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IMC GEOPHYSICS LIMITED

ANNUAL REPORT

**YEAR ENDED
31 MARCH 2006**



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IMC GEOPHYSICS LIMITED

Company Number: 03048943

ANNUAL REPORT

YEAR ENDED 31 MARCH 2006

IMC GEOPHYSICS LIMITED

COMPANY INFORMATION

Directors	M Elstob J M Holt PJ Jackson JB Lott A Riby D R T Waring
Secretary	D Watson
Company Number	03048943
Registered Office	PO Box 18 Mill Lane Huthwaite Nottinghamshire NG17 2NS
Auditors	PKF (UK) LLP Regent House Clinton Avenue Nottingham NG5 1AZ

IMC GEOPHYSICS LIMITED

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IMC GEOPHYSICS LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2006

The directors submit their report and the financial statements for the year ended 31 March 2006.

Results and dividends

The profit for the year, after taxation, amounted to **£416,000** (2005 - £589,000).

The directors declared and paid an interim dividend of £301,000 (2005: £Nil) during the year.

Principal activity and review of the business

The company provides a range of geophysical services to clients in the oil, gas and minerals exploration, civil engineering and environmental sectors.

The principal activities of the company continue to be related to on-shore acquisition, processing and interpretation of seismic data for oil, gas and mining operators and exploration companies.

Future developments

The directors will continue to improve revenue and overall profitability of the business.

Directors

The directors who served during the year were:

M Elstob

J M Holt

PJ Jackson

JB Lott

A Riby (appointed 1 May 2005)

D R T Waring (appointed 20 March 2006)

The interests of Messrs JB Lott, DRT Waring and A Riby in the share capital of the ultimate parent company are disclosed in that company's accounts.

Liability insurance

The company maintains liability insurance for directors and officers, as permitted by section 309A (4) of the Companies Act 1985.

Financial risk management

The company makes sales on credit, and manages the risks arising through its credit control procedures.

For significant contracts denominated in foreign currencies, the company uses forward contracts in order to minimise the impact of exchange risk.

Disclosure of information to auditors

The directors have taken all appropriate steps to make themselves aware of all information relevant to the audit, and to establish that the company's auditors are aware of that information. To the best of their knowledge, there is no relevant audit information of which the company's auditors are unaware.

IMC GEOPHYSICS LIMITED
DIRECTORS' REPORT (continued)
YEAR ENDED 31 MARCH 2006

Auditors

A resolution for the re-appointment of PKF (UK) LLP as auditor of the company is to be proposed at the Annual General meeting.

By order of the board



D Watson
Secretary

15 August 2006

IMC GEOPHYSICS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IMC GEOPHYSICS LIMITED

We have audited the financial statements of IMC Geophysics Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') 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. 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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
IMC GEOPHYSICS LIMITED (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 march 2006 and of its profit for the year then ended;
- 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.



PKF (UK) LLP
Registered Auditors

Nottingham, UK
16 August 2006

IMC GEOPHYSICS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2006

	Notes	2006 £000	2005 £000
TURNOVER	2	3,752	6,500
Cost of sales		(1,095)	(2,802)
GROSS PROFIT		2,657	3,698
Administrative expenses		(2,122)	(2,725)
OPERATING PROFIT	3	535	973
Interest receivable	6	78	10
Interest payable	7	-	(59)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		613	924
TAXATION	8	(197)	(335)
PROFIT FOR THE FINANCIAL YEAR		416	589

All amounts relate to continuing operations.

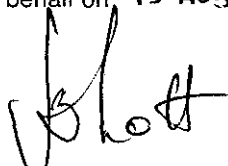
There were no recognised gains or losses for the year other than those included in the profit and loss account.

There was no material difference between the reported result and the result calculated on an unmodified historical cost basis.

IMC GEOPHYSICS LIMITED
BALANCE SHEET
31 MARCH 2006

	Notes	2006 £000	2005 £000
FIXED ASSETS			
Tangible	10	311	354
CURRENT ASSETS			
Stocks	11	69	69
Debtors	12	582	768
Cash at bank and in hand		422	622
		<u>1,073</u>	<u>1,459</u>
CREDITORS: amounts falling due within one year	13	<u>(1,083)</u>	<u>(1,627)</u>
NET CURRENT LIABILITIES		(10)	(168)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>301</u>	<u>186</u>
CAPITAL AND RESERVES			
Called up share capital	14	100	100
Profit and loss account	15	201	86
SHAREHOLDERS' FUNDS		<u>301</u>	<u>186</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 August 2006.



