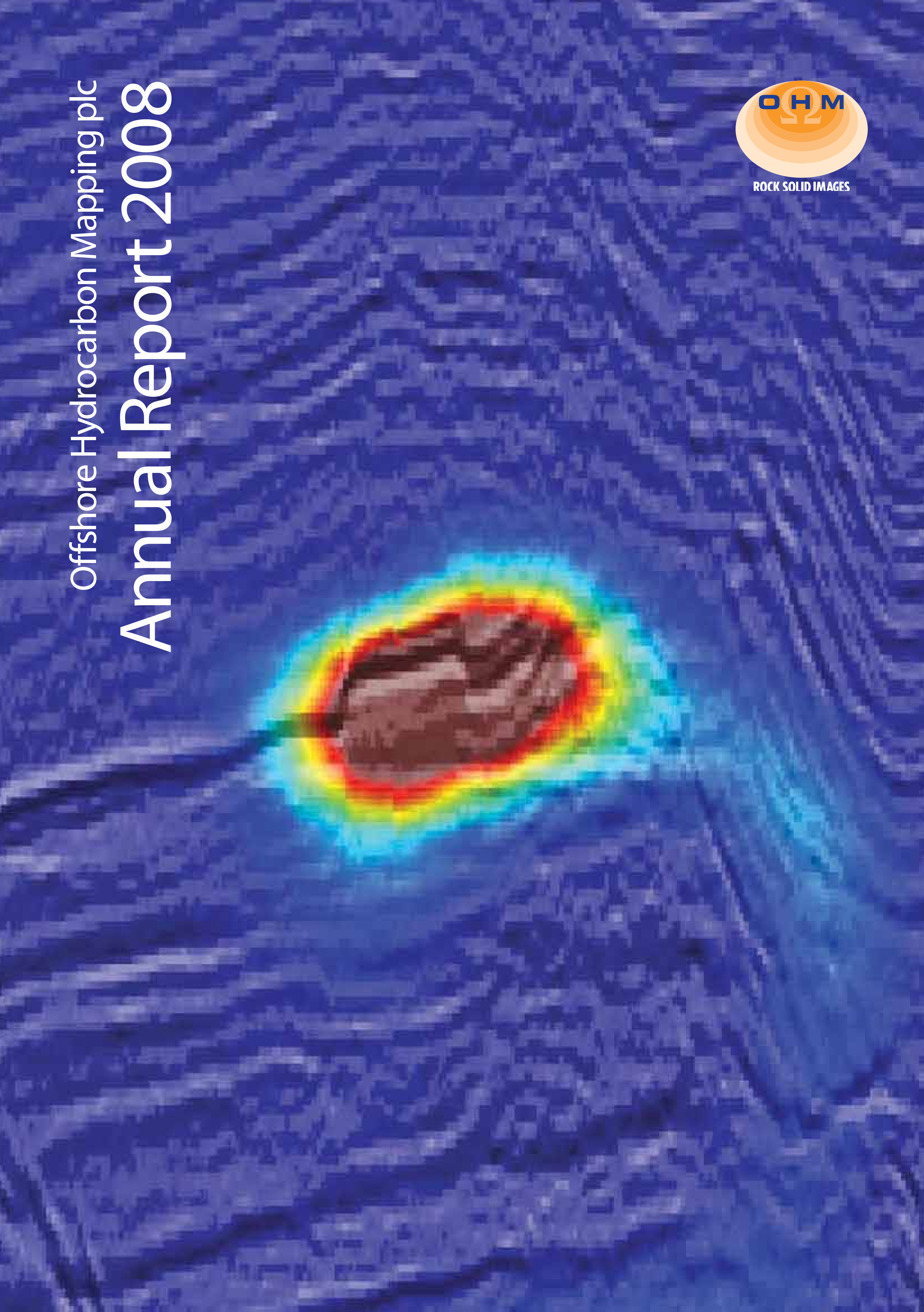


Offshore Hydrocarbon Mapping plc

Annual Report 2008

OHM

ROCK SOLID IMAGES

Contents

Cover image:
2D resistivity section co-rendered with coincident seismic from Southern Norwegian Sea multi-client survey collected summer 2006.
Seismic image courtesy of TGS Nopec.

Offshore Hydrocarbon Mapping plc

Chairman's statement

Controlled Source ElectroMagnetic (CSEM) surveying is a demonstrably value-adding offshore exploration technology, especially when integrated with seismic and other geophysical data. A year ago we believed that CSEM had become a mainstream exploration tool and invested in additional crews, equipment and a second long term charter. Shareholders will therefore share our disappointment that utilisation of our CSEM acquisition crews and industry adoption of the technology slowed dramatically during 2008. Regrettably, this has led to reduced revenues of £10.8 million and increased pre-tax losses of £8.7 million for the twelve months ended 31 August 2008.

We need to understand what has driven this decline and if this signals a change in our view of how our clients will adopt this technology.

It is first worthwhile looking at the supply side of our market. The service sector has now grasped the potential of CSEM and more players have entered, or are attempting to enter the market, in some cases with significantly different configurations of technology. This has dramatically increased the levels of supply and in mid-summer there were potentially eleven electromagnetic crews available. OHM has played its part in this increase in capacity with the introduction of our third crew on the recently delivered OHM Leader, which was ordered a year ago in a time of apparently steady market growth.

Coupled with this increase in supply, the demand side of the business took a setback when significant work programs in Asia were cancelled for a number of reasons not associated with the technology. This coincided with operationally driven lulls in activity by the major users of the technology resulting in a likely overall decline in market size for 2008. The significant imbalance of supply and demand created difficult market conditions for both OHM and its competitors, all of whom have visibly suffered this year.

Our market research shows that the main reasons for slow adoption, amongst those not yet using CSEM, are to do with a lack of understanding of the technology, a lack of resources to deal with it, and uncertainty about how to integrate and incorporate the results with other geophysical and geological data in a value creating way. Lack of budgets was also cited as an important issue but these budgets will follow if we can solve the first two issues. We have redoubled our efforts to showcase the benefits of CSEM to potential clients in a bid to overcome this resistance.

Against this landscape, we must ask what the future holds for us. Here, I believe there is cause for some optimism. When we look at our contracts to date we still note a pleasing mix of work with a steadily rising number of repeat clients, together with a solid flow of new ones. This gives us confidence that new users are still coming to the technology and that a significant number of them will go on to adopt.

We believe that our technical research continues to give us an edge too, by improving the value of the information provided by CSEM surveys and by widening the envelope of geological settings in which we can apply CSEM. OHM pioneered the application of CSEM in shallow water and we have recently completed a CSEM survey in a shallow water carbonate setting. Such a survey, in this type of geological setting, would have been unimaginable two years ago and conducting CSEM operations in these water depths would have been deemed impossible when OHM was founded. The results of the survey are still at an early stage of analysis but look extremely promising. By increasing the range of geological conditions in which we can apply the technique, we significantly increase the potential market for CSEM.

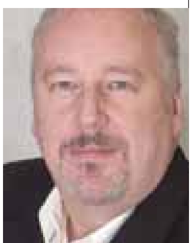
Our pool of identified opportunities for 2009 is larger than the comparable view we had in 2008, and we are now engaged in efforts to turn this potential into order backlog. Our alliance with CGGVeritas is also contributing to this picture, helping us to build relationships and create prospects in markets that were previously not available to us through a lack of resources to maintain significant market presence.

Adding further momentum to our business, we continue to see the value in the combination of CSEM with other information, and our recent acquisition of Rock Solid Images has enabled us now to create unique, multidisciplinary teams of analysts who are able to engage with all of the geosciences data that clients have and to fully integrate CSEM results, unlocking the true potential of the technique. Our first proposals to operate for oil companies in this way have met with a positive response and we see this type of approach as quickly becoming the norm for CSEM applications. We believe that we have a significant lead in creating the operational tools, workflows, and architecture to work in this way.

We must counter this positive view with an awareness of the potential threats to these work programs resulting from the current global financial situation. We count ourselves fortunate to have a significant portion of our opportunities with major companies who have considerable cash generating capability and who, we hope, are engaged in investing in reserves replacement for the long term. We will closely monitor developments over the coming months.

The supply side of the business also gives us some hope for optimism. Faced with extremely high costs, we believe that some of our competitors appear to be withdrawing capacity from the market.

Dave Pratt
Executive Chairman



At OHM, we have always maintained a strategy of having at least some of our capacity in mobile equipment that is not associated with vessels chartered longer than the length of any given client contract. To ensure security of supply of capacity, we have balanced this up with long term charter commitments on vessels that we believe give us a significant operational edge. These vessel charters contain favourable provisions to provide periods free of charge during periods of low utilisation. This provides us some cushion, but regrettably not enough in these oversupplied markets. To try to limit our fixed costs exposure, we have looked for opportunities to sub-charter out capacity on short term contracts and have had some success so far in achieving this aim.

Our Rock Solid Images subsidiary gives us hope for optimism too. The restructuring and integration of Rock Solid Images into OHM is complete and we have a strengthened management team going forward with Richard Cooper, Rock Solid Image's former President, assuming a group role as President of the OHM group.

Some momentum has been lost and revenues have been disappointing at Rock Solid Images during this integration period when we have also refocused the business to concentrate on growing their rock physics driven seismic inversion offering. This is now gaining real traction in the market place, helped by significant technical success on the exciting new Jubilee trend in West Africa. Rock Solid Images now has a strong order backlog which should support much better performance in 2009.

Our Board has seen a number of changes in the course of the year and I would like to take this opportunity to thank our former Chairman, Pierre Jungels, who retired at the last AGM, for his guidance and wisdom since our arrival as a public company. Pierre was rigorous in the standards of corporate governance that he expected of us, and our strong foundations in these aspects are his legacy. Thierry Le Roux and Steve Ludlow both joined the Board as non executive directors in the course of the year bringing a wealth of experience of public company governance within the geophysical industry to our board team. Steve will shortly step down due to his other commitments and I wish to take this opportunity to thank him for his wise counsel in the time he has been with us. Keith Lough, our longest serving non executive director, formally took on the role of senior independent non executive director.

Taking stock of our current situation we note that by building our three crews' worth of equipment, our data processing facilities, and by acquiring the added skills that came with Rock Solid Images, we have put in place the essential building blocks we need to deliver services as demand for our technology offering increases. We have a strong team of dedicated professionals to support these operational capabilities and I would like to extend my thanks to them for their efforts and professionalism in difficult circumstances in the past year.

Outlook

We must now focus our efforts on sales and marketing, on driving forward industry adoption of CSEM, and on evangelising the benefits that we can deliver through the integration of CSEM with other data.

At the end of the fiscal year 2008 we had cash in hand of over £8 million, however we will, during 2009, require significantly increased revenues and/or a further fundraising to get through this current difficult period. The position of the capital markets may make a fundraising difficult or overly dilutive and in addition to reducing costs wherever possible the Board is considering all options to ensure OHM's continued viability. I would draw your attention to the statement of going concern assumption in note 2 where the directors explain the reasons why it continues to be appropriate to prepare the financial statements on a going concern basis. As a consequence, the audit report to the 2008 financial statements will contain an emphasis of matter paragraph drawing attention to the Group's viability as a going concern.

