM crew



DASI deployment area astern  
Top: Pre deployment –Toolbox Talk



Receiver deployment



Operations room and receiver preparation area





Bridge

The introduction of the **OHM Express**, the world's first purpose designed and converted CSEM survey vessel has set industry standards and enables more efficient, economic and safe survey operations.

Entering service in June 2007, the vessel offers clients unmatched levels of operating range, survey ability, safety and speed of delivery of results.

The ability to conduct safe operations in rough sea conditions was integral to the design of the vessel. Crew and client representatives enjoy first-class standards of accommodation, facilities and communication capabilities.



#### OHM Express specification in brief:

##### Principal Dimensions:

Length:	110m
Beam:	17.5m
Draught:	5.5m

##### Registry and classification:

Flag:	Bahamian
Classification:	DnV+IAI, Ice CEO EO DK (+) PWDK

##### Capabilities:

Transit speed:	15 knots
Dynamic positioning:	Kongsberg
Endurance:	70-75 days

##### Accommodation:

Cabin space:	39 berths
Cabin facilities:	En-suite Wi-Fi enabled

##### Satcom communication:

Voice:	Sat B/Vsat/GSM
Fax:	Sat B/Vsat/GSM
Data:	Vsat/GSM



Conference Room



Engineering preparation area

# Integration – Rock Solid Images



**People**  
Dedicated and experienced in rock physics



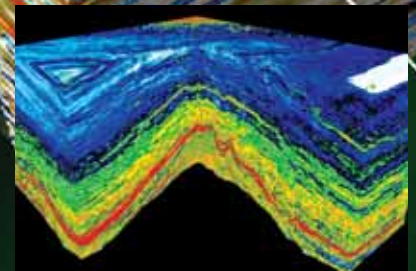
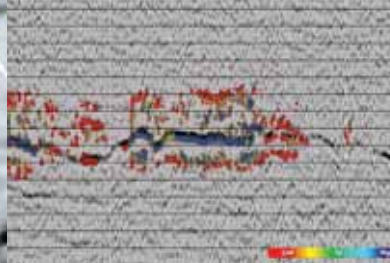
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Rock Solid Images is the industry leader in the application of rock-physics for integrating and calibrating seismic and borehole data to provide geologic insight and reservoir understanding at all stages of the oilfield lifecycle.

OHM's acquisition of the company is driven by the belief that highly valuable information can be gained from the intelligent combination of CSEM and seismic data, calibrated where possible by well log information.

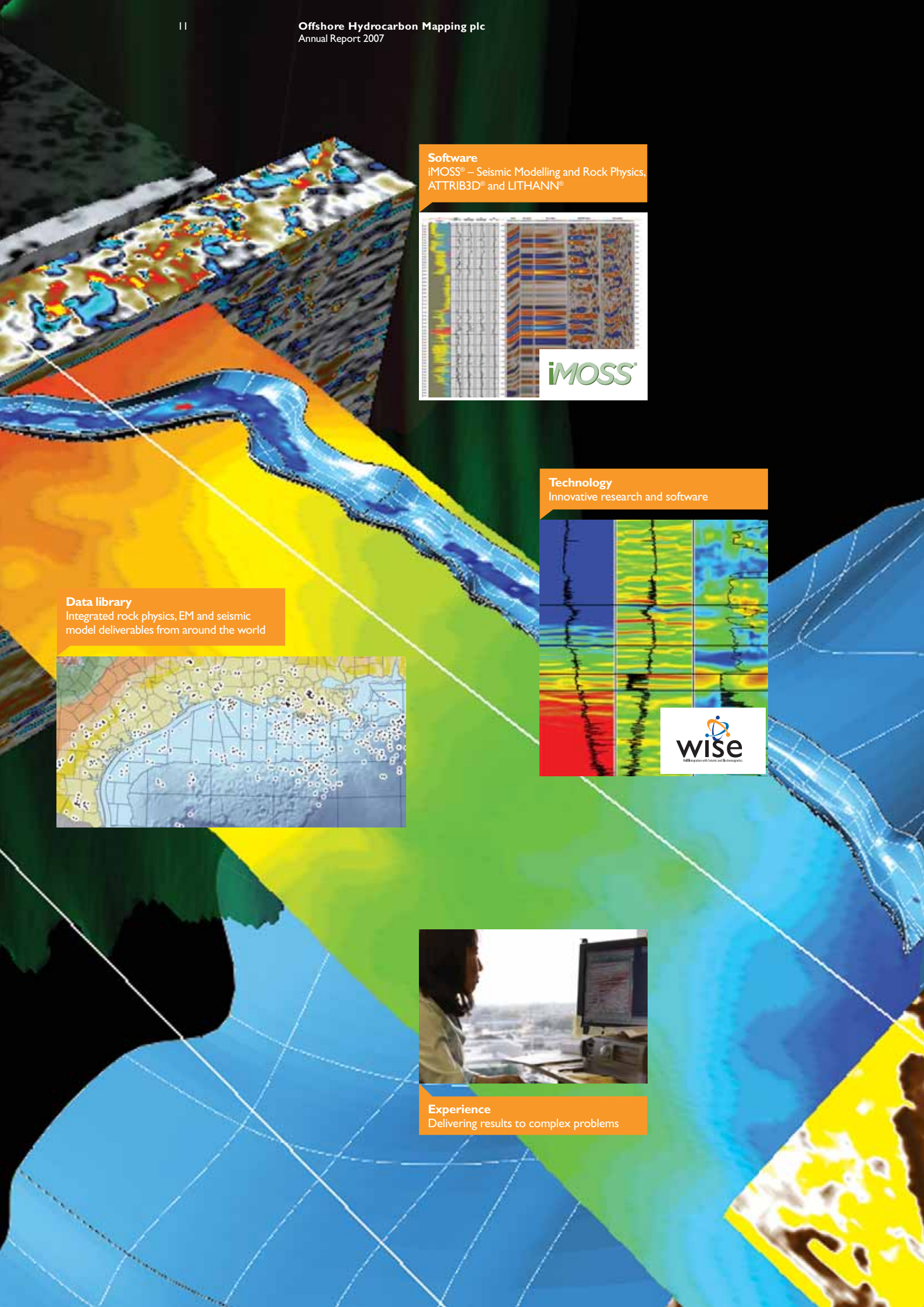
OHM and Rock Solid Images' researchers consider that these two remote sensing measurements are completely complimentary and, when properly combined, can lead to quantitative measurement of important rock and fluid properties such as permeability and hydrocarbon saturation.

**Integration**  
Bringing together EM, seismic and well data

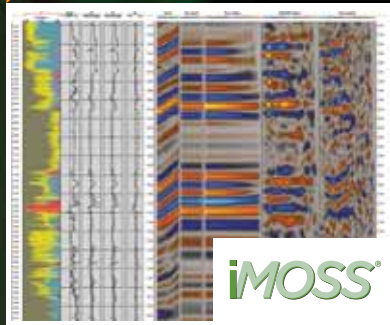


**Quantitative Interpretation Services**  
World class inversion and rock physics





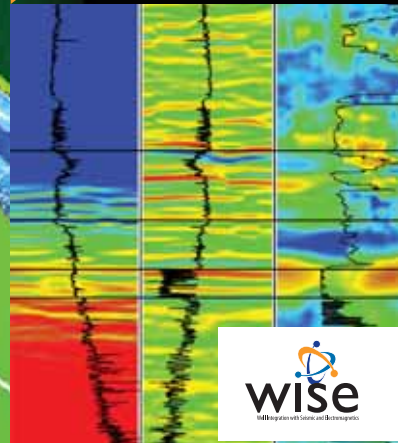
**Software**  
iMOSS<sup>®</sup> – Seismic Modelling and Rock Physics,  
ATTRIB3D<sup>®</sup> and LITHANN<sup>®</sup>



**Data library**  
Integrated rock physics, EM and seismic  
model deliverables from around the world



**Technology**  
Innovative research and software



**Experience**  
Delivering results to complex problems

**1 Dr. Pierre Jean Marie Henri Jungels CBE 63**

**Non-executive Chairman**

Pierre, a certified engineer, has a PhD in geophysics and hydraulics from the California Institute of Technology. He has over 30 years' experience in the oil industry, 13 of which have been served at main board level, including appointments as Chief Executive of Enterprise Oil plc and Managing Director roles at PetroFina and British Gas. He currently holds non-executive directorships at Woodside Petroleum Ltd, Baker Hughes Inc., and Imperial Tobacco plc together with executive chairmanship of Rockhopper Exploration plc and Oxford Catalyst plc. He was twice President of the Institute of Petroleum.

**2 David Charles Newall Pratt 48**

**Chief Executive Officer**

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

**3 Dr. Lucy Margaret MacGregor 35**

**Chief Scientific Officer**

Lucy has over twelve years' experience as a leading researcher in CSEM and its application to the detection and characterisation of fluids in the earth, and leads the Company's Research and Development group. 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.