J B Lott

Director

IMC GEOPHYSICS LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2006

	2006 £000	2005 £000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	535	973
Depreciation of tangible fixed assets	187	229
(Profit)/loss on sale of fixed assets	(3)	1
Decrease in debtors	186	474
Decrease in stocks	-	4
Decrease in creditors	(362)	(954)
	<u>543</u>	<u>727</u>
Net cash inflow from operating activities	<u>543</u>	<u>727</u>
 CASH FLOW STATEMENT (note 16)		
Net cash inflow from operating activities	543	727
Returns on investments and servicing of finance	35	(18)
Taxation	(336)	71
Capital expenditure	(141)	(215)
Equity dividends paid	(301)	-
	<u>(200)</u>	<u>565</u>
Financing	-	(10)
	<u>(200)</u>	<u>555</u>
(Decrease)/increase in cash	<u>(200)</u>	<u>555</u>
 Reconciliation of net cash flow to movement in net funds (note 17)		
(Decrease)/increase in cash in the year	(200)	555
Cash outflow from decrease in finance leases	-	10
	<u>(200)</u>	<u>565</u>
Change in net funds	(200)	565
Net funds at 1 April 2005	622	57
	<u>422</u>	<u>622</u>
Net funds at 31 March 2006	<u>422</u>	<u>622</u>

IMC GEOPHYSICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2006

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding value added tax and trade discounts and includes directly attributable expenses.

(c) Tangible fixed assets

Tangible fixed assets have been stated at cost, after adjusting for additions and disposals during the year, less accumulated depreciation to date.

Depreciation is calculated on a straight line basis so as to write off the cost of fixed assets over the expected useful economic lives of the assets concerned. The rates used are:

Field equipment	10-50 %
Motor vehicles	25 %
Furniture and equipment	20 %

(d) Leased Assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of the leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

(e) Stocks

Stocks are stated at the lower of cost or net realisable value. Cost is computed on a first in first out basis.

(f) Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year, except where the transactions are covered by forward exchange contracts, when the contracted rate is used. All exchange differences are dealt with in the profit and loss account.

(g) Deferred taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is recognised, without discounting, in respect of all timing differences which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(h) Pensions

The company operates a defined contribution scheme. Contributions to the defined contribution scheme are charged to the profit and loss account as incurred.

IMC GEOPHYSICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2006

1 ACCOUNTING POLICIES (continued)

(i) Amounts recoverable on contracts

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

In accordance with the provisions of SSAP 9 (revised): 'Amounts Recoverable on Contracts' represents the value of work done at the lower of cost and net realisable value, for which no invoice has been raised, but which is reflected within activity in the profit and loss account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

2 TURNOVER

An analysis of turnover by geographical market is given below:

	2006	2005
	£000	£000
United Kingdom	2,997	6,500
Europe	723	-
America	32	-
	<hr/>	<hr/>
Total	3,752	6,500
	<hr/> <hr/>	<hr/> <hr/>

All turnover arose within the United Kingdom.

3 OPERATING PROFIT

The operating profit is stated after charging/ (crediting):

	2006	2005
	£000	£000
Depreciation of tangible fixed assets:		
- owned by the company	187	229
Audit fees	4	4
Operating lease rentals:		
- plant & machinery	163	351
(Profit)/ loss on disposal of fixed assets	(3)	1
Loss on foreign exchange	3	5
	<hr/> <hr/>	<hr/> <hr/>

IMC GEOPHYSICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2006

4 DIRECTORS' EMOLUMENTS AND BENEFITS

	2006 £000	2005 £000
Directors' emoluments	521	546
Contributions to money purchase pension schemes	24	-

The number of directors accruing benefits under pension schemes were:

	No	No
Money purchase schemes	2	-
Defined benefit schemes	-	2

The highest paid director received emoluments and benefits as follows:

	2006 £000	2005 £000
Emoluments and benefits	249	260
Contributions to money purchase pension schemes	12	-

5 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	2006 £000	2005 £000
Wages and salaries	1,478	2,007
Social security costs	228	176
Other pension costs	85	83
	1,791	2,266

The average monthly number of employees, including executive directors, during the year was:

	No	No
Administrative	4	4
Technical and technical support	37	35
	41	39

6 INTEREST RECEIVABLE

	2006 £000	2005 £000
Other interest receivable	78	10

IMC GEOPHYSICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2006

7 INTEREST PAYABLE

	2006 £000	2005 £000
Bank loans and overdrafts	-	50
Hire purchase and finance lease interest	-	9
	<u>-</u>	<u>59</u>
	<u>-</u>	<u>59</u>

8 TAXATION

**(a) Analysis of charge/ (credit)
in year**

	2006 £000	2005 £000
UK corporation tax		
Current tax on income for the year	196	335
Adjustments in respect of prior periods	1	-
	<u>197</u>	<u>335</u>
Tax on profit on ordinary activities	<u>197</u>	<u>335</u>

(b) Factors affecting the tax charge for the year

The tax assessed for the year is greater than would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2006 £000	2005 £000
Profit on ordinary activities before tax	613	924
	<u>613</u>	<u>924</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2005: 30%)	184	277
Effects of:		
Expenditure not deductible	1	9
Depreciation in excess of capital allowances	12	68
Other short term timing differences	(1)	1
Utilisation of tax losses brought forward	-	(20)
Adjustment in respect to prior years	1	-
	<u>197</u>	<u>335</u>
Current tax charge for the year	<u>197</u>	<u>335</u>

(c) Factors that may affect future tax charges

There is an unrecognised deferred tax asset of £434,000 (2005: £450,000) arising mainly from the tax written down value of fixed assets exceeding the net book amount shown in the financial statements. The recovery of the deferred tax asset is dependent on the levels of future profits and capital expenditure.