As I write this report we are engaged with a number of parties who have expressed early interest in the possibility of acquiring the Company. In tandem with this, we are pursuing a number of opportunities to temporarily sub-charter some of our vessel capacity to reduce our fixed cost base.

We retain a strong belief in the value of our services and a confidence that integrated electromagnetic and acoustic measurements of the earth will provide significant benefits to explorers and exploiters of hydrocarbons in future years. Our short term challenge is to secure the Company's future.

Dave Pratt
Executive Chairman

18 December 2008

Business review

Introduction

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

Rock Solid Images (RSI) joined the group in the last weeks of our 2007 fiscal year. RSI was founded in 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.

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.

The acquisition of Rock Solid Images 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.

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 significantly reduce the risk of their clients drilling non-commercial wells.

Operating activity in 2008

The Company has experienced a difficult year in its CSEM operations, having seen expected proprietary and data library programs delayed or cancelled for many reasons, none of them to do with adoption of the technology. As we have moved into new operating areas, where CSEM surveys have not previously been undertaken, and as the technology has increased its profile more attention is being paid to the permitting process. This pressure is expected to ease as the technology becomes more routine.

Our proprietary data acquisition product line conducted a number of survey operations in North West Europe including a technically demanding shallow water survey targeted on carbonate reservoirs, a completely new market for the technology. This survey, one of the most technically challenging that the company has attempted, was safely concluded ahead of schedule. The bespoke handling systems and advanced sea keeping capabilities of the OHM Express together with the significant progress that has been made in improving the operational integrity of our CSEM equipment all contributed to this success. Resultant data is currently being analysed and it is hoped that significantly more work will follow in 2009 based on a successful outcome.

Data library campaigns were undertaken in Norway and in the North Atlantic. Some of these surveys were focused on prospects identified on seismic data which were to be included in the recent Norwegian 20th licensing round, and there has been a flurry of sales in the run up to the closing of the round.

Other data library surveys are focused on a longer term objective to map and understand the nature of the sediments underlying massive basalt sheets which cover the Atlantic margins of the United Kingdom and Norway. These sediments are often invisible to seismic data, which has problems penetrating the basalt, and electromagnetic surveying is proving a useful tool in mapping and understanding the sediment thicknesses in the areas. These surveys, which have already achieved some sales, are seen as part of a long shelf life study which should lead to steady sales over the coming years as operators revisit the prospectivity of these areas.

OHM has now conducted data library campaigns in four core areas:

- Campaigns offshore Norway in relation to various Norwegian licensing rounds conducted in conjunction with TGS Nopec and aimed at detecting resistive bodies associated with seismically mapped leads.

- Long, regional lines offshore Norway and West of Britain aimed at mapping the base of basalts that is not clearly seen on seismic and also in detecting the top of basement to identify the thickness of sedimentary sequences underlying the basalts.

- A campaign in Equatorial Guinea in partnership with Geseis and aimed at detecting resistors in a prospect mapped from seismic. Purchase of this data is mandatory on award of the covered blocks and OHM understands that negotiations are ongoing at present to award the block to a two oil company group.

- On the Exmouth Plateau off Australia.

Full cost recovery has been made from sales on many of these surveys and active sales are being steadily made from the data library.

OHM's data library is still a maturing business but it has shown steady year on year revenue growth, and has delivered good profit margins on surveys that have gone through their full sales cycle. OHM has strict qualifying hurdles for proposed data library programs and rigidly applies this discipline. As a result of this, the ratio of annual sales to year end carrying book value of the library has improved from 25% to 100% over the last two years.

Our data processing teams conducted work behind our own vessel's data acquisition and also reprocessed data acquired by our competition where OHM's industry leading capabilities can improve the imaging that had been achieved previously.

Rock Solid Images provided services in Asia, Europe, and North America. They had a relatively quiet year as they changed the focus of their services towards increased provision of rock physics driven seismic inversion services. Early work conducted by RSI in this area had considerable success in predicting the distribution of hydrocarbon bearing sands in the Mahogany/Jubilee discoveries in West Africa, and based on this success, there has been growing demand for their services. They currently have a strong order backlog, which we expect to result in significantly improved 2009 performance.

Safety and the environment

The Company conducts operations offshore, often in hostile and remote conditions. In order to control the risks associated with this activity, the Company has developed a comprehensive safety and environmental management system. This system is 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 Company and its management but with operational personnel whose experience and knowledge are vitally important in the development and maintenance of safe working regimes.

It is a testament to the dedication and professionalism of all our staff that we have, for the seventh successive year, achieved our goal of conducting our operations without significant injury, lost time incidents, or accidental damage to our environment. Once again, in 2008 we were grateful to have received awards from some of our clients for our HSE performance.

Research and Development

OHM's general research goals are: to improve the images of the earth that CSEM provides; to widen the application of the method to a wider set of geological environments; and to be able to accurately quantitatively predict the earth's rock and fluid properties through the integration of seismic, electromagnetic and petro-physical data with geological knowledge. We continue to 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 and are seeing strong interest in our data integration concept which we believe has the potential to lead to a very significant market in reservoir management.

The Group invests strongly in research and development and Dr. Lucy MacGregor leads a team of 23 researchers and developers together with eight internationally renowned retained consultant researchers including Arthur Cheng, Gary Mavko, Martin Sinha, Tury Taner, and Svein Treitel.

The Group conducts some research through organising and leading industry research consortia which, in addition to providing some funding for our research and development, enable us to allow our clients early insights into our future technical capabilities as a vehicle to accelerate adoption of our technologies.

We have two active consortia at present: Lithology and Fluid Prediction (LFP) which has18-20 Oil company members and the WISE project investigating advanced issues around the integration of seismic and EM data (six members). We are also completing a joint industry project into appraisal and monitoring using CSEM with BP, BERR and The National Oceanographic Centre.

OHM is involved in a number of external research collaborations allowing us to leverage our own research and development effort. These projects also seek to address the chronic shortage of well trained EM practitioners by sponsoring studentships both to further its research ties with universities and also to train future employees.

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 which now stands at 40 granted patents with 78 applications pending. OHM's intellectual property strategy is to patent instrumentation, processes and applications that improve the effectiveness of the CSEM and associated techniques.

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.

Financial review

Following a number of periods of sustained growth our revenues fell back considerably in 2008 driven by adverse supply/demand conditions in the CSEM market. Revenues for the year were a disappointing £10.8 million (2007: £17.7 million) resulting in a pre-tax loss of £8.7 million (2007: (£1.0 million)).

Revenues from the Rock Solid Images group and our CSEM data processing and interpretation revenues are being consolidated into a single data processing and analysis revenue stream reflecting the consolidation of these groups into multi disciplinary teams. This revenue stream accounted for £2.7 million (2007: £0.1 million) in the year.

Data library saw strong growth with sales of off the shelf data doubling on the previous year but this was offset by a sharp decline in utilisation of our full service survey activities as poor industry supply demand dynamics significantly reduced our utilisation.

Cost of sales increased year on year through the addition of a full year's worth of Rock Solid Images' costs and costs associated with the demobilisation of a vessel sent to South East Asia for an aborted work program there. This was offset by reductions in marginal costs driven by low data acquisition activity and a number of cost saving initiatives. Year on year our overall cost of sales declined from £14.8 million to £13.0 million. This resulted in a gross loss from operations of £2.3 million compared to a £2.9 million profit in the previous year.

Overheads rose sharply from £4.1 million to £7.2 million on increases in research and development, sales and marketing effort, and on the absorption of a full year's worth of Rock Solid Images' overheads.

The Company's cash balance at the 31st of August 2008 stood at £8.2 million (2007: £19.0 million) with the bulk of our anticipated capital expenditure on equipment for our third EM crew completed. This gives us the resource to cope with significant market growth and accordingly, for the foreseeable future, capital expenditure is likely to be limited to essential maintenance items. The Company's cash balance as at 30 November stood at £5.9 million.

Principal risks and uncertainties.
The Offshore Hydrocarbon Mapping 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. The recent decline in oil prices and general economic situation may lead to delays or declines in spending by OHM's client base.

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

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

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

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

In the past there have been challenges to the Group's freedom to operate resulting from a competitor attempting to enforce intellectual property rights. The Group invests in 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 the Group's operations. OHM note that the High Court in London is expected to rule on the 19th January 2009 on the challenge mounted by Schlumberger on a number of emgs's patents. The Court may decide to overturn, uphold, or restrict the scope of the patents. The Court may decide to take the path chosen recently by the Dutch Courts and defer their decision pending the European Patent Office's consideration of OHM's and Schlumberger's challenges to the patents. Whilst an adverse decision could deleteriously affect OHM's business, OHM has followed the progress of Schlumberger's action and has noted that the arguments advanced by Schlumberger with respect to the invalidity of these patents closely match OHM's position.

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

The current conditions in the financial markets could present difficulties in fund raising both for OHM and for its clients, and such impact on the Company's future business plans will need constant review. OHM will need to achieve a dramatic upturn in its trading position, and/or sub-charter excess vessel capacity, and/or raise additional finance in FY2009 to ensure its continuing viability. I would draw your attention to the statement of going concern assumption in note 2 where the directors explain the reasons why it continues to be appropriate to prepare the financial statements on a going concern basis.

Dave Pratt
Executive Chairman

18 December 2008

Continuing integration – 2008

OHM Rock Solid Images is the first company to integrate Controlled Source Electromagnetic (CSEM), seismic and well data to characterise critical reservoir properties at all stages in the oilfield life cycle; we work closely with our clients to deliver robust, insightful & integrated geophysical images to help de-risk their exploration prospects.

Our global experience and local expertise in the fields of CSEM data acquisition & interpretation, seismic inversion, well log conditioning & rock physics enables our clients to develop a clear understanding of the exploration challenges and opportunities they are facing.

E&P companies find that this approach captures the maximum value from available geophysical data in a way that is greater than the sum of the parts and truly helps de-risking exploration prospects.

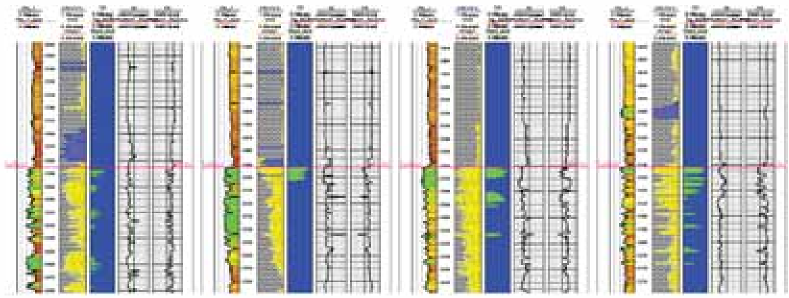
Our continuing involvement in a range of industry and academic projects means that we work with a wide network of industry partners and academic institutions to further develop and improve the applications of our technology.