**4 Robert Ian Auckland 47**

**Chief Financial Officer**

Bob was previously Financial Director and Company Secretary of JW Holdings Ltd 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 Gary Ernest Jones 53**

**Non-executive director**

Gary has a BSc in geological engineering from the University of Arizona and an MSc in geophysics also from the University of Arizona. He has over 20 years' experience in the oil and gas industry including recent appointments as President of Western-Geco, President of Western Geophysical, Vice President of Baker Hughes, President of Baker Atlas and Vice President, Corporate Business Development, WAIL. He is currently the owner of Earthworks, Inc, a consulting company and is Non Executive Chairman of ArkEx Ltd.

**6 Keith Lough 48**

**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 Ltd, a private-equity funded energy company.



The directors present their report together with the audited financial statements for the year ended 31 August 2007. The Remuneration Report and the Corporate Governance Report on pages 16 to 20 have not been subject to audit, as these have been prepared voluntarily.

### Principal activities and business review

The Company's principal activity is that of the provision of electromagnetic remote sensing services to the oil and gas exploration and production industry.

RDSP Acquisition, Inc was acquired in the year and the principal activity of the subsidiary is to provide data, technologies, and expertise to maximise existing investment in oil and natural gas well, electromagnetic and seismic data by transforming qualitative interpretations into quantitative results.

The Company and its subsidiaries, contract with oil companies internationally to conduct feasibility studies, plan and execute surveys, and process and interpret the resultant data.

The Chairman's Statement and the Chief Executive's Review describe the significant developments in the business of the Group during the financial year and its future prospects.

### Research and Development

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

### Results and dividends

The Group made a loss after taxation for the year ended 31 August 2007 of £1,057,000 (2006: loss of £1,666,000). The directors do not recommend the payment of a dividend (2006: nil).

### Directors

The names of the directors who held office during the year ended 31 August 2007 are as follows:

#### Executive directors

David Charles Newall Pratt  
Dr. Lucy Margaret MacGregor  
Robert Ian Auckland

#### Non-executive directors

Dr. Pierre Jean Marie Henri Jungels CBE  
Gary Ernest Jones  
Keith Lough

Landon Clay also served as a non-executive director during the year but resigned on 17 October 2006. Jeffery Scott Garner was appointed as a non-executive director on 17 October 2006 but resigned on 23 September 2007.

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 Remuneration Report on pages 16 to 18.

### Substantial shareholders

In addition to the directors' beneficial interests shown on page 17, as at 31 August 2007 the Company had been advised of the following shareholders with interests of 3 per cent or more in its ordinary share capital.

Mr. Landon T Clay and Associates	7,892,419	18.51%
Compagnie Générale de Géophysique – Veritas S.A.	6,395,571	15.00%
Southampton Asset Management Ltd	3,891,580	9.13%
Fidelity International Ltd	3,154,965	7.40%
Lehman Brothers International (Europe)	2,043,000	4.79%
Dr. Lucy M. MacGregor	1,552,300	3.64%
Professor Martin Sinha	1,307,300	3.07%

### Share capital

During the year the Company raised £24,376,000 of cash (net of issue costs) by placing 12,587,496 ordinary shares of 1 pence each.

	Number of shares issued	Issue price pence	Net amount raised after issue costs £'000
29 November 2006	1,500,000	125.0	1,799
17 August 2007	6,395,571	240.0	15,349
17 August 2007	2,765,573	275.0	7,228
Between 17-22 August 2007	1,926,352		
	<b>12,587,496</b>		<b>24,376</b>

The 1,926,352 ordinary shares of 1 pence each which were issued between 17-22 August 2007 were used as part of the consideration for the acquisition of RDSP Acquisition, Inc. Further details of this acquisition are set out in note 27 to the financial statements.

### 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 2007 represents 49 days worth, as a proportion of the total amount invoiced by suppliers during the year ended on that date. The Company has no trade creditors.

**Charitable and political donations**

The Group made no charitable donations during the year (2006: £nil) and no political donations during the year (2006: £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 309B of the Companies Act 1985. 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 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 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 event**

On 17 September 2007, Mr. David Pratt, Chief Executive Officer, exercised 457,267 share options.

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

**Going concern**

After making enquiries, the directors 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.

**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 1985) 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 Stoy Hayward LLP have 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

19 November 2007

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors have chosen to prepare financial statements for the group and the company in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

A fair presentation also requires the directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Financial statements are published on the Group'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 Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

This report, which has not been audited, has been voluntarily prepared so as to comply so far as the Board considers appropriate for a group of this size, with the Listing Rules, the Combined Code and the Companies Act 1985 (as amended by the Directors Remuneration Report Regulations 2002). The Company's remuneration policy is the responsibility of the Remuneration Committee. The Committee is chaired by Gary Jones and also comprises Keith Lough. 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.

#### Pensions

David Pratt, Dr. Lucy MacGregor and Bob Auckland are entitled to an agreed proportion of annual salary which is paid directly into personal money purchase pension plans. This contribution is £10,720 for David Pratt, £5,916 for Dr. Lucy MacGregor and £9,067 for Bob Auckland.

#### Share options

The directors believe that the success of the Company depends to a high degree on the future performance of the management team. Accordingly the Company has entered into option agreements with its executive directors and certain key employees through the Company's approved Management Incentive Scheme and unapproved share option scheme. Executive options are granted at the middle market price of the Company's shares on the date of grant, or in respect of options granted before the Company's shares were publicly traded, at the directors' best estimate of fair value at the date of grant.

#### 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

Dr. Pierre Jungels, Keith Lough and Gary Jones each receive a fixed fee for services, which covers preparation for and attendance at meetings for the full Board and all committees thereof. Landon Clay and Jeffery Garner who also served as non-executive directors during the year received a fixed fee for their services. The non-executive directors are also reimbursed for all reasonable expenses incurred in the performance of their duties. Non-executive directors are not entitled to participate in any of the Group's incentive schemes, including the Share Option Schemes, Share Award Plans and bonus schemes. The executive directors are responsible for setting the level of non-executive remuneration.

#### c) Service contracts

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

Executive directors may accept limited outside non-executive appointments.

**Directors' emoluments (unaudited)**

The following information has not been subject to audit.

The aggregate remuneration received by directors who have served during the year was as follows:

	Base Salary £	Bonuses £	Fees £	Benefits £	Total (excl. pension) £	Pension £	Total (incl. pension) 2007 £	Total (excl. pension) 2006 £	Pension 2006 £	Total (incl. pension) 2006 £
<b>Executive</b>										
David Pratt <sup>(1)</sup>	170,000	30,000	–	1,271	201,271	10,720	211,991	151,084	9,600	160,684
Dr. Lucy MacGregor	90,667	10,000	–	352	101,019	5,916	106,935	80,302	5,220	85,522
Bob Auckland	90,667	20,000	–	1,213	111,880	9,067	120,947	45,515	4,523	50,038
<b>Non executive</b>										
Dr. Pierre Jungels	50,000	–	–	–	50,000	–	50,000	50,000	–	50,000
Landon Clay <sup>(2)</sup>	–	–	644	–	644	–	644	5,000	–	5,000
David Norwood	–	–	–	–	–	–	–	2,217	–	2,217
Jeffery Garner <sup>(3)</sup>	–	–	5,000	–	5,000	–	5,000	–	–	–
Keith Lough	20,000	–	–	–	20,000	–	20,000	20,000	–	20,000
Gary Jones	20,000	–	–	–	20,000	–	20,000	20,000	–	20,000
<b>Total</b>	<b>441,334</b>	<b>60,000</b>	<b>5,644</b>	<b>2,836</b>	<b>509,814</b>	<b>25,703</b>	<b>535,517</b>	<b>374,118</b>	<b>19,343</b>	<b>393,461</b>

(1) David Pratt was the highest paid director during the year ended 31 August 2007.

(2) Landon Clay resigned from the Board on 17 October 2006

(3) Jeffery Garner was appointed to the Board on 17 October 2006 and resigned on 23 September 2007.

**Directors' interests in ordinary shares**

The directors who held office at 31 August 2007 had the following interests in the ordinary shares of the Company:

	2007 Number of shares	2006 Number of shares
David Pratt	255,347	255,347
Dr. Lucy MacGregor	1,552,300	1,552,300
Bob Auckland	17,500	–
Dr. Pierre Jungels	167,504	167,504
Jeffery Garner	43,953	–
Keith Lough	50,000	50,000
Gary Jones	44,330	44,330

On 17 September 2007 David Pratt exercised 457,267 share options and on 19 September 2007 sold these along with the 255,347 shares he already held to Landon Clay and his affiliated interests (together the 'Clay Affiliates'). On the same day Dr. Lucy MacGregor sold 712,614 shares to the Clay Affiliates.

There has been no other change in the interests set out above between 31 August 2007 and 19 November 2007.

**Directors' options and share awards (unaudited)**

The following information has not been subject to audit.

The executive directors have the following interests in options over the shares of the Company under the Group's Share Option Scheme and Share Award Plan.