IMC GEOPHYSICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2006

9 DIVIDENDS

	2006 £000	2005 £000
Equity		
Dividend paid on ordinary shares	301	-
	<u>301</u>	<u>-</u>

10 TANGIBLE FIXED ASSETS

	Field Equipment £000	Furniture and Equipment £000	Total £000
Cost			
At 1 April 2005	4,072	135	4,207
Additions	127	17	144
Disposals	(43)	(22)	(65)
At 31 March 2006	<u>4,156</u>	<u>130</u>	<u>4,286</u>
Depreciation			
At 1 April 2005	3,729	124	3,853
Charge for year	179	8	187
On disposals	(43)	(22)	(65)
At 31 March 2006	<u>3,865</u>	<u>110</u>	<u>3,975</u>
Net book amount			
At 31 March 2006	<u>291</u>	<u>20</u>	<u>311</u>
At 31 March 2005	<u>343</u>	<u>11</u>	<u>354</u>

At the year end there were capital commitments of £21,000 (2005: £30,000), which had not been provided in the financial statements.

11 STOCKS

	2006 £000	2005 £000
Consumables	69	69
	<u>69</u>	<u>69</u>

IMC GEOPHYSICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2006

12 DEBTORS

	2006 £000	2005 £000
Due within one year		
Trade debtors	126	206
Amounts due from group undertakings	184	478
Other debtors	219	32
Prepayments & accrued income	23	20
Amounts receivable on long term contracts	30	32
	<u>582</u>	<u>768</u>

Other debtors include an interest bearing cash collateral deposit held by the company's bankers of £185,000 (2005:Nil).

13 CREDITORS

	2006 £000	2005 £000
Amounts falling due within one year		
Payments received on account	10	1
Trade creditors	408	361
Amounts owed to group undertakings	11	29
Corporation tax	196	335
Other tax and social security	73	261
Other creditors	329	532
Accruals and deferred income	56	108
	<u>1,083</u>	<u>1,627</u>

The bank facilities are secured by an unlimited debenture.

14 SHARE CAPITAL

	Authorised £000	Allotted, called up and fully paid No	£000
At 1 April 2005 and 31 March 2006 Ordinary shares of £1 each	100	100	100

15 RESERVES

	£000
Profit and loss account	
At 1 April 2005	86
Profit for the year	416
Dividends	(301)
At 31 March 2006	<u>201</u>

IMC GEOPHYSICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2006

16 GROSS CASH FLOWS

	2006 £000	2005 £000
Returns on investments and servicing of finance		
Interest received	78	10
Interest paid	(43)	(28)
	<u>35</u>	<u>(18)</u>
 Capital expenditure		
Payments to acquire tangible fixed assets	(144)	(215)
Receipts from sales of tangible fixed assets	3	-
	<u>(141)</u>	<u>(215)</u>
 Financing		
Capital element of finance lease rentals	-	(10)
	<u>-</u>	<u>(10)</u>

17 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2005 £000	Cash flows £000	Other changes £000	At 31 March 2006 £000
Cash at bank and in hand	622	(200)	-	422
Total	<u>622</u>	<u>(200)</u>	<u>-</u>	<u>422</u>

18 OTHER COMMITMENTS

At 31 March 2006 the company had annual commitments under operating leases as follows:

	Plant and equipment 2006 £000	2005 £000
Expiry date:		
Within one year	5	19
Within two to five years	-	5
	<u>5</u>	<u>24</u>

19 CONTINGENT LIABILITIES

The bank holds a cross guarantee over the indebtedness of all IMC Group companies. There were no amounts outstanding under these guarantees at either year end.

At the year end the company had issued bank guarantees totalling £180,000 (2005: £137,000) in the normal course of business. No liability is expected to arise from these guarantees.

IMC GEOPHYSICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2006

20 TRANSACTIONS WITH RELATED PARTIES

Sales in the year included £2,029,000 (2005: £4,116,000) to IMC Geophysics International Limited, a fellow subsidiary. At the year end there was £184,000 (2005: £478,000) due from this company in debtors.

Administration expenses includes £130,000 (2005: £151,000) of accommodation and management charges from IMC Group Holdings Limited, the parent company. At the year end £11,000 (2005: £12,000) was included in creditors which is owed to IMC Group Holdings Limited.

21 PENSION COSTS

During the year the company operated a defined contribution scheme through Friends Provident for employees of the company. This scheme is funded independently of the company's finances.

Pension costs relating to the scheme are charged to the profit and loss as incurred.

Contributions amounted to £86,000 (2005: £5,000). At the year end there were contributions outstanding of 11,000 (2005: £200).

22 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company is controlled by IMC Group Holdings Ltd.

IMC Group Holdings Ltd is ultimately controlled by IMC Group Enterprises Ltd, the ultimate parent company.