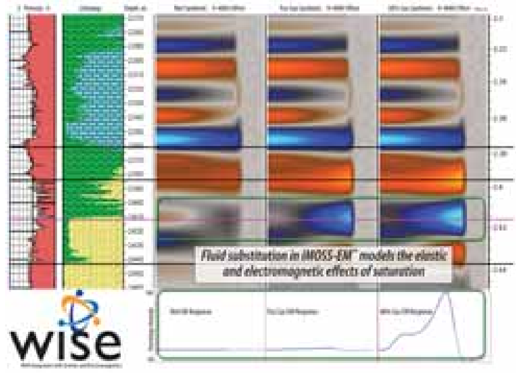
These projects include the Well Integration with Seismic and Electromagnetics (WISE) and Lithology and Fluid Prediction Project (LFP) consortiums, the Stanford Rockphysics and Borehole Geophysics project (SRB), the Fluid Properties Consortium at the University of Houston and Colorado School of Mines and the Reservoir appraisal and monitoring project with BP, Department for Energy and Climate Change and University of Southampton.

EM Acquisition & Processing

EM Acquistion & Processing
> M/V OHM Leader acquiring CSEM survey data
> Pre-survey data receiver preparation
> Onboard data QC and processing

Well Processing
Geophysical Well Log Conditioning (GWLC) provides consistent and reliable data



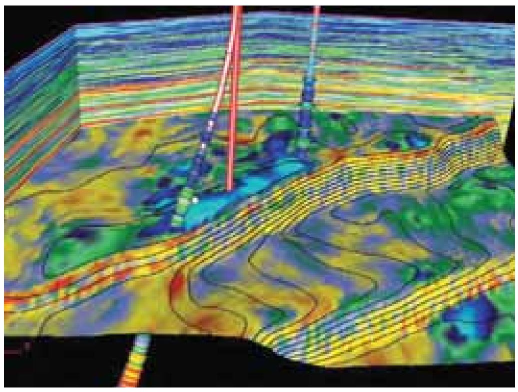


Integrating EM, seismic and well data to minimize drilling risk

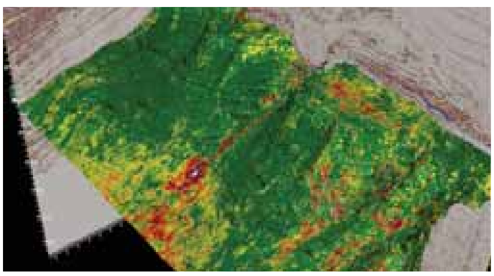
Well Processing

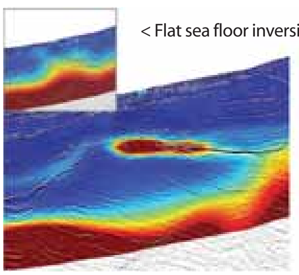
Seismic Conditioning

Modelling & Inversion



Seismic Conditioning
Improved inversion results enable better drilling decisions



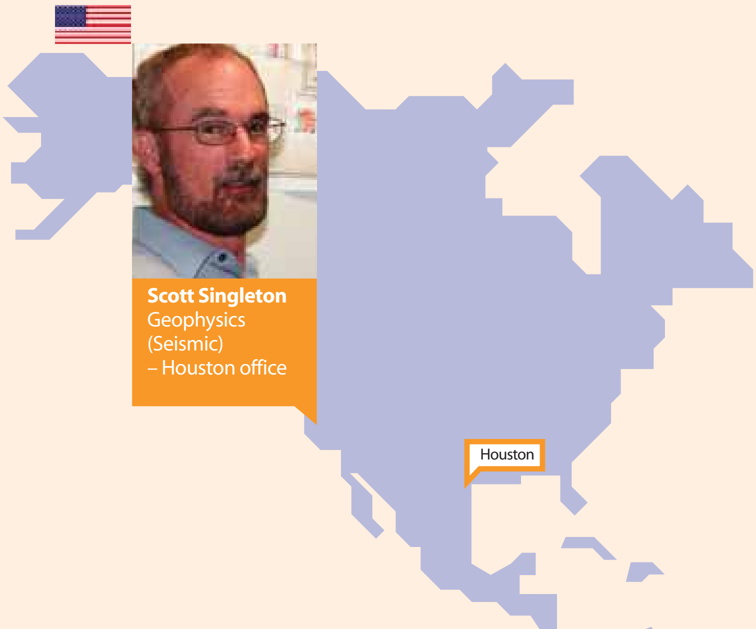


< Flat sea floor inversion

< OHMVision Bathymetric Inversion

Modelling & Inversion
Reliable CSEM and reservoir characterisation results

Our people – global experience, local knowledge

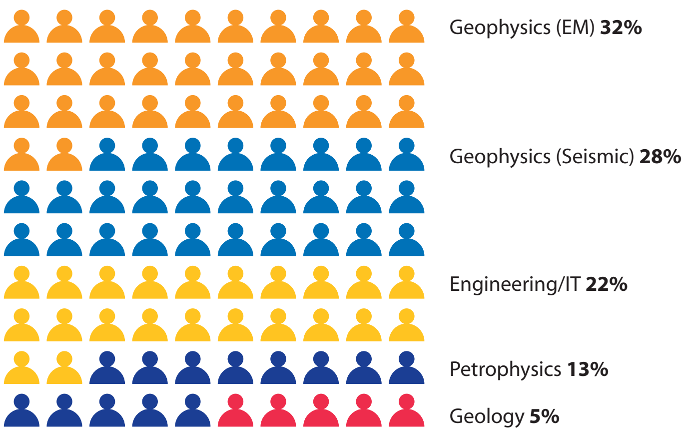


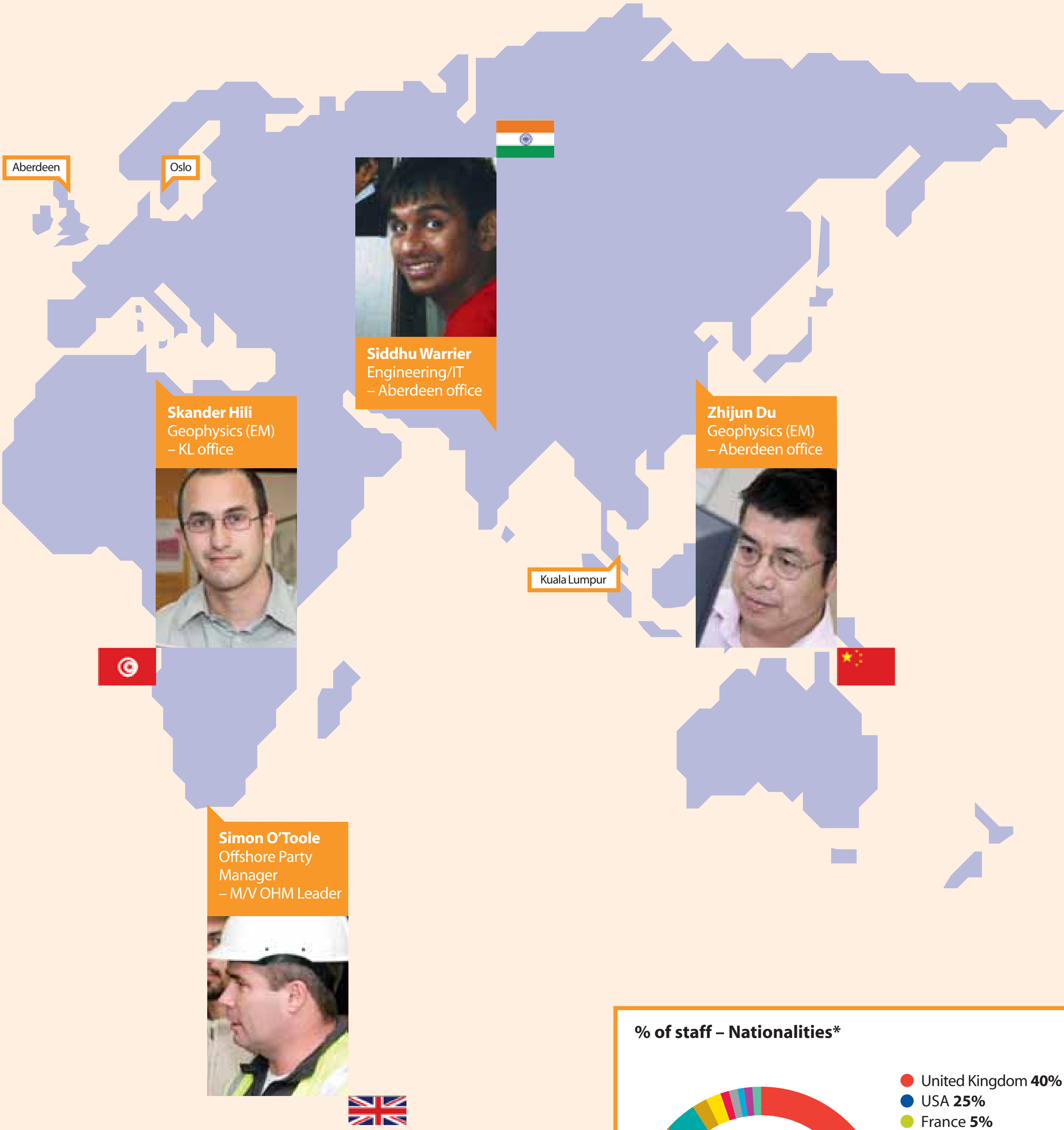
Our people are at the heart of the Company; we have an extremely well educated, highly skilled and experienced team of staff based in our four offices across the globe.

Our teams of analysts are comprised of industry veterans who can bring a wide range of knowledge, experience and innovative solutions to address our clients' challenges.

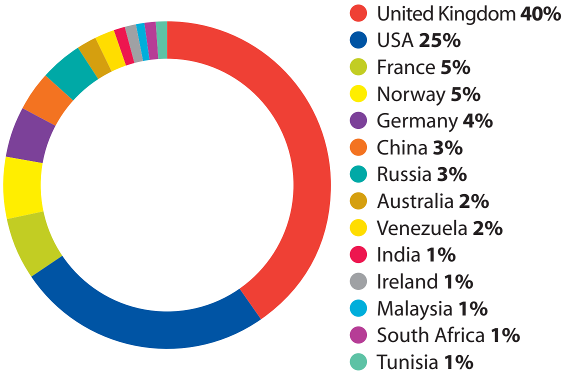
Alongside this, heavy investment in recruitment and training has ensured that we are developing the next generation of multidisciplinary geophysical experts – able to push the bounds of our technology and knowledge even further.

% of technical staff – Disciplines





% of staff – Nationalities*



Fleet expansion and improvement

The introduction of a second purpose converted CSEM vessel, the OHM Leader, in June 2008 has enabled OHM to continue to set new industry standards in operating capability, survey acquisition standards and Health, Safety and Environment (HSE).