	At 1 September 2006	Granted During the year	(Lapsed) Exercised during the year	At 31 August 2007	Exercise price (p)	Earliest exercise date	Expiry date
David Pratt							
28/11/02	457,267	–	–	<b>457,267</b>	7.10	28/11/03	27/11/12
01/03/04	940,008	–	–	<b>940,008</b>	170.00	01/03/05	28/02/14
01/02/06	110,016	–	–	<b>110,016</b>	1.00	01/02/09	01/02/16
01/12/06	–	76,252	–	<b>76,252</b>	1.00	01/12/09	01/12/16
Dr. Lucy MacGregor							
01/12/03	211,546	–	(70,515)	<b>141,031</b>	29.81	01/12/04	30/11/13
01/02/06	58,675	–	–	<b>58,675</b>	1.00	01/02/09	01/02/16
01/12/06	–	40,668	–	<b>40,668</b>	1.00	01/12/09	01/12/16
Bob Auckland							
01/02/06	58,675	–	–	<b>58,675</b>	1.00	01/02/09	01/02/16
01/12/06	–	40,668	–	<b>40,668</b>	1.00	01/12/09	01/12/16

These options have been granted under:

- 1) the Company's Enterprise Management Incentive option scheme (EMI),
- 2) unapproved share option scheme, and
- 3) Share Award Plan.

The option granted to David Pratt on 28 November 2002 vested in three equal tranches on the first, second and third anniversaries of the date of grant. As mentioned above, David Pratt exercised these 457,267 options on 17 September 2007.

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

The options granted to Dr. Lucy MacGregor vest in three equal tranches upon the satisfaction of performance criteria agreed between Dr. Lucy MacGregor and the Remuneration Committee.

The share awards granted to David Pratt, Dr. Lucy MacGregor and Bob Auckland on 1 February 2006 under the Company's Share Award Plan vest on 1 February 2009 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 2007 was 270.00 pence. The high and low market prices during the year were 300.00 pence and 85.62 pence respectively.

Apart from the interests disclosed above, none of the directors had any interest at any time during the year ended 31 August 2007 in the share capital of the Company or its subsidiaries.

By order of the board

**Gary Jones**

Chairman of the Remuneration Committee

19 November 2007

The Board supports the principles of corporate governance contained in the Combined Code on Corporate Governance issued in June 2006 by the Financial Reporting Council. The Company is moving towards voluntarily applying the principles of the Combined Code as indicated below.

### The Board

The Group's business is managed by the Board of Directors. The full Board meets regularly, and met a total of six times during the year ended 31 August 2007. 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 and budget, 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 12. The Company has a separate Chief Executive Officer and Chairman. Dr. Pierre Jungels, Gary Jones and Keith Lough are considered by the Board to be free from any business or other relationship that could materially impact their independent judgement. The 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), Gary Jones and Dr. Pierre Jungels. As noted above all three 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 Gary Jones (Chairman), Keith Lough and Dr. Pierre Jungels. As noted above, all three 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 Remuneration Report on pages 16 to 18.

#### Nomination Committee

The Nomination Committee meets as and when required. It considers the appointment of both executive and non-executive directors and makes recommendations to the Board. It comprises Dr. Pierre Jungels (Chairman), Keith Lough and Gary Jones, and as noted above, all three 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 Dr. Lucy MacGregor and David Pratt will submit themselves for re-election, having either retired by rotation or having been appointed since the last Annual General Meeting.

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

#### Board balance and independence

During the year and up to the date of this Report, the Board continued to be of the opinion that Dr. Pierre Jungels, Keith Lough and Gary Jones were independent within the meaning of the Code. On 28 March 2007, Dr. Pierre Jungels was appointed as the Senior Independent Director and carried out this role up to the date of this report.

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

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

	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Executive</b>				
David Pratt Chief Executive Officer	6	2	2	1
Dr. Lucy MacGregor Chief Scientific Officer	5	–	–	–
Bob Auckland Chief Financial Officer	6	2	2	1
<b>Non-executive</b>				
Dr. Pierre Jungels Non-executive Chairman	6	2	2	1
Keith Lough	5	2	2	1
Gary Jones	6	2	2	1
<b>Former directors</b>				
Landon Clay	1	–	–	–
Jeffery Garner	5	–	–	–
Total number of meetings	6	2	2	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 David Pratt who is Chairman of the Company's HSE Committee. Two other executive directors, Dr. Lucy MacGregor 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 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 Stoy Hayward 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.

### 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 12.00noon on 19 December 2007 at the office of KBC Peel Hunt Ltd, 111 Old Broad Street, London EC2N 1PH, is enclosed with this report. Details of the resolutions and explanatory notes thereon are included with the Notice along with a proxy form for members of the Company unable to attend.

The Chairman, who is also the Senior Independent Company Director, meets with major shareholders during the year to develop an understanding of their views about the Company.

The Group's website [www.OHMsurveys.com](http://www.OHMsurveys.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.

### Statement of compliance

The directors are satisfied that the Company is now voluntarily complying, so far as the Board considers appropriate for a group of this size, with the Code provisions set out in section I of the Combined Code on Corporate Governance issued in June 2006 by the Financial Reporting Council.

By order of the Board



**Bob Auckland**  
Company Secretary

19 November 2007

## To the shareholders of Offshore Hydrocarbon Mapping plc

We have audited the Group and parent company financial statements (the "financial statements") of Offshore Hydrocarbon Mapping plc for the year ended 31 August 2007 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cashflow Statement, the Consolidated and Company Statements of Changes in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, Chairman's Statement, Chief Executive's Review, Remuneration Report and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 August 2007 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 August 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

## BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors  
Glasgow

19 November 2007

## Consolidated group income statement

	Note	2007 £'000	2006 £'000
<b>Revenue</b>		<b>17,731</b>	10,422
Cost of sales		14,790	9,059
<b>Gross profit</b>		<b>2,941</b>	1,363
Administrative expenses		4,037	2,808
Other expenses – loss on disposal of fixed assets		47	301
<b>Group operating loss</b>	5	<b>(1,143)</b>	(1,746)
Finance income	8	154	168
Finance costs	9	(9)	–
<b>Loss before taxation</b>		<b>(998)</b>	(1,578)
Income tax expense	10	(59)	(88)
<b>Loss for the period</b>		<b>(1,057)</b>	(1,666)
<b>(Loss)/earnings per ordinary share</b>	11		
Basic		<b>(3.35)p</b>	(5.54)p
Diluted		<b>(3.35)p</b>	(5.54)p

All amounts relate to continuing activities.

## Consolidated group balance sheet

	Note	2007 £'000	2006 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	13	10,229	–
Intangible assets – multi-client data library	14	2,241	798
– software	14	2,089	147
– patent costs	14	746	176
– consortium fees	14	152	–
Plant and equipment	15	5,228 2,435	1,121 2,791
		17,892	3,912
<b>Current assets</b>			
Inventories	17	634	152
Trade and other receivables	18	4,682	2,216
Cash and cash equivalents	19	18,968	3,439
		24,284	5,807
<b>Total assets</b>		<b>42,176</b>	<b>9,719</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	5,196	2,498
Current tax liabilities		102	60
Finance leases	24	73	–
		5,371	2,558
<b>Non current liabilities</b>			
Deferred tax liabilities	23	717	–
Finance leases	24	42	–
Other liabilities	22	89	–
		848	–
<b>Total liabilities</b>		<b>6,219</b>	<b>2,558</b>
<b>Net assets</b>		<b>35,957</b>	<b>7,161</b>
<b>Equity</b>			
Share capital	26	426	300
Share premium		36,447	12,178
Share based payments reserve		848	496
Merger reserve		5,355	–
Retained earnings		(6,905)	(5,813)
Cumulative translation reserve		(214)	–
<b>Total shareholders' equity</b>		<b>35,957</b>	<b>7,161</b>

The financial statements were approved by the board of directors and authorised for issue on 19 November 2007 and are signed on its behalf by:



**D C N Pratt**  
Director



**R I Auckland**  
Director

## Company balance sheet

	Note	2007 £'000	2006 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets investments	16	5,780	1
		5,780	1
<b>Current assets</b>			
Trade and other receivables	18	36,443	12,577
		36,443	12,577
<b>Total assets</b>		<b>42,223</b>	12,578
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	41	–
<b>Net assets</b>		<b>42,182</b>	12,578
<b>Equity</b>			
Share capital	26	426	300
Share premium		36,447	12,178
Merger reserve		5,355	–
Retained earnings		(46)	100
<b>Total shareholders' equity</b>		<b>42,182</b>	12,578

The financial statements were approved by the board of directors and authorised for issue on 19 November 2007 and are signed on its behalf by:



**D C N Pratt**  
Director



**R I Auckland**  
Director

## Consolidated group cashflow statement

	Note	2007 £'000	2006 £'000
<b>Cash flows from operating activities</b>			
Loss before taxation		(998)	(1,578)
Adjustments for:			
Depreciation of plant and equipment	5	1,437	1,624
Amortisation of intangible fixed assets	14	45	6
Share based payments charge	29	352	246
Multi-client data library transfer from balance sheet	14	812	–
Loss on disposal of plant and equipment		47	301
Financial income	8	(154)	(168)
Operating profit before changes in working capital and provisions		1,541	431
(Increase)/decrease in inventories		(482)	42
Increase in trade and other receivables		(1,587)	(1,100)
Increase in trade and other payables		509	865
Cash generated from operations		(19)	238
Foreign taxes paid	10	(59)	(88)
<b>Net cash flows from operating activities</b>		<b>(78)</b>	150
<b>Cash flows from investing activities</b>			
Payments to acquire multi-client data library	14	(1,528)	(406)
Payments to acquire software	14	(125)	(152)
Payments to acquire patents	14	(150)	(70)
Purchase of plant and equipment	15	(753)	(709)
Proceeds from sale of plant and equipment		3	81
Net cash outflow on acquisition of subsidiary	27	(6,402)	–
Interest received		154	188
<b>Net cash used in investing activities</b>		<b>(8,801)</b>	(1,068)
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary share capital	26	24,830	–
Share issue expenses		(454)	–
Purchase of own shares		(35)	–
<b>Net cash from financing activities</b>		<b>24,341</b>	–
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>15,462</b>	(918)
<b>Opening cash and cash equivalents</b>		<b>3,439</b>	4,357
Effect of foreign exchange rate changes		67	–
<b>Closing cash and cash equivalents</b>	19	<b>18,968</b>	3,439

The Company had no cash flows during the year or in 2006 and consequently no Cashflow Statement for the Company has been presented. There are no cash movements relating to share issues, investments and inter company loans.

## Group statement of changes in equity

Group	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
At 1 September 2005	300	12,178	250	–	(4,147)	–	8,581
Loss for the year	–	–	–	–	(1,666)	–	(1,666)
Share based payments	–	–	246	–	–	–	246
At 31 August 2006	300	12,178	496	–	(5,813)	–	7,161
Foreign currency translation difference arising on consolidation of subsidiaries	–	–	–	–	–	(214)	(214)
Loss for the year	–	–	–	–	(1,057)	–	(1,057)
Total recognised income and expense for the year	–	–	–	–	(1,057)	(214)	(1,271)
Share based payments charge	–	–	352	–	–	–	352
Other adjustments	–	–	–	–	(35)	–	(35)
Share placing	126	24,723	–	5,355	–	–	30,204
Share issue costs	–	(454)	–	–	–	–	(454)
At 31 August 2007	<b>426</b>	<b>36,447</b>	<b>848</b>	<b>5,355</b>	<b>(6,905)</b>	<b>(214)</b>	<b>35,957</b>

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

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

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

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

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

For year ended 31 August 2007

## Company statement of changes in equity

Company	Attributable to equity holders of the parent company				
	Share Capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 31 August 2005 and 2006	300	12,178	–	100	12,578
Loss for the year	–	–	–	(146)	(146)
Total recognised income and expense for the year	–	–	–	(146)	(146)
Share placing	126	24,723	5,355	–	30,204
Share issue costs	–	(454)	–	–	(454)
<b>At 31 August 2007</b>	<b>426</b>	<b>36,447</b>	<b>5,355</b>	<b>(46)</b>	<b>42,182</b>

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

**1 General information**

Offshore Hydrocarbon Mapping plc is a company incorporated in England and Wales under the Companies Act 1985. 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.

On transition to International Financial Reporting Standards (IFRS), an entity is generally required to apply IFRS retrospectively except where exemption is available under IFRS 1. The Group has elected to apply IFRS 2 "Share Based Payments" to all share option and share awards grants made after 7 November 2002, but not vested at 1 September 2005.

**Future accounting developments**

Certain new standards, amendments to new standards and interpretations have been published that are mandatory to the Group's future accounting period 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*

Title	Implementation	Anticipated effect on the Group
IFRS 7: Financial Instruments: Disclosures	Annual periods beginning on or after 1 January 2007	Additional disclosures only
Amendment to IAS 1 – Capital Disclosures	Annual periods beginning on or after 1 January 2007	Additional disclosures only
IFRIC 10: Interim Financial Reporting and Impairment	Annual periods beginning on or after 1 November 2006	None
IFRIC 11: IFRS 2 – Group and Treasury Share Transactions	Annual periods beginning on or after 1 March 2007	Where the company grants equity settled share options and awards to employees of subsidiaries then the share based payment is treated as an additional investment in the subsidiary undertakings.

*Standards, amendments to standards and interpretations not currently endorsed for use by the European Union and not yet available for adoption*

Title	Implementation	Anticipated effect on the Group
Amendment to IAS 1: Presentation of financial statements – a revised presentation	Annual periods beginning on or after 1 January 2009	Changes to the presentation of the primary statements
Amendment to IAS 23: Borrowing Costs	Annual periods beginning on or after 1 January 2009	None
IFRS 8: Operating Segments	Annual periods beginning on or after 1 January 2009	Additional disclosures only
IFRIC 12: Service Concession Arrangements	Annual periods beginning on or after 1 January 2008	Unlikely to have a material effect
IFRIC 13: Customer Loyalty Programmes	Annual periods beginning on or after 1 July 2008	None
IFRIC 14: IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	Annual periods beginning on or after 1 January 2008	None

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures when the relevant standards come into effect.

**2 Significant accounting policies****Basis of accounting**

The financial statements have been prepared under the historical cost convention, in accordance with IFRS for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in note 33. The financial statements have also been prepared in accordance with IFRS adopted for use in the European Union.

## 2 Significant accounting policies – continued

### 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 2007 each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired in the year are included in the Consolidated Income Statement from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

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

### Goodwill

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

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

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### Revenue recognition

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

### Research and development

Expenditure on pure and applied research is charged as an expense in the year in which it is incurred. Development costs which are expected to generate probable future economic benefits are capitalised in accordance with IAS 38 "Intangible Assets" and amortised on a straight line basis over their useful economic lives. All other development expenditure is charged to the Income Statement.

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

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

## 2 Significant accounting policies – continued

### Financial instruments

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

#### Trade receivables

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

#### Cash and cash equivalents

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

#### Bank borrowings

Interest-bearing loans and overdrafts are initially recognised at fair value and subsequently at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. The Group does not capitalise any interest with respect to borrowings.

#### Loans and receivables

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

#### Trade payables

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

#### Equity instruments

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

### Leasing

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

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

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

### Foreign currencies

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

On consolidation, income statements of foreign operations are translated into sterling at monthly average rates which approximate to the actual rate for the relevant accounting periods. Assets and liabilities are translated at exchange rates ruling at the balance sheet date. Exchange differences on all balances, except foreign currency loans accounted for as net investment hedges, are taken to the Income Statement. Exchange differences arising on consolidation of the net investments in overseas subsidiaries and joint ventures, together with those on foreign currency loans accounted for as net investment hedges, are taken to equity. An intra-group monetary item for which settlement is neither planned nor likely 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 recognised in a separate component of equity.

### Investments

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

## 2 Significant accounting policies – continued

### Depreciation

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

Plant and machinery	–	one to eight years straight line
Computer equipment	–	20% to 50% straight line
Office equipment	–	14.3% to 100% straight line

### Impairment of fixed 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.

### 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.

#### 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 seismic data is amortised on a straight line basis over a period of five years. All sales of information from the library attract a cost based on regular review of operating margins.

### Stocks and long term contracts

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

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

### Taxation

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

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

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

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

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

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

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

## 2 Significant accounting policies – continued

### 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 has applied the requirements of IFRS 2 “Share Based Payments”. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were vested at 1 September 2005.

The Group operates a number of equity-settled share-based payment schemes under which shares are issued to certain employees. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period. For schemes with only market based performance conditions, those conditions are taken into account in arriving at the fair value at 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.

## 3 Critical accounting judgements and key sources of estimation uncertainty

The Group issues equity-settled share-based payments to certain employees. The payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value is calculated using the option pricing models and is expensed on a straight-line basis over the vesting period of the options and awards.

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. Where significant estimates or assumptions have been applied in estimating balances in the financial statements, these have been disclosed in the relevant notes to those balances. Significant judgements and estimates in these financial statements have been made with regard to taxation (note 10), the fair value valuation of the acquisition of a subsidiary (note 27), share based payments (note 29) and the useful life of intangible and tangible assets (notes 14 and 15). An explanation of key uncertainties or assumptions used by management in accounting for these items is explained where material in the respective notes.

### Impairment of goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information including carrying value is included in note 27.

### Useful lives of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management’s estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated Income Statement in specific periods. More details including carrying values is included in notes 14, 15 and 27.

### Fair value of financial instruments

The Group determines the fair value of financial instruments that are not quoted, based on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is either based on estimates obtained from independent experts or quoted market prices of comparable instruments. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

### Share based payments

The Group has two types of equity-settled share-based remuneration schemes for employees. Employee services received, and corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options is share options is estimated by using valuation models, such as Black-Scholes and binomial lattice, on the date of grant based on certain assumptions. Those assumptions are described in note 29 and include, among others, the dividend growth rate, expected volatility, expected life of the options and number expected to vest. More details including carrying value is disclosed in note 29.

### Determination of fair values of intangible assets acquired in business combinations

The fair value of multi-client data library, patents and consortium fees acquired in a business combination is based on the discounted estimated cash flows expected to be derived from the use an eventual and/or eventual sale of the asset.

#### 4 Business and geographical segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns which are different from those of other business segments. At 31 August 2007 the Group is organised into two reportable business segments – Controlled Source ElectroMagnetic (CSEM) business and Well and Surface Seismic business.

##### Controlled Source ElectroMagnetic (CSEM)

The Group adds value by providing interpretations of data which lowers the client's risk of unsuccessful offshore exploration. Controlled Source ElectroMagnetic (CSEM) surveying detects the presence and extent of hydrocarbon accumulations before drilling. The Group has not divided financial information for its CSEM activities into further different segments as it offers only one CSEM product range to its clients who are international and state owned oil companies.