The vessels offer our clients unmatched levels of operating range, survey ability, safety and speed of delivery of results – enabling rapid and confident exploration decision making – often acquiring survey data in conditions other survey vessels would not be able to operate in.

Feedback from crew and client representatives highlights the first-class standards of accommodation, facilities and communication channels available on these vessels.

In terms of HSE, this year our survey crews have been awarded a number of awards by client companies – reflecting our commitment to this most important of areas.

Vessels

> M/V OHM Leader


> M/V OHM Express

Equipment

This year has seen significant enhancement of the performance of our CSEM survey equipment – resulting in improved survey times, and therefore lower costs, for our clients.

Our DASI source is now operating at a consistently higher power, which improves the signal to noise ratio leading to better data quality, and therefore better deliverable results.

Progress on the receiver handling and operating system has led to more efficient deployment and recovery, again saving time on survey operations. During surveys in the last 12 months, the receivers are now operating at close to a 100% success rate.

The next generation of receivers is currently being trialled; the successful development of these will enable OHM to acquire high resolution CSEM surveys – again providing a step change in the application of the technology.

Source

> DASI Source

Receivers

> Receiver pre-deployment
> Onboard HSE and survey planning meeting

Board of Directors

1 2
3 4
5 6

1 David Charles Newall Pratt 50
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.

2 Dr. Lucy Margaret MacGregor 36
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, and is an honorary research fellow at the University of Aberdeen.

3 Robert Ian Auckland 48
Chief Financial Officer
Bob was previously Financial Director and Company Secretary of J W 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.

4 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.

5 Steve Ludlow 58
Non-executive director
Steve is an experienced global executive who has successfully performed many roles, including that of CEO, with 34 years of experience in the geophysical business. He served as a director of Veritas from 1994 until 2005 when he retired from the industry. Prior to retirement Steve was Vice Chairman of Veritas DGC, a NYSE listed company. As Vice Chairman he established himself as the public face of Veritas with the investment community to whom he regularly presented at annual investment conferences in the USA, Canada, Norway and France. Steve was President and COO of Veritas DGC following the merger in 1996 and contributed to the success of this venture becoming Vice Chairman. He was named President and CEO of Digicon in 1994 and undertook the rebuilding of the company to create a viable partner in any future M&A activity.

6 Thierry Le Roux 54
Non-executive director
Thierry is Group President and COO of CGGVeritas, and President of Geophysical Services. Thierry had previously been Group President and CFO for CGGVeritas since September 2005. Prior to this, he has held a number of executive roles within the CGGVeritas group including CEO of Sercel (CGGVeritas Equipment subsidiary), Executive Vice President of CGGVeritas Geophysical Equipment operations, Business Development Manager, and Far East Manager. Thierry is Chairman of Sercel S.A., Chairman of the Management Board of CGGVeritas services Holding BV, Chairman of the Board of CGGVeritas Services SA, Chairman of the Board of Sercel Inc., Chairman of the Board of Hebei Sercel-Jungfeng Geophysical Prospecting Equipment Co. Ltd., Vice-Chairman and member of the Supervisory Board of Sercel Holding, Chairman of the Board of Sercel England, a Director of Sercel Singapore Private Ltd., a Director of CGGVeritas Services Holding (U.S.) Inc., Chairman of the Supervisory Board of Tronic's Microsystems S.A., Director of Cybernetix S.A. and a Director of INT Inc.

Directors' report

for the year ended 31 August 2008

The directors present their report together with the audited financial statements for the year ended 31 August 2008. 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 and interpretative services to the oil and gas exploration and production industry. The Company also provides 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 Business 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 2008 of £8,697,000 (2007: loss of £1,057,000). The directors do not recommend the payment of a dividend (2007: nil).

Directors

The names of the directors who held office during the year ended 31 August 2008 are as follows:

Executive directors

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

Non-executive directors

Keith Lough
Steven Ludlow (appointed on 17 January 2008)
Thierry Le Roux (appointed on 17 January 2008)

Dr. Pierre Jean Marie Henri Jungels CBE also served as a non-executive director during the year but resigned on 17 January 2008 as did Mr. Gary Ernest Jones who resigned on 20 November 2007 and Jeffrey Scott Garner who 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 2008 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	10,966,052	25.40%
Compagnie Générale de Géophysique – Veritas S.A.	6,476,266	15.00%
Fidelity International Ltd	3,154,965	7.31%
Southampton Asset Management Ltd	3,119,057	7.22%
Lehman Brothers International (Europe)	2,043,000	4.73%
Berenberg Lux Invest S.A.	1,820,000	4.22%
Vontobel Europe S.A.	1,500,000	3.47%

Share capital

During the year the Company raised £226,000 of cash by issuing 537,962 ordinary shares of 1 pence each.

	Number of shares issued	Issue price pence	Net amount raised after issue costs £'000
17 September 2007	457,267	7.1	32
18 October 2007	80,695	240.0	194
	537,962		**226**

The 457,267 ordinary shares of 1 pence each which were issued on 17 September 2007 were issued to Mr. David Pratt on exercise of share options. The 80,695 ordinary shares of 1 pence each which were issued on 18 October 2007 were placed with Compagnie Générale de Géophysique – Veritas S.A. in accordance with a shareholders' agreement.

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 2008 represents 33 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 (2007: £nil) and no political donations during the year (2007: £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 or her in the exercise of his or her duties.

The Company maintains insurance to cover its directors and officers, including non-executive directors, in the discharge of their duties against the loss and legal expenses incurred by each insured person due to a wrongful act. This cover 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.

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. Attention is drawn to the going concern assumption in note 2.

Post balance sheet event

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

Auditors

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

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 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 has expressed its willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Bob Auckland
Company Secretary

18 December 2008

Statement of Directors' responsibilities

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 are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the Company in accordance with IFRS.

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.

Remuneration report

for the year ended 31 August 2007

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 Board notes that the report is not fully compliant with Schedule VIIA of the Companies Act 1985, the Combined Code and the Listing Rules. The Company's remuneration policy is the responsibility of the Remuneration Committee. The Committee is chaired by Steve Ludlow and also comprises Keith Lough and Thierry Le Roux. 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 was £18,247 for David Pratt, £6,995 for Dr. Lucy MacGregor and £10,720 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

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

c) Service contracts

Dave Pratt 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 (excluding pension) £	Pension £	Total (including pension) 2008 £	Total (excluding pension) 2007 £	Pension 2007 £	Total (including pension) 2007 £
Executive										
David Pratt [1]	**192,167**	**–**	**–**	**1,507**	**193,674**	**18,247**	**211,921**	216,011	10,720	226,731
Dr. Lucy MacGregor	**107,200**	**–**	**–**	**413**	**107,613**	**6,995**	**114,608**	106,260	5,916	112,176
Bob Auckland	**107,200**	**–**	**–**	**1,415**	**108,615**	**10,720**	**119,335**	117,121	9,067	126,188
Non executive										
Keith Lough	**20,000**	**–**	**–**	**–**	**20,000**	**–**	**20,000**	20,000	–	20,000
Steven Ludlow	**–**	**–**	**13,333**		**13,333**	**–**	**13,333**	–	–	–
Thierry Le Roux	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–
Dr. Pierre Jungels [2]	**18,757**	**–**	**–**	**–**	**18,757**	**–**	**18,757**	50,000	–	50,000
Gary Jones [3]	**5,000**	**–**	**–**	**–**	**5,000**	**–**	**5,000**	20,000	–	20,000
Landon Clay	**–**	**–**	**–**	**–**	**–**	**–**	**–**	644	–	644
Jeffery Garner [4]	**–**	**–**	**2,727**	**–**	**2,727**	**–**	**2,727**	5,000	–	5,000
Total	**450,324**	**–**	**16,060**	**3,335**	**469,719**	**35,962**	**505,681**	535,036	25,703	560,739

(1) David Pratt was the highest paid director during the year ended 31 August 2008.
(2) Dr. Pierre Jungels resigned from the Board on 17 January 2008.
(3) Gary Jones resigned from the Board on 20 November 2007.
(4) 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 2008 had the following interests in the ordinary shares of the Company:

	2008 Number of shares	2007 Number of shares
David Pratt	**–**	255,347
Dr. Lucy MacGregor	**839,686**	1,552,300
Bob Auckland	**40,000**	17,500
Keith Lough	**50,000**	50,000
Steven Ludlow	**–**	–
Thierry Le Roux	**–**	–

On 17 September 2007 David Pratt exercised 457,267 share options and on 18 September 2007 sold these along with the 255,347 shares he already held to Mr. Landon T Clay and his affiliated interests (together the 'Clay Affiliates'). On the same day Dr. Lucy MacGregor sold 712,614 shares to the Clay Affiliates. On 30 January 2008 Bob Auckland acquired 22,500 shares in the Company.

There has been no change in the directors' interests set out above between 31 August 2008 and 18 December 2008.

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 2007	Granted during the year	(Lapsed)/ exercised during the year	**At 31 August 2008**	Exercise price (p)	Earliest exercise date	Expiry date
David Pratt							
28/11/02	457,267	–	(457,267)	**–**	–	–	–
01/03/04	940,008	–	–	**940,008**	170.00	01/03/05	28/02/14
01/02/06	110,016	–	–	**110,016**	1.00	01/02/09	01/02/19
01/12/06	76,252	–	–	**76,252**	1.00	01/12/09	01/12/19
01/10/07	–	248,227	–	**248,227**	1.00	01/10/10	01/10/20
Dr. Lucy MacGregor							
01/12/03	141,031	–	–	**141,031**	29.81	01/12/04	30/11/13
01/02/06	58,675	–	–	**58,675**	1.00	01/02/09	01/02/19
01/12/06	40,668	–	–	**40,668**	1.00	01/12/09	01/12/19
01/10/07	–	225,721	–	**225,721**	1.00	01/10/10	01/10/20
Bob Auckland							
01/02/06	58,675	–	–	**58,675**	1.00	01/02/09	01/02/19
01/12/06	40,668	–	–	**40,668**	1.00	01/12/09	01/12/19
01/10/07	–	25,721	–	**25,721**	1.00	01/10/10	01/10/20

These share options and awards have been granted under:

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

The 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 share awards granted to David Pratt, Dr. Lucy MacGregor and Bob Auckland on 1 October 2007 under the Company's Share Award Plan vest on 1 October 2010 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 2008 was 36.00 pence. The high and low market prices during the year were 297.00 pence and 34.50 pence respectively.

Apart from the interests disclosed above, none of the directors had any interest at any time during the year ended 31 August 2008 in the share capital of the Company or its subsidiaries.

By order of the Board

Steven Ludlow
Chairman of the Remuneration Committee

18 December 2008

Corporate governance report

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, but is not yet fully complying with the Combined Code.

The Board

The Group's business is managed by the Board of Directors. The full Board meets regularly, and met a total of eight times during the year ended 31 August 2008. 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 executive Chairman and President. Keith Lough and Steven Ludlow are considered by the Board to be free from any business or other relationship that could materially impact their independent judgement. The independent non-executive directors receive a fixed fee for their services and all non-executive directors receive reimbursement of reasonable expenses incurred in attending meetings.

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

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

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

Committees of the Board

Audit Committee

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

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

Remuneration Committee

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

Nomination Committee

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

At the forthcoming Annual General Meeting Thierry Le Roux will submit himself for re-election, having been appointed since the last Annual General Meeting. David Pratt will submit himself for re-election as executive Chairman. Steve Ludlow will retire as a director at, or before, the Annual General Meeting to concentrate on his other commitments.

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 (resigned on 17 January 2008), Keith Lough, Steven Ludlow (appointed on 17 January 2008) and Gary Jones (resigned on 20 November 2007) were independent within the meaning of the Code. At the start of the financial year Dr. Pierre Jungels was the Senior Independent Director and he carried out this role up to the date of his resignation when Keith Lough took over this position and carried it out 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
Executive				
David Pratt, Executive Chairman	8	2	1	2
Dr. Lucy MacGregor Chief Scientific Officer	8	–	–	1
Bob Auckland Chief Scientific Officer	8	2	1	2
Non-executive				
Keith Lough	7	2	–	2
Steven Ludlow	4	1	1	1
Thierry Le Roux	3	1	–	–
Former directors				
Dr. Pierre Jungels	4	–	1	2
Gary Jones	3	1	1	1
Total number of meetings	**8**	**2**	**1**	**2**

Internal control

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

Control environment

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

Identification and evaluation of risks

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

Health, Safety and the Environment

The Board receives reports from David Pratt who is Chairman of the Company's HSE Committee. Two other executive directors, Dr. Lucy MacGregor and Bob Auckland 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.

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. Attention is drawn to the going concern assumption in note 2.

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 10 February 2009 at the office of KBC Peel Hunt Ltd, 111 Old Broad Street, London EC2N 1PH, will be distributed along with this report. Details of the resolutions and explanatory notes thereon were included with the Notice along with a proxy form for members of the Company unable to attend.

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

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

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 1 of the Combined Code on Corporate Governance issued in June 2006 by the Financial Reporting Council. However, the Board acknowledges that it is not complying fully with the Combined Code.

By order of the Board

Bob Auckland
Company Secretary

18 December 2008

Independent auditors' report

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 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cashflow Statement, the Consolidated and Company Statements of Changes in 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, the Chairman's Statement, the Business Review, Remuneration Report and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements 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 misstatement, 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 2008 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 2008;

- 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.

Emphasis of matter – going concern

In forming our opinion on the Group financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the Group's ability to continue as a going concern. The Company requires the successful conclusion of certain initiatives and also additional funding to provide it with adequate financial resources to facilitate an operational and financial turnaround of the Group. These conditions along with other matters disclosed in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Glasgow

18 December 2008

Consolidated group income statement

for the year ended 31 August 2008

	Note	2008 £'000	2007 £'000
Revenue		**10,795**	17,731
Cost of sales		**13,046**	14,790
Gross (loss)/profit		**(2,251)**	2,941
Administrative expenses		**7,253**	4,084
Group operating loss	5	**(9,504)**	(1,143)
Finance income	8	**777**	154
Finance costs	9	**(17)**	(9)
Loss before taxation		**(8,744)**	(998)
Income tax expense	10	**47**	(59)
Loss for the period		**(8,697)**	(1,057)
Loss per ordinary share	11		
Basic		**(20.17)p**	(3.35)p
Diluted		**(20.17)p**	(3.35)p

All amounts relate to continuing activities.

Consolidated group balance sheet
at 31 August 2008

	Note	2008 £'000	2007 £'000
Assets			
Non-current assets			
Goodwill	13	**11,414**	10,229
Intangible assets – multi-client data library	14	**3,560**	2,241
– software	14	**2,349**	2,089
– patent costs	14	**981**	746
– consortium fees	14	**154**	152
		7,044	5,228
Plant and machinery	15	**5,029**	2,435
		23,487	17,892
Current assets			
Inventories	17	**745**	634
Trade and other receivables	18	**3,919**	4,682
Cash and cash equivalents	19	**8,222**	18,968
		12,886	24,284
Total assets		**36,373**	42,176
Liabilities			
Current liabilities			
Trade and other payables	20	**6,345**	5,196
Current tax liabilities		**102**	102
Finance leases	24	**42**	73
		6,489	5,371
Non current liabilities			
Deferred tax liabilities	23	**724**	717
Finance leases	24	**8**	42
Other liabilities	22	**–**	89
		732	848
Total liabilities		**7,221**	6,219
Net assets		**29,152**	35,957
Shareholders equity			
Share capital	26	**432**	426
Share premium		**36,668**	36,447
Share based payments reserve		**1,107**	848
Merger reserve		**5,355**	5,355
Retained earnings		**(15,699)**	(6,905)
Cumulative translation reserve		**1,289**	(214)
Total shareholders' equity		**29,152**	35,957

The financial statements were approved by the board of directors and authorised for issue on 18 December 2008 and are signed on its behalf by:

D C N Pratt
Director

R I Auckland
Director

Company balance sheet
at 31 August 2008

	Note	2008 (restated) £'000	2007 (restated) £'000
Assets			
Non-current assets			
Fixed asset investments	16	**6,987**	6,628
		6,987	6,628
Current assets			
Trade and other receivables	18	**25,207**	36,443
Cash and cash equivalents	19	**38**	–
		25,245	36,443
Total assets		**32,232**	43,071
Liabilities			
Current liabilities			
Trade and other payables	20	**–**	41
Net assets		**32,232**	43,030
Shareholders equity			
Share capital	26	**432**	426
Share premium		**36,668**	36,447
Merger reserve		**5,355**	5,355
Other reserves		**1,107**	848
Retained earnings		**(11,330)**	(46)
Total shareholders' equity		**32,232**	43,030

The financial statements were approved by the board of directors and authorised for issue on 18 December 2008 and are signed on its behalf by:

D C N Pratt
Director

R I Auckland
Director

Consolidated group cashflow statement

for year ended 31 August 2008

	Note	2008 £'000	2007 £'000
Cash flows from operating activities			
Loss before taxation		**(8,744)**	(998)
Adjustments for:			
Depreciation of tangible fixed assets	15	**1,339**	1,437
Amortisation of intangible fixed assets	14	**1,023**	45
Share based payments charge	29	**259**	352
Intangible asset transfer from balance sheet	14	**1,903**	812
Loss on disposal of plant and equipment		**30**	47
Finance income	8	**(777)**	(154)
Operating cash flows before changes in working capital		**(4,967)**	1,541
Increase in inventories		**(111)**	(482)
Decrease/(increase) in trade and other receivables		**763**	(1,587)
Increase in trade and other payables		**1,150**	509
Cash absorbed by operations		**(3,165)**	(19)
Foreign taxes paid	10	**(29)**	(59)
Net cash used in operating activities		**(3,194)**	(78)
Cash flows from investing activities			
Payments to acquire multi-client data library	14	**(3,861)**	(1,528)
Payments to acquire software	14	**(284)**	(125)
Payments to acquire patents	14	**(229)**	(150)
Purchase of plant and equipment	15	**(3,892)**	(753)
Proceeds from sale of plant and equipment		**–**	3
Net cash outflow on acquisition of subsidiary	16, 27	**(20)**	(6,402)
Interest received	8	**777**	154
Net cash used in investing activities		**(7,509)**	(8,801)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	26	**226**	24,830
Share issue expenses		**–**	(454)
Line of credit	22	**(89)**	–
Capital lease obligation	24	**(66)**	–
Other adjustments		**(97)**	(35)
Net cash (used in)/generated by financing activities		**(26)**	24,341
Net (decrease)/increase in cash and cash equivalents		**(10,729)**	15,462
Opening cash and cash equivalents		**18,968**	3,439
Effect of foreign exchange rate changes		**(17)**	67
Closing cash and cash equivalents	19	**8,222**	18,968

Company cashflow statement

for year ended 31 August 2008

	Note	2008 £'000	2007 £'000
Cash flows from operating activities			
Loss before taxation	12	**(11,284)**	(146)
Adjustments for:			
Share based payments charge		**–**	–
Financial income		**(2,543)**	–
Impairment provision against loan from subsidiary undertaking		**15,000**	–
Operating cash flows before changes in working capital		**1,173**	(146)
(Decrease)/increase in trade and other payables	20	**(41)**	146
Net cash flows from operating activities		**1,132**	–
Cash flows from investing activities			
Advances of loans to subsidiary undertakings		**(3,764)**	–
Repayment of loans by subsidiary undertakings		**–**	–
Net cash outflow on acquisition of subsidiaries	16	**(100)**	–
Interest received on loans from subsidiary undertakings		**2,543**	–
Net cash used in investing activities		**(1,321)**	–
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	26	**227**	–
Share issue expenses		**–**	–
Net cash from financing activities		**227**	–
Net increase in cash and cash equivalents		**38**	–
Opening cash and cash equivalents		**–**	–
Effect of foreign exchange rate changes		**–**	–
Closing cash and cash equivalents	19	**38**	–

The Company has non cash movements relating to the share issues, investments and inter-company loans.

Group statement of changes in equity

for year ended 31 August 2008

	Attributable to equity holders of the parent company						
Group	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 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	–	–	352	–	–	–	352
Other adjustments	–	–	–	–	(35)	–	(35)
Share placing	126	24,723	–	5,355	–	–	30,204
Share issue costs	–	(454)	–	–	–	–	(454)
At 31 August 2007	426	36,447	848	5,355	(6,905)	(214)	35,957
Foreign currency translation difference arising on consolidation of subsidiaries	–	–	–	–	–	1,503	1,503
Loss for the year	–	–	–	–	(8,697)	–	(8,697)
Total recognised income and expense for the year	–	–	–	–	(8,697)	1,503	(7,194)
Share based payments	–	–	259	–	–	–	259
Other adjustments	–	–	–	–	(97)	–	(97)
Share placing	6	221	–	–	–	–	227
At 31 August 2008	**432**	**36,668**	**1,107**	**5,355**	**(15,699)**	**1,289**	**29,152**

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

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

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

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

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

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

Company statement of changes in equity
for year ended 31 August 2008

Company	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
	Attributable to equity holders of the parent company					
At 1 September 2006	300	12,178	–	–	100	12,578
Changes in accounting policy (see note 2)	–	–	–	496	–	496
At 1 September 2006 (restated)	300	12,178	–	496	100	13,074
Loss for the year	–	–	–	–	(146)	(146)
Total recognised income and expense for the year	–	–	–	–	(146)	(146)
Share based payments	–	–	–	352	–	352
Share placing	126	24,723	5,355	–	–	30,204
Share issue costs	–	(454)	–	–	–	(454)
At 31 August 2007	426	36,447	5,355	848	(46)	43,030
Loss for the year	–	–	–	–	(11,284)	(11,284)
Total recognised income and expense for the year	–	–	–	–	(11,284)	(11,284)
Share based payments	–	–	–	259	–	259
Share placing	6	221	–	–	–	227
At 31 August 2008	**432**	**36,668**	**5,355**	**1,107**	**(11,330)**	**32,232**

Refer to the previous page for a description of these 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.