The risk and profitability of the Group's operations is similar in different geographical regions of the world. Most of the Group's plant and equipment 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 assets specifically to any geographical region.

##### Well and Surface Seismic (WSS)

RDSP Acquisition, Inc is the parent company of Rock Solid Images (RSI), 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.

The acquisition which took place shortly before the year end, will allow highly valuable information to be gained from the intelligent combination of CSEM and seismic data, calibrated by well log information. The Group considers that these two remote sensing measurements are completely complimentary and, when properly combined, can lead to quantitative measurement of important rock and fluid properties such as permeability and hydrocarbon saturation.

As the acquisition took place nine days before the year end, the segment information relating to the Well and Surface Seismic business is not considered material, however additional information relating to the trading and assets of the Well and Surface Seismic business is detailed in note 27.

The following tables present revenue and gross profit, and certain asset and liability information regarding the Group's two business segments for the years ended 31 August 2007 and 2006:

	CSEM 2007 £'000	WSS (9 days only) 2007 £'000	Total 2007 £'000	CSEM 2006 £'000	WSS 2006 £'000	Total 2006 £'000
<b>Continuing operations revenue</b>						
External revenue	17,645	86	17,731	10,422	–	10,422
Segment gross profit	2,898	43	2,941	1,363	–	1,363
Expenses			4,084			3,109
Group operating loss			(1,143)			(1,746)
<b>Net capital investment</b>						
Capital additions						
– goodwill	–	10,422	10,422	–	–	–
– multi-client data library	1,528	740	2,268	472	–	472
– software	125	1,887	2,012	152	–	152
– patent costs	150	435	585	70	–	70
– consortium fee	–	155	155	–	–	–
– tangible fixed assets	753	458	1,211	707	–	707
	2,556	14,097	16,653	1,401	–	1,401
Depreciation and amortisation charges	(1,545)	(9)	(1,554)	(1,694)	–	(1,694)
	1,011	14,088	15,099	(293)	–	(293)
<b>Balance sheet</b>						
Segment assets	28,680	13,496	42,176	9,719	–	9,719
Segment liabilities	(4,552)	(1,667)	(6,219)	(2,558)	–	(2,558)
<b>Total net assets</b>	<b>24,128</b>	<b>11,829</b>	<b>35,957</b>	<b>7,161</b>	<b>–</b>	<b>7,161</b>

#### 4 Business and geographical segments – continued

##### Secondary reporting format – geographical segments

The Group's operations are analysed between Europe, Africa, the Americas and Asia Pacific. The following table provides analysis of the Group's revenue by location of client, which is not always the same as the location of the contracted activity:

	Revenue 2007 £'000	Revenue 2006 £'000
Europe	13,861	4,671
Africa	–	4,185
Americas	1,540	82
Asia Pacific	2,330	1,484
	<b>17,731</b>	10,422

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

	Total assets		Capital expenditure	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Europe	25,115	6,741	1,780	822
Africa	397	420	–	–
Americas	14,646	–	14,106	1
Asia Pacific	181	–	93	–
Unallocated – including plant and machinery on vessels	1,837	2,558	674	578
	<b>42,176</b>	9,719	<b>16,653</b>	1,401

The total assets located in Europe include £18,905,000 of cash and cash equivalents (2006: £3,428,000).

#### 5 Group operating loss

	2007 £'000	2006 £'000
The Group operating loss is arrived at after charging/(crediting):		
Net foreign exchange losses	92	96
Research and development expenses	694	401
Depreciation of tangible fixed assets	1,437	1,624
Amortisation of intangible fixed assets	45	6
Operating lease rentals – property	86	53
– vessels, plant and equipment	6,470	2,733
Cost of inventories recognised as expense	888	364
Staff costs (note 6)	3,477	2,185
Auditors' remuneration for audit services (see below)	67	21

Amounts payable to the auditors and their associates by the parent company and its UK subsidiary undertakings in respect of non-audit services were £8,000 (2006: £17,000).

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

	2007 £	2006 £
Recurring remuneration		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	20	6
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	47	15
	<b>67</b>	21
Further assurance services		
Tax services	–	3
Other services	8	14
	<b>8</b>	17

**6 Employees**

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

Group	2007	2006
Management, sales and administration	25	10
Scientists	23	14
Operations	50	14
	98	38

Staff costs (including directors) consist of:

	2007 £'000	2006 £'000
Wages and salaries	2,790	1,741
Social security costs	298	174
Other pension costs	37	24
Share based payments charge (see note 29)	352	246
	3,477	2,185

The Company has no employees and has incurred no staff costs in the year (2006: £nil).

**7 Directors' remuneration**

	2007 £'000	2006 £'000
Directors' emoluments	504	367
Company contributions to directors' personal pension schemes	26	19
Amounts paid to third parties in respect of directors' services	6	7
Share based payments charge (see note 29)	67	163
	603	556

The total amount payable to the highest paid director in respect of emoluments was £201,271 (2006: £151,084). Group pension contributions of £10,720 (2006: £9,600) were made to his personal pension plan during the year.

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

**8 Finance income**

	2007 £'000	2006 £'000
Interest on bank deposits	154	168
	154	168

**9 Finance costs**

	2007 £'000	2006 £'000
Interest on bank deposits and loans	1	–
Other interest payable	8	–
	9	–

**10 Income tax expense**

	2007 £'000	2006 £'000
<b>UK Corporation tax</b>		
Corporation tax	–	–
<b>Foreign tax</b>		
Current tax on foreign income for the year	59	88
<b>Total current tax</b>	<b>59</b>	<b>88</b>

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

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	(998)	(1,578)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006: 30%)	(299)	(473)
Tax effect of:		
Expenses not deductible for tax purposes	(22)	4
Research & development enhancement	(93)	(57)
Share based payments charge	96	74
Transfers to unrecognised assets	321	477
Foreign tax expense deduction	–	(25)
Foreign tax paid	56	84
Under provision in respect of previous years	–	4
<b>Income tax expense as reported in the Income Statement</b>	<b>59</b>	<b>88</b>

**11 Loss per 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 2007 is 31,523,761 (2006: 30,049,652).

Earnings, being the loss after tax, are £1,057,000 (2006: loss of £1,666,000).

	2007 Number	2006 Number
Reconciliation of denominator for diluted EPS calculation		
Number of shares used in calculation of basic EPS	31,523,761	30,049,652
Dilutive potential ordinary shares held under Share Option and Share Award schemes	–	–
<b>Number of shares used in calculation of diluted EPS</b>	<b>31,523,761</b>	<b>30,049,652</b>

In, both 2007 and 2006, the loss for the periods has resulted in any potential ordinary shares held under Share Option plans and Share Award and Annual Bonus Plans being anti-dilutive and, in accordance with IAS 33 "Earnings per share", these shares have therefore been excluded from the calculation of diluted EPS. At 31 August 2007 there were 2,752,233 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.

Refer to note 31 regarding post balance sheet events.

**I2 Loss for the financial year**

The Company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own Income Statement in these financial statements. The Group loss for the year includes a loss after tax and before dividends of £146,000 (2006: £nil) which is dealt with in the financial statements of the parent company.

**I3 Goodwill**

	£'000
<b>Cost or valuation</b>	
At 1 September 2006	–
Acquisition of subsidiary (note 27)	10,422
Exchange differences	(193)
<b>At 31 August 2007</b>	<b>10,229</b>
<b>Accumulated Impairment losses</b>	
At 1 September 2006 and 31 August 2007	–
<b>Net book value</b>	
<b>At 31 August 2007</b>	<b>10,229</b>

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

	2007 £'000
Controlled Source ElectroMagnetic (CSEM) business	–
Well and Surface Seismic (WSS) business	10,229
	<b>10,229</b>

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

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

The Group prepares cash flow forecasts derived from the most recent financial forecasts for the next year and extrapolates cash flows for the following fifteen years based on estimated growth rates. A pre-tax discount rate of 14.0% is used in the cash flow projections.

**14 Intangible assets**

Group	Multi-client data library £'000	Software £'000	Patent costs £'000	Consortium fees £'000	Total £'000
<b>Cost or valuation</b>					
At 1 September 2005	326	–	108	–	434
Additions	472	152	70	–	694
At 31 August 2006	798	152	178	–	1,128
Additions	1,528	125	150	–	1,803
Acquisition of subsidiary	740	1,887	435	155	3,217
Transfers on disposals	(810)	–	(2)	–	(812)
Exchange differences	(15)	(34)	(8)	(3)	(60)
At 31 August 2007	<b>2,241</b>	<b>2,130</b>	<b>753</b>	<b>152</b>	<b>5,276</b>
<b>Amortisation</b>					
At 1 September 2005	–	–	1	–	1
Provided for the year	–	5	1	–	6
At 31 August 2006	–	5	2	–	7
Provided for the year	–	40	5	–	45
Exchange differences	–	(4)	–	–	(4)
At 31 August 2007	<b>–</b>	<b>41</b>	<b>7</b>	<b>–</b>	<b>48</b>
Net book value					
At 31 August 2007	<b>2,241</b>	<b>2,089</b>	<b>746</b>	<b>152</b>	<b>5,228</b>
At 31 August 2006	798	147	176	–	1,121

The remaining amortisation life of the Group's multi-client data library varies from two to five years.