Future accounting developments

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

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

Title	Implementation	Anticipated effect on the Group
IFRS 7: Financial Instruments: Disclosures	Annual periods beginning on or after 1 January 2007	Additional disclosures on financial instruments is set out in note 21
Amendment to IAS 1 – Capital Disclosures	Annual periods beginning on or after 1 January 2007	Additional disclosures only

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

Title	Implementation	Anticipated effect on the Group
IAS 1 (Revised: Presentation of Financial Statements – a revised presentation)	Annual periods beginning on or after 1 January 2009	One key impact on the Group is that the revised IAS 1 will require changes to the presentation of the Income Statement. It will require a statement of comprehensive income including all gains and losses taken to equity, or an Income Statement and a separate Statement of Comprehensive Income which deals with other gains and losses taken to equity.
Amendment to IAS 23: Borrowing Costs	Annual periods beginning on or after 1 January 2009	None
Amendments to IFRS 27 Consolidated and Separate Financial Statements	Annual periods beginning on or after 1 January 2009	Additional disclosures only
Amendments to IFRS 2 Share-based Payment (Vesting Conditions and Cancellations)	Annual periods beginning on or after 1 January 2009	None
Amendments to IAS 32 and IAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Annual periods beginning on or after 1 January 2009	None
Amendments to IFRS 1 and IAS 27: Cost of an Investment in a subsidiary, Jointly-Controlled Entity or Associate	Annual periods beginning on or after 1 January 2009	Additional disclosures only
IFRS 3 (Revised 2008) Business Combinations and complementary amendments to IAS 2: Consolidated and Separate Financial Statements	Annual periods beginning on or after 1 January 2009	None
IAS 39: Financial Instruments – Recognition and Measurement: Eligible Hedging Items	Annual periods beginning on or after 1 January 2009	Additional disclosures only
Improvements to IFRSs	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

1 General information – continued

Title	Implementation	Anticipated effect on the Group
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
IFRIC 17: Distribution of Non-Cash Assets to Owners	Annual periods beginning on or after 1 January 2009.	None
IFRIC 15: Agreements for the Construction of Real Estate	Annual periods beginning on or after 1 January 2008	None
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	Annual periods beginning on or after 1 January 2008	Additional disclosures only

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

2 Significant accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with IFRS (International Financial Reporting Standards) as endorsed for use in the European Union and also in accordance with those parts of the Companies Act 1985 that remain applicable to companies who report under IFRS.

Going concern assumption

The Group has reported a loss before taxation of £8,744,000 in its latest financial year ended on 31 August 2008.

The directors are committed to returning the Group to profitability and have taken, or are in the process of taking, a number of initiatives which should lead to a financial and operational turnaround of the Group. It is acknowledged that additional funding is required to complete the turnaround and the directors are therefore considering a number of initiatives of which an as yet undetermined combination is expected to be proceeded with:

- Sub charter of one of the Group's dedicated vessels for a period of at least 12 months;
- Spot sub charter one of the Group's dedicated vessels for shorter periods between CSEM contracts;
- The issue of a number of ordinary shares of 1p each to existing shareholders;
- A reorganisation of the OHM Group resulting in the sale for cash of some parts of the existing Group;
- A sale of the entire Group.

In addition, the Group is committed to tight management of overheads, working capital and control of capital expenditure. In particular the Group will make further reductions in costs in the New Year and is in discussions with a number of parties who have expressed interest in acquiring the Company.

The directors believe that there are reasonable possibilities that a requisite combination of the planned initiatives can be successfully concluded within the first half of fiscal year 2009 (ending 28 February 2009) to provide the Group with adequate financial resources to fund the planned cost reduction measures and to meet working capital requirements for the foreseeable future or to sell the Group as a going concern for the benefit of its shareholders. However, the failure to successfully conclude one or more of these initiatives, which for the reasons set out above is not currently anticipated, would result in significant doubt over the Group's ability to continue as a going concern.

Accordingly, the directors believe that it continues to be appropriate to prepare these financial statements on a going concern basis.

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 2008 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

2 Significant accounting policies – continued

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 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 that the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

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

Interest receivable

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

Research and development

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

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

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

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Bank borrowings

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

2 Significant accounting policies – continued

Loans and receivables

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

Trade payables

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

Equity instruments

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

Leasing

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

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

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

Foreign currencies

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

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

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

Investments

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

Depreciation

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

Plant and machinery	–	100% to 12.5% straight line
Computer equipment	–	20% to 50% straight line
Office equipment	–	14.3% to 100% straight line

Impairment of fixed assets

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

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

Intangible assets

Patent costs

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

2 Significant accounting policies – continued

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

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

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

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'.

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

2 Significant accounting policies – continued

Group and treasury share transactions

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

As required by the International Financial Reporting Interpretations Committee (IFRIC 11) on IFRS 2 Group and Treasury Share Transactions the Company is required to restate prior year results on adoption of this accounting policy. At 1 September 2007, £496,000 was debited to investments (capital contribution) and credited to other reserves. For the year ended 31 August 2008, £259,000 (2007: £352,000) was debited to investments (capital contribution) and credited to other reserves.

The restatement of prior years has no impact on net assets in the periods presented in these financial statements.

3 Critical accounting judgements and key sources of estimation uncertainty

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

Impairment of goodwill, tangible and intangible assets

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

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

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 net cash flows. Discounted future net cash flows for IAS 36 purposes are calculated using a discount rate of 17.5%. The Group determines forecasted revenues and costs for each cash-generating unit over a five year period based on a combination of historical experience and projected growth rates for the CSEM and WSS segments which are corroborated by external sources.

The CSEM market is forecast to grow by between 15% and 20% pa over the next five years with the Group's share of this market remaining between 10% and 20%. The Group's CSEM revenues are therefore forecast to increase by between 25% and 40% pa over this period. Assumptions relating to the growth of the CSEM market are based on projections made by independent analysts.

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

The calculation of the value in use for each cash-generating unit is most sensitive to assumptions for:
(a) the forecast growth in the size of the CSEM market over the next five years;
(b) the Group's share of the CSEM and WSS markets over this period;
[c) the gross profit margins achieved by the CSEM and WSS cash-generating units; and
(d) the discount rate used.

Useful lives of intangible assets and property, plant and equipment

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

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

Share based payments

The Group has two types of equity-settled share-based remuneration schemes for employees. Employee services received, and corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options and awards is estimated by using valuation models, such as Monte Carlo and Cox, Ross & Rubinstein binomial, on the date of grant based on certain assumptions. Those assumptions are described in note 29 and include, among others, the dividend growth rate, expected volatility, expected life of the options and number expected to vest. More details including the 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, software, patents and consortium fees acquired in a business combination is based on the discounted estimated cash flows expected to be derived from the use 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 2008 and 31 August 2007 the Group is organised into two reportable business segments - Controlled Source ElectroMagnetic (CSEM) business and Well and Surface Seismic (WSS) 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 machinery is deployed on survey vessels and, as the CSEM surveys are executed worldwide with equipment often being relocated to meet capacity requirements, the Group is not able to allocate these assets specifically to any geographical region.

Well and Surface Seismic (WSS)

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 31 August 2007, 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 complementary 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 31 August 2007, 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, profit and loss, and certain asset and liability information regarding the Group's two business segments for the years ended 31 August 2008 and 2007:

	CSEM 2008 £'000	**WSS 2008 £'000**	**Total 2008 £'000**	CSEM 2007 £'000	WSS (9 days only) 2007 £'000	Total 2007 £'000
Continuing operations revenue						
External revenue	**8,124**	**2,671**	**10,795**	17,645	86	17,731
Segment gross (loss)/profit	**(2,913)**	**662**	**(2,251)**	2,898	43	2,941
Adminstrative expenses	**(4,981)**	**(2,272)**	**(7,253)**	(4,051)	(33)	(4,084)
Segment operating (loss)/profit	**(7,894)**	**(1,610)**	**(9,504)**	(1,153)	10	(1,143)
Finance income	**777**	**–**	**777**	154	–	154
Finance costs	**(9)**	**(8)**	**(17)**	(9)	–	(9)
Segment loss before taxation	**(7,126)**	**(1,618)**	**(8,744)**	(1,008)	10	(998)
Income tax expense	**(29)**	**76**	**47**	(59)	–	(59)
Segment loss for the period	**(7,155)**	**(1,542)**	**(8,697)**	(1,067)	10	(1,057)

4 Business and geographical segments – continued

	CSEM 2008 £'000	WSS 2008 £'000	Total 2008 £'000	CSEM 2007 £'000	WSS 2007 £'000	Total 2007 £'000
Net capital investment						
Capital additions – goodwill	–	–	–	–	10,422	10,422
– multi-client data library	**3,861**	–	**3,861**	1,528	740	2,268
– software	**212**	**72**	**284**	125	1,887	2,012
– patent costs	**192**	**37**	**229**	150	435	585
– consortium fees	–	–	–	–	155	155
– tangible fixed assets	**3,765**	**127**	**3,892**	753	458	1,211
	8,030	**236**	**8,266**	2,556	14,097	16,653
Depreciation and amortisation charges	**(1,780)**	**(582)**	**(2,362)**	(1,545)	(9)	(1,554)
	6,250	**(346)**	**5,904**	1,011	14,088	15,099
Balance sheet						
Segment assets	**31,517**	**4,856**	**36,373**	28,680	13,496	42,176
Segment liabilities	**(2,921)**	**(4,300)**	**(7,221)**	(4,552)	(1,667)	(6,219)
Total net assets	**28,596**	**556**	**29,152**	24,128	11,829	35,957

Secondary reporting format – geographical segments

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

	Revenue	
	2008 £'000	2007 £'000
Europe	**7,680**	13,861
Africa	**680**	–
Americas	**1,204**	1,540
Asia Pacific	**1,231**	2,330
	10,795	17,731

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 the contracted activity:

	Total assets		Capital expenditure	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Europe	**17,693**	25,115	**4,310**	1,780
Africa	–	397	–	–
Americas	**15,976**	14,646	**383**	14,106
Asia Pacific	**159**	181	**20**	93
Unallocated – including plant and machinery on vessels	**2,545**	1,837	**3,553**	674
	36,373	42,176	**8,266**	16,653

The total assets located in Europe include £8,046,000 of cash and cash equivalents (2007: £19,905,000).

5 Group operating loss

	2008 £'000	2007 £'000
The Group operating loss is arrived at after charging/(crediting):		
Net foreign exchange (gains)/losses	**(71)**	92
Research and development expenses	**1,137**	694
Depreciation of tangible fixed assets	**1,339**	1,437
Amortisation of intangible fixed assets	**1,023**	45
Operating lease rentals – property	**241**	86
– vessels, plant and equipment	**4,106**	6,470
Cost of inventories recognised as expense	**1,623**	888
Staff costs (note 6)	**6,374**	3,477
Auditors' remuneration for audit services (see below)	**72**	67

Amounts payable to the auditors and their associates by the parent company and its UK subsidiary undertakings in respect of non-audit services were £53,000 (2007: £8,000).

5 Group operating loss -continued

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

	2008 £'000	2007 £'000
Recurring remuneration		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**38**	20
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	**34**	47
	72	67
Further assurance services		
– Tax services	**25**	–
– Other services	**28**	8
	53	8

6 Employees

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

Group	2008 Number	2007 Number
Management, sales and administration	**31**	25
Scientists	**40**	23
Operations	**49**	50
	120	98

Staff costs (including directors) consist of:	2008 £'000	2007 £'000
Wages and salaries	**5,274**	2,790
Social security costs	**764**	298
Other pension costs	**77**	37
Share based payments charge (see note 29)	**259**	352
	6,374	3,477

The Company has no employees and has incurred no staff costs during the year (2007: £nil).

7 Directors' remuneration

	2008 £'000	2007 £'000
Directors' emoluments	**454**	529
Company contributions to directors' personal pension schemes	**36**	26
Amounts paid to third parties in respect of directors' services	**16**	6
Share based payments charge (see note 29)	**71**	67
	577	628

The total amount payable to the highest paid director in respect of emoluments was £193,674 (2007: £216,011). Group pension contributions of £18,247 (2007: £10,720) 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

	2008 £'000	2007 £'000
Interest on bank deposits	**777**	154

9 Finance costs

	2008 £'000	2007 £'000
Interest on bank deposits and loans	**–**	1
Other interest payable	**17**	8
	17	9

10 Income tax expense

	2008 £'000	2007 £'000
UK Corporation tax		
Corporation tax	**–**	–
Foreign tax		
Current tax on foreign income for the year	**29**	59
Deferred tax		
Relating to the origination and reversal of timing differences	**(76)**	–
Income tax expense as reported in the Income Statement	**(47)**	59

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

	2008 £'000	2007 £'000
Loss on ordinary activities before tax	**(8,744)**	(998)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 29.16% (2007: 30%)	**(2,550)**	(299)
Tax effect of:		
Expenses not deductible for tax purposes	**91**	(22)
Research & development enhancement	**(47)**	(93)
Share based payments charge	**59**	96
Transfers to unrecognised tax assets	**2,440**	321
Foreign tax paid	**(40)**	56
Income tax expense as reported in the Income Statement	**(47)**	59

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 2008 is 43,124,180 (2007: 31,523,761).

Losses after tax are £8,697,000 (2007: loss of £1,057,000).

	2008 Number	2007 Number
Reconciliation of denominator for diluted EPS calculation		
Number of shares used in calculation of basic EPS	**43,124,180**	31,523,761
Dilutive potential ordinary shares held under Share Option Plan and Share Award and Annual Bonus Plans	**–**	–
Number of shares used in calculation of diluted EPS	**43,124,180**	31,523,761

In, both 2008 and 2007, 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 2008 there were 2,823,016 (2007: 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.

12 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 profit after tax and before dividends of £11,284,000 (2007: loss of £146,000) which is dealt with in the financial statements of the parent company.

13 Goodwill

	£'000
Cost or valuation	
At 1 September 2006	–
Acquisition of subsidiary (note 27)	10,422
Foreign exchange differences	(193)
At 1 September 2007	10,229
Underaccrued acquisition cost	20
Foreign exchange differences	1,165
At 31 August 2008	**11,414**
Accumulated impairment losses	
At 1 September 2007 and 31 August 2008	–
Net book value	
At 31 August 2008	**11,414**
At 31 August 2007	10,229
At 31 August 2006	–

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

	2008 £'000	2007 £'000
Controlled Source ElectroMagnetic (CSEM) business	**1,500**	–
Well and Surface Seismic (WSS) business	**9,914**	10,229
	11,414	10,229

The recoverable amounts of the CGUs are determined from value in use calculations. Details of the method used and assumptions made are set out in Note 3.

14 Intangible assets

Group	Multi-client data library £'000	Software £'000	Patent costs £'000	Consortium fees £'000	Total £'000
Cost or valuation					
At 1 September 2006	798	152	178	–	1,128
Additions	1,528	125	150	–	1,803
Acquisition of subsidiary	740	1,887	435	155	3,217
Transfer on disposals	(810)	–	(2)	–	(812)
Foreign exchange differences	(15)	(34)	(8)	(3)	(60)
At 31 August 2007	2,241	2,130	753	152	5,276
Additions	3,861	284	229	–	4,374
Disposals	(1,903)	–	–	–	(1,903)
Foreign exchange differences	85	232	54	17	388
At 31 August 2008	**4,284**	**2,646**	**1,036**	**169**	**8,135**
Amortisation					
At 1 September 2006	–	5	2	–	7
Provided for the year	–	40	5	–	45
Foreign exchange differences	–	(4)	–	–	(4)
At 31 August 2007	–	41	7	–	48
Provided for the year	724	236	48	15	1,023
Foreign exchange differences	–	20	–	–	20
At 31 August 2008	**724**	**297**	**55**	**15**	**1,091**
Net book value					
At 31 August 2008	**3,560**	**2,349**	**981**	**154**	**7,044**
At 31 August 2007	2,241	2,089	746	152	5,228
At 31 August 2006	798	147	176	–	1,121

The Group's portfolio of multi client data library includes several large projects in the Atlantic margin of the United Kingdom and Norway. The remaining amortisation life of the Group's multi-client data library varies from one to five years.

Amortisation is charged within cost of sales and administrative expenses so as to write off the cost of the intangible assets over their estimated useful lives.

	Cost at acquisition £'000	Remaining economic life
Intangible assets		
Multi-client data library	3,560	4 years
Software	2,349	9 years
Patent costs	981	14 years
Consortium fees	154	9 years
	7,044	

15 Tangible fixed assets

Group	Plant and machinery £'000	Computer equipment £'000	Office equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation					
At 1 September 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)	–
Foreign exchange differences	–	(20)	(1)	–	(21)
At 31 August 2007	5,425	1,000	160	–	6,585
Additions	1,025	271	50	2,546	3,892
Disposals	(362)	(3)	(4)	–	(369)
Foreign exchange differences	2	139	9	–	150
At 31 August 2008	**6,090**	**1,407**	**215**	**2,546**	**10,258**
Depreciation					
At 1 September 2006	2,368	323	111	–	2,802
Provided for the year	1,351	132	26	–	1,509
Disposals	(131)	(4)	(13)	–	(148)
Foreign exchange differences	–	(12)	(1)	–	(13)
At 31 August 2007	3,588	439	123	–	4,150
Provided for the year	1,021	292	26		1,339
Disposals	(359)	(3)	(1)		(363)
Foreign exchange differences	1	97	5		103
At 31 August 2008	**4,251**	**825**	**153**	**–**	**5,229**
Net book value					
At 31 August 2008	**1,839**	**582**	**62**	**2,546**	**5,029**
At 31 August 2007	1,837	561	37	–	2,435
At 31 August 2006	2,558	202	31	–	2,791

16 Subsidiaries

Company	Group undertakings £'000
Cost and net book value	
At 1 September 2007	1
Changes in accounting policy (see note 2)	496
At 1 September 2007 (restated)	497
Capitalisation of share based payments	352
Acquisition of subsidiaries	5,779
At 31 August 2007	6,628
Capitalisation of share based payments	259
Underaccrued acquistion costs	20
Acquisiton of subsidiary	80
At 31 August 2008	**6,987**

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

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

During 2008, the Group established a new, wholly owned, trading company in Malaysia which was incorporated with £80,000 of ordinary share capital.

17 Inventories

	Group 2008 £'000	Group 2007 £'000
Fuel, at cost	**23**	390
Stock of spares and consumables	**722**	244
	745	634

18 Trade and other receivables

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Trade receivables	**3,304**	3,562	**–**	–
Less: provision for impairment of trade receivables	**(37)**	–	**–**	–
	3,267	3,562	**–**	–
Amounts owed by group undertakings	**–**	–	**25,207**	36,443
Other receivables	**77**	482	**–**	–
Prepayments and accrued income	**575**	638	**–**	–
	3,919	4,682	**25,207**	36,443
Classification of financial assets:				
Trade receivables	**3,267**	3,562	**–**	–
Other receivables	**77**	482	**–**	–
Cash and cash equivalents	**8,222**	18,968	**38**	–
Amounts owed by group undertakings	**–**	–	**25,207**	36,443
Total financial assets classified as loans and receivables at amortised cost	**11,566**	23,012	**25,245**	36,443

The directors consider that the carrying amount of financial assets approximates to their fair value. Following a review for impairment the Company has provided £15,000,000 (2007: £nil) against the amounts owed by group undertakings.

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

Financial assets:

The Group's financial assets comprise cash at bank. Fixed rate financial assets for 2008 are Pounds Sterling and US Dollar deposits held in a fixed term moneymarket account with notice periods varying from 30 days to 90 days. In 2007 fixed rate financial assets are Pounds Sterling and US Dollar deposits.

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

	Group 2008 £'000	Group 2007 £'000
At the beginning of the year	**–**	–
Provided during the year	**(37)**	–
At the end of the year	**(37)**	–

At 31 August 2008 trade receivables of £805,000 (2007: £535,000) were past due but not impaired. They relate to clients with no default history. The ageing analysis of trade receivables is as follows:

	Group 2008 £'000	Group 2007 £'000
Not yet due	**2,462**	3,027
Overdue by less than one month	**778**	446
Overdue by between one to two months	**17**	86
Overdue by between two to three months	**10**	3
Overdue by between three to six months	**–**	–
	3,267	3,562

19 Cash and cash equivalents

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Cash at bank and on hand	**3,367**	1,968	**38**	–
Short-term bank deposits	**4,855**	17,000	**–**	–
Cash and cash equivalents	**8,222**	18,968	**38**	–
Bank overdraft repayable on demand	**–**	–	**–**	–
	8,222	18,968	**38**	–

Maturity of short-term bank deposits have original maturity of 3 months or less.

All bank deposits are fully liquid with the exception of restricted cash amounting to $66,000 (£37,000) (2007: $nil) which is held as security by two banks in interest bearing accounts to secure bank guarantees issued by these banks on the Group's behalf to two of its customers. The guarantees are in respect of two projects and the terms vary between six weeks and not later than 16 May 2009.

20 Trade and other payables

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Trade payables	**2,466**	2,004	**–**	–
Accruals and deferred income	**3,879**	3,192	**–**	41
	6,345	5,196	**–**	41
Financial liabilities:				
Trade payables	**2,466**	2,004	**–**	–
Accruals	**3,229**	2,826	**–**	41
Obligations under finance leases	**42**	73	**–**	–
Line of credit facility	**–**	89	**–**	–
Amounts shown within current liabilities	**5,737**	4,992	**–**	41
Obligations under finance leases	**8**	42	**–**	–
Total financial liabilities measured at amortised cost	**5,745**	5,034	**–**	41

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 33 days (2007: 49 days).