As explained further in note 27, the Group acquired Rock Solid Images on 22 August 2007. In line with IAS 38 "Intangible Assets" the fair value of the purchased intangible assets was determined and is shown in note 27.

Amortisation is charged within administrative expenses so as to write off the cost of the purchased intangible assets over their estimated useful lives. The assets, initial values and periods used are as follows:

Purchased intangibles	Cost at acquisition £'000	Useful economic life
Multi-client data library	740	5 years
Software	1,887	10 years
Patent costs	435	15 years
Consortium fees	155	10 years
	<b>3,217</b>	

As Rock Solid Images was purchased nine days before the Group's year end, the remaining period of amortisation for acquired intangible assets is close to the useful economic life at the date of acquisition, which was 22 August 2007. The cost of acquisition shown above, is similar to the carrying amount at 31 August 2007.

**15 Tangible fixed assets**

Group	Plant and machinery £'000	Computer equipment £'000	Office equipment £'000	Assets in the course of construction £'000	Total £'000
<b>Cost or valuation</b>					
At 1 September 2005	4,288	407	132	934	5,761
Additions	11	119	10	567	707
Disposals	(874)	(1)	–	–	(875)
Transfers	1,501	–	–	(1,501)	–
At 31 August 2006	4,926	525	142	–	5,593
Additions	657	63	16	17	753
Acquisition of subsidiary	4	435	19	–	458
Disposals	(179)	(3)	(16)	–	(198)
Transfers	17	–	–	(17)	–
Exchange differences	–	(20)	(1)	–	(21)
At 31 August 2007	<b>5,425</b>	<b>1,000</b>	<b>160</b>	<b>–</b>	<b>6,585</b>
<b>Depreciation</b>					
At 1 September 2005	1,327	189	68	–	1,584
Provided for the year	1,510	135	43	–	1,688
Disposals	(469)	(1)	–	–	(470)
At 31 August 2006	2,368	323	111	–	2,802
Provided for the year	1,351	132	26	–	1,509
Disposals	(131)	(4)	(13)	–	(148)
Exchange differences	–	(12)	(1)	–	(13)
At 31 August 2007	<b>3,588</b>	<b>439</b>	<b>123</b>	<b>–</b>	<b>4,150</b>
<b>Net book value</b>					
At 31 August 2007	<b>1,837</b>	<b>561</b>	<b>37</b>	<b>–</b>	<b>2,435</b>
At 31 August 2006	2,558	202	31	–	2,791

**16 Subsidiaries**

Company	Group undertakings £'000
<b>Cost and net book value</b>	
At 1 September 2005 and 2006	1
Acquisition of subsidiaries	5,779
At 31 August 2007	<b>5,780</b>

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 services to the oil exploration and production industry	England & Wales
OHM Inc	Marketing the group's activities	USA
OHM US Group Inc	North American holding company for Rock Solid Images	USA
RDSP I, L.P	Rock Solid Images trading company	USA

**17 Inventories**

	<b>Group 2007 £'000</b>	Group 2006 £'000
Fuel, at cost	<b>390</b>	–
Stock of spares & consumables	<b>244</b>	152
	<b>634</b>	152

**18 Trade and other receivables**

	<b>Group 2007 £'000</b>	Group 2006 £'000	<b>Company 2007 £'000</b>	Company 2006 £'000
Trade receivables	<b>3,562</b>	1,666	–	–
Less: provision for impairment of trade receivables	–	–	–	–
	<b>3,562</b>	1,666	–	–
Amounts owed by group undertakings	–	–	<b>36,443</b>	12,577
Other receivables	<b>482</b>	241	–	–
Prepayments and accrued income	<b>638</b>	309	–	–
	<b>4,682</b>	2,216	<b>36,443</b>	12,577

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

**19 Cash and cash equivalents**

	<b>Group 2007 £'000</b>	Group 2006 £'000
Cash at bank and on hand	<b>1,968</b>	3,439
Short-term bank deposits	<b>17,000</b>	–
Cash and cash equivalents	<b>18,968</b>	3,439
Bank overdraft repayable on demand	–	–
	<b>18,968</b>	3,439

Maturity of short-term bank deposits have original maturity of three months or less.

All bank deposits are fully liquid with the exception of the restricted cash amounting to £23,000 which is held as security by the bank in an interest bearing account to secure a bank guarantee issued by the bank on our behalf to one of our customers. The guarantee term is from 14 June 2007 until 90 days after submission of last invoice, but in no event later than 13 August 2008.

**20 Trade and other payables**

	<b>Group 2007 £'000</b>	Group 2006 £'000	<b>Company 2007 £'000</b>	Company 2006 £'000
Trade creditors	<b>2,004</b>	1,749	–	–
Other payables	<b>3</b>	–	–	–
Accruals and deferred income	<b>3,189</b>	749	<b>41</b>	–
	<b>5,196</b>	2,498	<b>41</b>	–

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 49 days (2006: 58 days).

The directors consider that the carrying amount of trade payables approximates to their fair value.

**21 Financial Instruments**

The Group had no material financial instruments other than short term debtors and creditors during both this and the prior year.

**Credit risk**

The Group's credit risk primarily relates to its trade receivables. The Group performs ongoing credit evaluations of its clients and generally does not require collateral from its clients.

**Financial assets**

The Group financial assets comprise cash at bank. Fixed rate financial assets for 2007 are pounds Sterling and US Dollar deposits held in a fixed term moneymarket account with notice periods varying from four days to 63 days. In 2006 fixed rate financial assets are Dollar deposits.

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

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

	<b>Total £'000</b>	<b>Floating rate financial assets £'000</b>	<b>Fixed rate financial assets £'000</b>
<b>Currency as at 31 August 2007</b>			
Sterling	<b>17,722</b>	<b>722</b>	<b>17,000</b>
Norwegian Kroner	<b>8</b>	<b>8</b>	–
Malaysia Ringgits	<b>30</b>	<b>30</b>	–
US Dollars	<b>1,208</b>	<b>465</b>	<b>743</b>
	<b>18,968</b>	<b>1,225</b>	<b>17,743</b>

	<b>Total £'000</b>	<b>Floating rate financial assets £'000</b>	<b>Fixed rate financial assets £'000</b>
<b>Currency as at 31 August 2006</b>			
Sterling	2,156	2,156	–
US Dollars	1,283	1,283	–
	<b>3,439</b>	<b>3,439</b>	–

**Financial liabilities**

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

**Currency exposure**

As at 31 August 2007, the Group had net foreign currency monetary assets denominated in currency other than the functional currency of the Group as noted above.

## 21 Financial Instruments – continued

### Foreign currency risk

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

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

## 22 Borrowings

	2007 £'000	2006 £'000
Non-current Line of credit	89	–
	89	–

Analysis of borrowings by currency and average interest rates paid	2007 £'000	2007 %	2006 £'000	2006 %
Sterling	–	–	–	–
US Dollars	89	7.75	–	–
	89		–	

The US Dollar borrowings are secured over all the assets of one of the Company's subsidiaries. The interest rate is the US prime rate and the borrowings mature on 31 August 2009.

## 23 Deferred tax

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
<b>Deferred tax liability</b>				
Capital allowances in advance of depreciation	(29)	(71)	–	–
Goodwill on business combination (note 27)	(717)	–	–	–
Trading losses	29	71	–	–
	(717)	–	–	–
<b>Unrecognised deferred tax asset</b>				
Carry forward losses	10,531	6,781	–	–
Unrecognised deferred tax asset	3,157	2,034	–	–

At 31 August 2007, the Group had corporation tax losses carried forward subject to agreement with tax authorities in the United Kingdom, the United States and Norway amounting to £10,531,000 (2006: £6,781,000).

The unrecognised deferred tax asset has been calculated using prospective income tax rates in the United Kingdom, the United States and Norway. 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 2007 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.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

**24 Finance leases**

Finance leases which expire:

	Minimum lease payments 2007 £'000	Future finance charges 2007 £'000	Present value of lease payments 2007 £'000	Minimum lease payments 2006 £'000	Future finance charges 2006 £'000	Present value of lease payments 2006 £'000
Within one year	17	(2)	15	–	–	–
In the second to fifth years inclusive	118	(18)	100	–	–	–
After five years	–	–	–	–	–	–
	<b>135</b>	<b>(20)</b>	<b>115</b>	–	–	–
Included in current liabilities			<b>73</b>			
Included in non-current liabilities			<b>42</b>			
			<b>115</b>			

The typical terms of leases are 36 months with \$1 buyout at the end of the term. For the year ended 31 August 2007 the average effective borrowing rate was 11.7%

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

**25 Operating lease arrangements**

	2007 £'000	2006 £'000
Minimum lease payments under operating leases recognised as an expense in the period	<b>6,556</b>	2,786

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:

	2007 £'000	2006 £'000
Within one year	<b>4,385</b>	236
In the second to fifth years inclusive	<b>14,241</b>	3
After five years	–	–
	<b>18,626</b>	239

Operating lease payments represent rentals payable by the Group for certain of its office properties, office equipment and charter costs payable on vessels used by the Group for gathering CSEM survey data.