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

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

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

The following table sets out the amount, by maturity, of the Group's financial liabilities at 31 August 2007:

	Less than three months £'000	Three to twelve months £'000	Over twelve months £'000	Total £'000
Trade payables	2,004	–	–	2,004
Accurals	2,826	–	–	2,826
Obligations under finance leases	27	46	42	115
Line of credit facility	89	–	–	89
	4,946	46	42	5,034

21 Financial instruments

The Group had no material financial instruments other than short term debtors and creditors and non-current finance lease obligations during both this and the prior year.

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

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

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

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk primarily relates to its trade receivables and its bank deposits which at 31 August 2008 totalled £11,489,000 (2007: £22,530,000). These figures represent the maximum exposures to credit risk. The Group performs ongoing credit evaluations of its clients and, generally does not require collateral from its clients. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with at least single A credit ratings assigned by international credit rating agencies. 100% of the cash held on deposit at 31 August 2008 (2007: 100%) was held with such institutions. The Group's major clients are typically large international oil companies which have strong credit ratings assigned by international credit agencies. From time to time the Group has concentrations of credit risk due to the size of the projects undertaken.

Foreign currency risk

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

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

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

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

Some of the sales by the Group's businesses are to clients in foreign locations. These sales are priced in local 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.

21 Financial instruments – continued

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

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

Currency exposure
As at 31 August 2008, the Group had net foreign currency monetary assets denominated in currency other than the functional currency of the Group as noted above.

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

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

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group prepares cashflow information on a regular basis which is reviewed by directors and senior management. The Group's approach is to ensure that, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without risking damage to the Group's reputation.

At 31 August 2008 the Group has available a $3,000,000 (2007:$3,000,000) line of credit facility from an investor which expires on 31 August 2009. No amount was drawn against this facility at 31 August 2008 (2007: $180,000). This line of credit is guaranteed by the Company and is secured against all the assets of one of the Group's subsidiary undertakings. The interest rate is the US prime rate and there are no financial covenants.

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

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

The Group and Company set the amount of capital in proportion to risk. The Group and Company manage their capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, during 2008 the Group has repaid external borrowing and at the year end its only borrowing relates to capital finance leases used for the purchase of computer equipment. The Company had no borrowing at 31 August 2008 (2007: £nil).

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

22 Borrowings

Group and Company

	2008 £'000	2007 £'000
Non-current liability:		
Line of credit	–	89
	–	89

	2008		2007	
	£'000	%	£'000	%
Analysis of borrowings by currency and average interest rates paid:				
US Dollars	–	–	89	7.75

The amount drawn under the line of credit was repaid in September 2007. The line of credit has not been used since then.

23 Deferred tax

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Deferred tax liability				
Capital allowances in advance of depreciation	(645)	(29)	–	–
Relating to fair value adjustments on business combination (note 27)	(724)	(717)	–	–
Trading losses	645	29	–	–
	(724)	(717)	–	–

Movements on the deferred tax provision were as follows:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
At the beginning of the year	(717)	–	–	–
Released to the Income Statement	76	–	–	–
Relating to fair value adjustments on business combination (note 27)	–	(717)	–	–
Foreign exchange differences	(83)	–	–	–
At the end of the year	(724)	(717)	–	–
Unrecognised deferred tax asset				
Carry forward losses	17,835	10,531	–	–
Unrecognised deferred tax asset	3,528	3,157	–	–

At 31 August 2008, the Group had corporation tax losses carried forward subject to agreement with tax authorities in the United Kingdom, the United States, Norway and Malaysia amounting to £17,835,000 (2007: £10,531,000).

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

Temporary differences associated with investments made by the Group

At 31 August 2008 (2007: £nil) there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain Group's subsidiaries, as the directors have determined that undistributed profits of subsidiaries will not be distributed in the forseeable future.

24 Finance leases

Finance leases which expire:

	2008			2007		
	Minimum lease payments 2008 £'000	**Future finance charges 2008 £'000**	**Present value of lease payments 2008 £'000**	Minimum lease payments 2007 £'000	Future finance charges 2007 £'000	Present value of lease payments 2007 £'000
Within one year	**20**	**(1)**	**19**	17	(2)	15
In the second to fifth years inclusive	**38**	**(7)**	**31**	118	(18)	100
After five years	**–**	**–**	**–**	–	–	–
	58	**(8)**	**50**	135	(20)	115
Included in current liabilities			**42**			73
Included in non-current liabilities			**8**			42
			50			115

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

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

25 Operating lease arrangements

	2008 £'000	2007 £'000
Minimum lease payments under operating leases recognised as an expense in the period	**4,347**	6,556

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

	2008 £'000	2007 £'000
Within one year	**9,642**	4,385
In the second to fifth years inclusive	**32,878**	14,241
After five years	**–**	–
	42,520	18,626

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 acquiring CSEM survey data.

The increase in operating lease commitments relates to the five year vessel charter of the OHM Leader which was entered into in June 2008.

26 Share capital

	At 31 August 2008 £'000	At 31 August 2007 £'000
Authorised		
50,000,000 (31 August 2007: 50,000,000) ordinary shares of 1p each	**500**	500
Allotted, called up and fully paid		
43,175,110 (31 August 2007: 42,637,148) ordinary shares of 1p each	**432**	426

	Ordinary shares of 1p each Number	Ordinary shares of 1p each £'000
In issue at 1 September 2007	42,637,148	426
Issued on 17 September 2007	457,267	5
Issued on 18 October 2007	80,695	1
In issue at 31 August 2008	**43,175,110**	**432**

Share Option Plan

At 31 August 2008 the following share options were outstanding in respect of the ordinary shares:

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

The 457,267 share options granted on 28 November 2002, which were reported in last year's accounts, were exercised at a price of 7.10p on 17 September 2007.

Share Award and Annual Bonus Plans

At 31 August 2008 the following share awards were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of exercise	Exercise price per share
1 February 2006	569,307	February 2009 – February 2016	1.00p
1 December 2006	250,607	December 2009 – December 2016	1.00p
1 October 2007	675,139	October 2010 – October 2017	1.00p
	1,495,053		

Overall 2,823,016 share options and share awards were outstanding at 31 August 2008.

Refer to the Statement of Changes in Equity on page 27 for more details of 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 Rock Solid Images Inc. (formerly named RDSP Acquisition, Inc.), for £10,853,000. Rock Solid Images Inc., was 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 was accounted for by the purchase method of accounting.

	Note	Book value £'000	Fair value adjustments (final) £'000	Fair value (final) £'000
Net assets acquired				
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
Goodwill	13			10,422
Total consideration				11,957
Satisfied by:				
Cash				6,266
Directly attributable costs				278
Fair value of shares issued in Offshore Hydrocarbon Mapping plc (see below)				5,413
				11,957
Net cash outflow arising on acquisition				
Purchase consideration				6,266
Directly attributable costs				278
Cash and cash equivalents acquired				(142)
				6,402

The goodwill is attributable to the anticipated profitablility and the significant synergies expected to arise after the Group's acquisition of Rock Solid Images. 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 2008 were £229,000 (2007: £305,000).

The Company had no capital commitments as at 31 August 2008 (2007: £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 the 11th of 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 and three years.

The performance targets to be achieved for these plans are a mixture of Company related financial performance targets and market based targets and compare the total shareholder return of the Company's shares with the London FTSE AiM index and the Philadelphia oil 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.

29 Share-based payments – continued

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

	2008		2007	
	Number	**Weighted average exercise price (in pence)**	Number	Weighted average exercise price (in pence)
At 1 September	**2,752,233**	**62.07**	2,645,868	74.93
Granted	**675,139**	**1.00**	385,381	1.00
Forfeited	**(147,089)**	**1.00**	(279,016)	93.82
Expired	**–**	**–**	–	–
Exercised	**(457,267)**	**7.10**	–	–
At 31 August	**2,823,016**	**60.13**	2,752,233	62.07
Exercisable at 31 August	**1,327,963**		1,730,358	

Of the share options and awards outstanding at 31 August 2008 and 31 August 2007 the exercise prices are as follows:

Share Award Plan	1,495,053	1.00p	967,003	1.00p
Share Option Plan	137,180	7.10p	594,447	7.10p
Share Option Plan	250,775	29.81p	250,775	29.81p
Share Option Plan	940,008	170.00p	940,008	170.00p
	2,823,016		2,752,233	

On 17th 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. No share options or awards were exercised during the year ended 31 August 2007.

The weighted average exercise price of the share options outstanding under the Share Option Plans was at 31 August 2008: 126.70 pence (2007:96.10 pence) and under the Share Award and Annual Bonus Plans it was 1.00 pence (2007: 1.00 pence).

In total, the share options and awards outstanding at 31 August 2008 had a weighted average exercise price of 60.13 pence (2007: 62.66 pence), and a weighted average remaining contractual life of 6.98 years (2007: 7.04 years). In 2008 share awards were granted on 1 October 2007 and the aggregate of the estimated fair values of the share awards granted on this date is £243,000. 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 those dates is £418,000. The weighted average fair value of the share awards granted during the year was 178.84 pence (2007: 108.38 pence).

Included in staff costs (note 6), is an expense arising from share based payment transactions of £259,000 (2007: £352,000) all of which relate to the fair value of equity settled share based payments. Of this total, £nil (2007: £36,000) relates to the Share Option Plans and £259,000 (2007: £316,000) 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	66%	66%
Expected life	10 years	10 years
Risk free rate	5.75%	5.75%
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 £3,000 (2007: £5,000) to East Hill Management Company, LLC, in which Mr. Jeffery Scott Garner was 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, have been eliminated on consolidation. The balances at the year end are as follows:

	Amounts owing from related party			
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
OHM Limited	**14,880**	28,906	**–**	–
OHM US Group Inc	**10,324**	7,537	**–**	–
OHM Surveys Sdn Bhd	**3**	–	**–**	–
	25,207	36,443	**–**	–

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

During the year the Company provided finance to certain of its subsidiaries in return for interest at commercial rates. Interest income earned during the year on loans advanced to subsidiaries totalled £2,543,000 (2007: £nil).

Other related party transactions:

During the year the Group had transactions with various operating subsidiaries of its strategic partner Compagnie Generale de Geophysique - Veritas S.A. These transactions were in the normal course of business and comprised charges of £97,000 (2007: £nil) and receipts of £176,000 (2007: £nil). At the year end there was a balance of £139,000 (2007: £nil) due to the Group and a balance of £4,000 (2007: £nil) payable by the Group.

Remuneration of key management personnel:

Key management personnel comprise the executive directors and certain additional senior management. There are no transactions with directors other than their remuneration which is detailed in note 7 and in the Remuneration Report. The remuneration of senior management personnel is shown separately below:

	2008 £'000	2007 £'000
Short-term employee benefits	**356**	31
Pension contributions	**21**	4
Share based payments	**3**	2
	380	37

31 Post balance sheet events

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

Offshore Hydrocarbon Mapping plc

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