The increase in operating lease commitments relates to the five year vessel charter of the OHM Express which was entered into in June 2007.

**26 Share capital**

	<b>At 31 August 2007 £'000</b>	At 31 August 2006 £'000
<b>Authorised</b> 50,000,000 (31 August 2006: 43,000,000) ordinary shares of 1p each	<b>500</b>	430
<b>Allotted, called up and fully paid</b> 42,637,148 (31 August 2006: 30,049,652) ordinary shares of 1p each	<b>426</b>	300

	Ordinary shares of 1p each Number	£'000
In issue at 1 September 2006	30,049,652	300
Issued on 29 November 2006	1,500,000	15
Issued between 17-22 August 2007	11,087,496	111
<b>In issue at 31 August 2007</b>	<b>42,637,148</b>	<b>426</b>

**Share Option Scheme**

At 31 August 2007 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
28 November 2002	457,267	November 2002 – November 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
	<b>1,785,230</b>		

The 457,267 share options granted on 28 November 2002 were exercised at a price of 7.10p on 17 September 2007.

**Share Award Plan**

At 31 August 2007 the following share awards were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of exercise	Exercise price per share
1 February 2006	581,622	February 2009 – February 2016	1.00p
1 December 2006	250,607	December 2009 – December 2016	1.00p
1 December 2006	134,774	December 2009 – December 2016	1.00p
	<b>967,003</b>		

Overall 2,752,233 share options and share awards were outstanding at 31 August 2007.

Refer to the Statement of Changes in Equity on pages 26 to 27 for more details on movements in reserves.

**27 Acquisition of subsidiary**

On 22 August 2007, the Group acquired Rock Solid Images by purchasing 100% of the share capital of RDSP Acquisition, Inc, for £11.957 million. RDSP Acquisition, Inc, is the holding company of a group of companies involved in providing data, technologies and expertise to maximise existing investment in oil and natural gas well and seismic data by transforming qualitative interpretations into quantitative results. This transaction has been accounted for by the purchase method of accounting.

	Note	Book value £'000	Fair value adjustments (provisional) £'000	Fair value (provisional) £'000
<b>Net assets acquired</b>				
Property, plant and equipment	15	458	–	458
Goodwill		2,020	(2,020)	–
Multi-client data library	14	–	740	740
Software	14	831	1,056	1,887
Patents	14	37	398	435
Consortium fees	14	–	155	155
Trade and other receivables		879	–	879
Cash and cash equivalents		142	–	142
Trade and other payables		(879)	–	(879)
Finance leases		(119)	–	(119)
Inter company loans		(1,446)	–	(1,446)
Deferred tax liability	23	–	(717)	(717)
		1,923	(388)	1,535
<b>Goodwill</b>	13			10,422
<b>Total consideration</b>				11,957
<b>Satisfied by:</b>				
Cash				6,266
Directly attributable costs				278
Fair value of shares issued in Offshore Hydrocarbon Mapping plc (see below)				5,413
				11,957
<b>Net cash outflow arising on acquisition</b>				
Purchase consideration				6,266
Directly attributable costs				278
Cash and cash equivalents acquired				(142)
				6,402

The goodwill is attributable to the anticipated profitability and the significant synergies expected to arise after the Group's acquisition of RDSP Acquisition, Inc. There is considerable potential for total rock and fluid property measurement from the intelligent combination of CSEM and seismic data. This combination should create new products with exciting application in reservoir management and enhanced recovery from client's oil and gas reserves.

The fair value of the shares issued was based on the closing market price of the 1,926,352 ordinary shares of 1p each on 22 August 2007 which was 281 pence.

The acquired business contributed revenues of £86,000 and a net loss of £4,000 to the Group for the period from 22 August 2007 to 31 August 2007. If the acquisition had occurred on 1 September 2006, Group revenue would have been £4,342,000 higher and Group loss attributable to equity holders of the parent would have been £2,069,000 higher, although this loss includes £2,687,000 of charges directly related to the acquisition. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 September 2006, together with the consequential tax effect.

## 28 Capital commitments

Group capital commitments approved and committed as at 31 August 2007 were £305,000 (2006: £62,000).

The Company had no capital commitments as at 31 August 2007 (2006: £nil).

## 29 Share-based payments

Details of each of the employee share plans in place are given below and, where applicable, in the 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 director's 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 to 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 services 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 1 pence when exercising each share award.

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

	2007 Number	2007 Weighted average exercise price (in pence)	2006 Number	2006 Weighted average exercise price (in pence)
At 1 September	<b>2,645,868</b>	<b>74.93</b>	2,110,617	100.80
Granted	<b>385,381</b>	<b>1.00</b>	656,790	1.00
Forfeited	<b>(279,016)</b>	<b>93.82</b>	(121,539)	112.19
Expired	–	<b>0.00</b>	–	0.00
Exercised	–	<b>0.00</b>	–	0.00
At 31 August	<b>2,752,233</b>	<b>62.07</b>	2,645,868	74.93
Exercisable at 31 August	<b>1,730,358</b>		1,604,970	

Of the share options and awards outstanding at 31 August 2007 and 31 August 2006 the exercise prices are as follows:

Share Award Plan	967,003	1.00 pence	656,790	1.00 pence
Share Option Plan	594,447	7.10 pence	594,447	7.10 pence
Share Option Plan	250,775	29.81 pence	321,289	29.81 pence
Share Option Plan	940,008	170.00 pence	940,008	170.00 pence
Share Option Plan	–	180.00 pence	133,334	180.00 pence

2,752,233

2,645,868

No share options or awards were exercised during 2007 or during 2006. However on 17 September 2007 457,267 share options were exercised by Mr. David Pratt at a price of 7.10 pence. The closing mid market share price on 17 September 2007 was 249.12 pence.

## 29 Share-based payments – continued

The weighted average exercise price of the share options outstanding under the Share Option Plans was at 31 August 2007 96.10 pence (2006: 99.30 pence) and under the Share Award and Annual Bonus Plans it was 1.00 pence (2006: 1.00 pence).

In total, the share options and awards outstanding at 31 August 2007 had a weighted average exercise price of 62.66 pence (2006: 74.93 pence), and a weighted average remaining contractual life of 7.04 years (2006: 6.82 years). In 2007 share awards were granted on 1 December and 21 December 2006 and the aggregate of the estimated fair values of the share awards granted on these dates is £418,000. In 2006 share awards were granted on 1 February 2006 and the aggregate of the estimated fair values of the share awards granted on that date is £494,000. The weighted average fair value of the share awards granted during the year was 108.38 pence (2006: 75.22 pence).

Included in staff costs (note 6), is an expense arising from share based payment transactions of £352,000 (2006: £246,000) all of which relate to the fair value of equity settled share based payments. Of this total £36,000 (2006: £166,000) relates to the Share Option Plans and £316,000 (2006: £80,000) 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 all other share options and awards.

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

	Monte Carlo model	Cox, Ross Rubinstein binomial model
Expected volatility	55%	66%
Expected life	10 years	10 years
Risk free rate	4.93%	4.75%
Dividend yield	Nil %	Nil %

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.

## 30 Related party disclosures

### Loans and transactions concerning directors and officers of the Company.

During the year the Group paid £1,000, (2006: £5,000) to East Hill Management Company, LLC, in which Mr. Landon Clay is a director, in respect of director's services.

During the year the Group also paid £5,000, (2006: £nil) to East Hill Management Company, LLC, in which Mr. Jeffery Scott Garner is a President and Investment and Managing Member of the General Partner of East Hill University Spinout Funds LP, in respect of director's services.

### Related party transactions with subsidiaries

Transactions between the Company and its subsidiaries, which are related parties, are as follows:

	Amounts owing from related party		Amounts owing to related party	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
OHM Limited	28,906	12,577	–	–
OHM US Group Inc	7,537	–	–	–
	36,443	12,577	–	–

During the year no goods and services were provided to/by subsidiary undertakings.

### Remuneration of key management personnel:

Key management personnel comprise the executive directors and certain additional senior management who joined the Group towards the end of the year. The directors' remuneration is detailed in note 7 and in the Remuneration Report. The senior management salaries and short term employee benefits for the year amounted to £31,000 and the post employment benefits amounted to £4,000.

**31 Post balance sheet events**

On 17 September 2007, Mr. David Pratt, Chief Executive Officer, exercised 457,267 share options.

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

**32 Explanation of transition to IFRS**

This is the first year that the Group has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 August 2006 and the date of transition to IFRS is therefore 1 September 2005.

**First-time adoption exemptions applied**

The requirements for the first-time adoption of IFRS are set out in IFRS 1 "First Time Adoption of International Financial Reporting Standards". In general, IFRS 1 requires that accounting policies be adopted that are compliant with IFRS and that these policies are applied retrospectively to all periods presented. However, under IFRS 1, a number of exemptions are permitted to be taken in preparing the balance sheet as at the date of transition. These exemptions are explained below:

– The Group has elected to apply the provisions of IFRS 2 "Share Based Payments" to all share options and share award grants made after 7 November 2002, but not vested at 1 September 2005.

**Explanation of reconciling items between UK GAAP and IFRS****(a) Transition date and first time adoption of IFRS**

The Group's transition date to IFRS is 1 September 2005. All adjustments on first time adoption which related to periods prior to this date were recorded in shareholders' equity on the date of transition.

There was no adjustment on first time adoption by the Company.

**(b) Intangible assets**

The costs of obtaining patents were capitalised by the Group under UK GAAP and amortised over their useful life from the date they were awarded. However under IAS 38 "Intangible Assets", the recognition criteria for intangibles has resulted in the recognition of more intangible assets and lower amortisation charges than under UK GAAP. The patents are amortised over their useful life which ranges from 10 to 15 years.

Costs in relation to those intangible assets and software that had not been recognised under UK GAAP, but now qualify for recognition in accordance with IAS 38 were previously written off to the Income Statement.

Software developed internally, which was previously expensed, has been capitalised under intangible assets as required under IFRS. This software is amortised over its useful life which ranges from two to ten years.

**(c) Employee benefits (share based payments)**

Under UK GAAP charges were based on the intrinsic value of awarded shares at grant date. Under IFRS 2 "Share Based Payments", the charge to the Income Statement is based on the fair value of all share based awards at grant date. The cost is calculated using option pricing models and, for equity settled awards, applies to all share options and share awards granted after 7 November 2002 and not vested at 1 September 2005. The cost is amortised through the Income Statement over the vesting period of the options and awards.

The accounting for share based payments has no net impact on total shareholders' equity for the periods under review.

**(d) Cashflow Statement**

The Cashflow Statement has been prepared in conformity with IAS 7 "Cashflow Statements". There are no material differences between the Cashflow Statement presented under IFRS and the Cashflow Statement presented under UK GAAP. The only difference from UK GAAP is presentational.

**(e) Income tax**

The Group does not currently recognise its deferred tax asset and accordingly, there are no recorded tax effects resulting from reconciling items.

**32 Explanation of transition to IFRS – continued****Group income statement for the year ended 31 August 2006**

	Note	UK GAAP in IFRS format £'000	Reclassification £'000	Effect of transition to IFRS £'000	As reported under IFRS £'000
<b>Revenue</b>		10,422	–	–	10,422
Cost of sales		7,549	1,510	–	9,059
<b>Gross profit</b>		2,873	(1,510)	–	1,363
Administrative expenses	A	4,436	(1,510)	(118)	2,808
Loss on disposal of fixed assets		301	–	–	301
<b>Group operating loss</b>		(1,864)	–	118	(1,746)
Finance income		168	–	–	168
<b>Loss before taxation</b>		(1,696)	–	118	(1,578)
Income tax expense		(88)	–	–	(88)
<b>Loss for the period</b>		(1,784)	–	118	(1,666)

The order and description of items presented as 'UK GAAP in IFRS format' have been adjusted to ease the direct comparison with IFRS presentation. In particular the depreciation charge on plant and equipment deployed on survey operations has been reclassified from administrative expenses to cost of sales.

	Standard	£'000
<b>Note A</b>		
Patents additions capitalised	IAS 38	(101)
Patents amortisation	IAS 38	1
Software additions capitalised	IAS 38	(152)
Software amortisation	IAS 38	5
Share based payments charge	IFRS2	129
<b>Total IFRS adjustments to administrative expenses</b>		(118)

**32 Explanation of transition to IFRS – continued****Group balance sheet for the year ended 31 August 2006**

Effect of transition to IFRS on 1 September 2005

	UK GAAP in IFRS format £'000	IAS 38 'Intangible Assets' £'000	IFRS 2 'Share based payments' £'000	As reported under IFRS £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets – multi-client data library	798	–	–	798
– software	–	147	–	147
– patent costs	102	74	–	176
Plant and equipment	2,791	–	–	2,791
	3,691	221	–	3,912
<b>Current assets</b>				
Inventories	152	–	–	152
Trade and other receivables	2,216	–	–	2,216
Cash and cash equivalents	3,439	–	–	3,439
	5,807	–	–	5,807
<b>Total assets</b>	9,498	221	–	9,719
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	2,558	–	–	2,558
<b>Net assets</b>	6,940	221	–	7,161
<b>Shareholders' equity</b>				
Share capital	300	–	–	300
Share premium	12,178	–	–	12,178
Share based payments reserve	117	–	379	496
Retained earnings	(5,655)	221	(379)	(5,813)
<b>Total shareholders' equity</b>	6,940	221	–	7,161

**32 Explanation of transition to IFRS – continued****Group balance sheet for the year ended 31 August 2005**

	UK GAAP in IFRS format £'000	Effect of transition to IFRS on 1 September 2005 IAS 38 "Intangible Assets" £'000	As reported under IFRS £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets – multi-client data library	326	–	326
– software			–
– patent costs	131	(25)	106
Plant and equipment	4,177	–	4,177
	4,634	(25)	4,609
<b>Current assets</b>			
Inventories	194	–	194
Trade and other receivables	1,112	–	1,112
Cash and cash equivalents	4,357	–	4,357
	5,663	–	5,663
<b>Total assets</b>	10,297	(25)	10,272
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	1,692	–	1,692
<b>Net assets</b>	8,605	(25)	8,580
<b>Shareholders' equity</b>			
Share capital	300	–	300
Share premium	12,178	–	12,178
Share based payments reserve	–	250	250
Retained earnings	(3,873)	(275)	(4,148)
Total shareholders' equity	8,605	(25)	8,580

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Dr. Lucy Margaret MacGregor (Chief Scientific Officer)  
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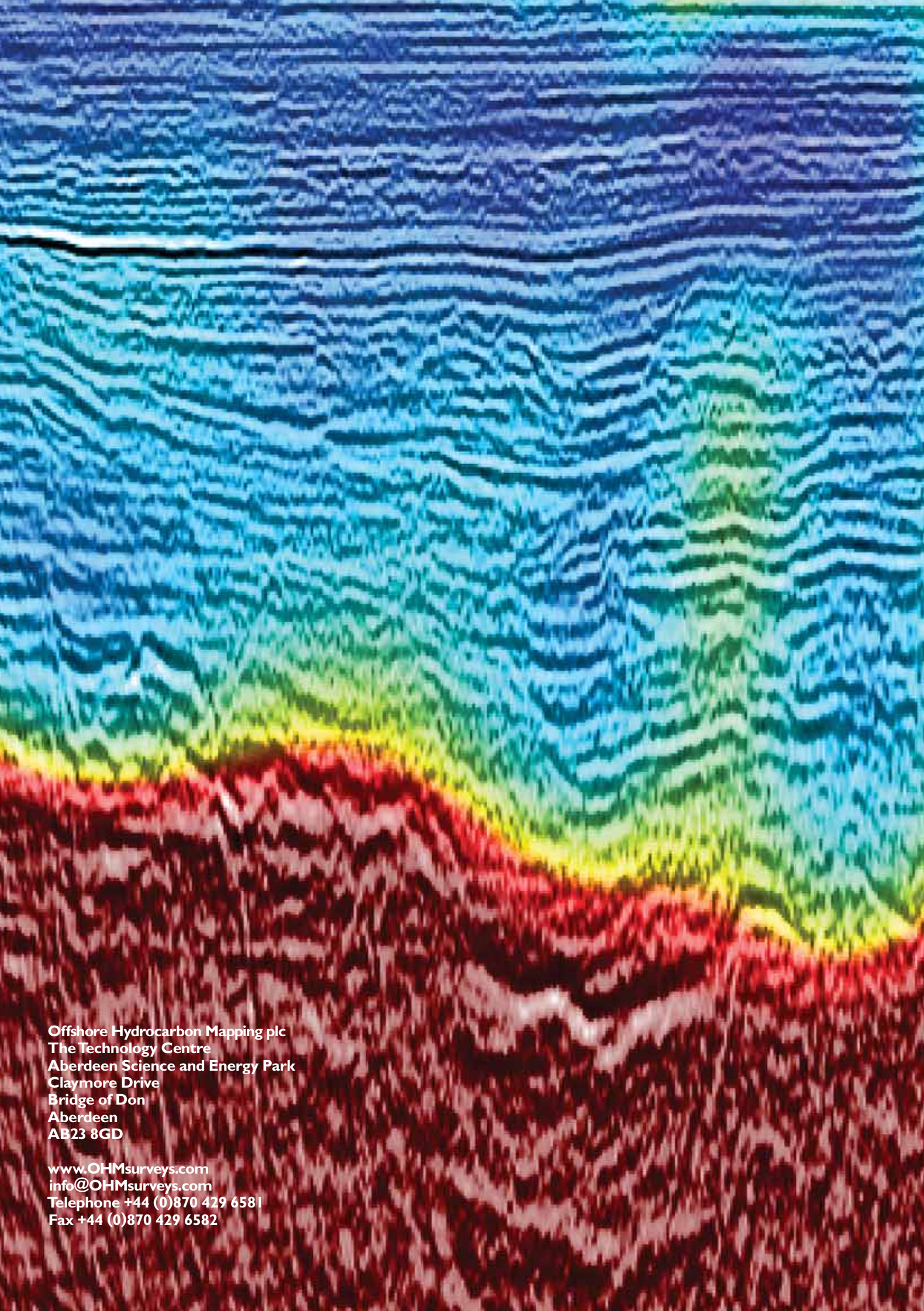
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