COMPANY NO 3998880

OMG09.10

Annual Report

'OMG!' a fairly amazing year.

At OMG, we're quite accustomed to doing extraordinary things. Every day, all over the world, our customers use our brilliant technology to achieve the impossible - from helping severely wounded soldiers to walk again, to creating jaw-dropping visual effects in Hollywood blockbusters.

But even by our own high standards, what we achieved in 2009/10 exceeded any reasonable expectations. Just 12 months after reporting on the toughest year in our history, we've recorded by far our best ever results: record turnover, record profits, and consistently excellent performance across almost all our businesses, with innovative new products successfully launched and exciting ventures into new markets showing enormous potential for continued growth.

How did we turn things round so dramatically? We'd be the first to admit that a slowly recovering global economy played its part. But for the full story of what's been a fairly amazing year - for OMG, for our customers, and for the millions of people whose lives our technology touched - just read on.

Achieving the impossible since 1984.

At the end of our 26th and most successful ever year in business, the Oxford Metrics Group is a well established high performance British technology company - employing around 240 people in the UK and US, and listed on the London Stock Exchange

At first sight, OMG may seem hard to understand, since our three main businesses - 2d3, Yotta and Vicon - do such extraordinarily diverse things We help movie-makers to create astonishing visual effects Local authorities to save money and time maintaining their road networks Troops in battle to spy out enemy terrain in pin-sharp detail England's leading fast bowlers to avoid injury, and perform at their peak Car manufacturers to reduce drag and increase sales Soldiers wounded in Iraq and Afghanistan to rehabilitate their bodies and minds and yes, we can see that doing all this, and more, might seem to add up to a somewhat confusing picture

But there's a common thread that runs through all our activities, binding together every product and service we offer in every market we currently operate in, and pointing the way forward into new ones our unrivalled expertise in computer vision, and the astonishing things it enables our customers to achieve

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Nick Bolton

Looking back over the last 12 months, what excites me most about our record results is the proof they provide of how much OMG has changed in recent years

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our record year

- Revenue up 19% to £31.2m (FY09: £26.2m)
- Adjusted profit before tax* of £3.2m (FY09: £1.1m)
- Reported profit before tax of £1.0m (FY09: £0.6m)
- Healthy cash position of £6.2m (FY09: £2.8m)
- Proposed dividend doubled to 0.3p

*Before share-based payments, amortisation of intangibles arising on acquisition and non-recurring costs – see Note 5 (page 77)

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Nick Bolton
CEO

astonishing stuff

Chairman's Statement

Anthony Simonds-Gooding

Following on from a record half, I'm very pleased to report that 2009/10 has been, by any measure, OMG's best ever year We registered record sales and profits We signed the biggest single contract in the history of the Group, and saw our businesses achieve some notable successes across their various markets We won long-term business that guarantees significantly greater security and stability of income and we've ended the year with over £6 million in the bank

Not bad at all, I think you will agree But what makes this not just "pleasing" or "gratifying", as Chairmen usually remark in similar circumstances, but little short of astonishing, is that just 12 months ago we had such a different story to tell You may remember that, with the world still in the grip of the worst recession in decades, we described 2008/09 as the toughest year we had ever experienced - and we definitely weren't overstating the case

Tested and toughened

When you examine the facts more closely, this improvement in OMG's fortunes is actually easier to understand than it first appears Like many businesses, we were forced by the recession to sharpen up our act and we achieved this by improving efficiency and reducing costs And, as we said all along, we always believed that our strategy of using our brilliant technology to open up new markets with long-term growth potential would pay dividends, not least in enabling us to ride out turbulence better than a business with all its eggs in one basket

So, even in the bleakest moments of the global downturn, we always remained confident that we were on the right course. Our diversified portfolio has undoubtedly served us well and with our resilience and strategy, tested and toughened by the recession, we emerged in better shape than ever to take advantage of the slowly improving conditions.

I hardly need say, though, that we are far from complacent about the recovery in the global recession, which at this point is both partial and patchy. In the US, in particular, we've encountered extremely variable conditions over the last year, which have been clearly reflected in the contrasting performance of different parts of our business. As you'll read in Nick's review, there's been good growth in our engineering and life sciences markets, and a more gradual improvement in entertainment, enabling our Vicon business - and especially our House of Moves division - to turn in excellent results. Meanwhile, Yotta USA has struggled, because of the continuing problems in the US property market. In recognition of these difficulties, the Group has provided in full for the £1.9m carrying value of Goodwill and Intangibles in relation to the acquisition of Yotta USA (MVS) following an impairment review.

Sharing the rewards of our success

Having sounded that important note of caution, I'm happy to be in a position to announce some good news for our shareholders. I'm very conscious that, since I became chairman in 2002, I have continually been asking for your patience, in regarding OMG as an investment with great long-term potential.

At last, we are reaching a point where that potential and the endless possibilities we have talked about so enthusiastically are starting to turn into solid performance, reflected this year in a significantly increased dividend.

THE NATION'S FAVOURITE GAME? ONE OF OURS

It's always nice to play a key part in a big success story. So we were delighted when one of the many games that used Vicon motion capture - Call of Duty: Modern Warfare 2 - was voted the UK public's favourite at the GAME BAFTA Video Games Awards in March. Other BAFTA-winning games using Vicon technology included Uncharted 2: Among Thieves, Left 4 Dead 2, and FIFA 10.

Since introducing a progressive dividend policy in 2006, we've tried to maintain a steady, year-on-year increase. This year, in recognition of our record-breaking performance, we are proposing to double the dividend to 0.3p.

Of course, I recognise that, even with this "accelerated" increase, the dividend is hardly going to make anyone rich overnight, and it remains as important as ever to us that shareholders should take a long-term view. Nevertheless, I hope you will see this not just as a token of our appreciation for your continued support, but a strong indication of our confidence in the future and our prospects for continued growth.

Financial performance: in close-up

Reporting a good financial performance begins with a great revenue performance and we delivered this across most of the Group, with revenues of £31.2m representing overall growth of 19% compared to 2008/09.

This growth was driven by a recovery in Vicon's North American market which saw systems revenues grow by 25%, as well as a buoyant services market, which helped House of Moves grow 76% compared to last year. Outside the USA, Vicon continued to grow, recording rest of world revenues of £9.9m, up 13% year on year.

Elsewhere in the Group, Yotta UK had a tough time during the winter but bounced back in the second half to report an overall improvement in revenues of £4.8m. Yotta USA continued to struggle in a depressed US property market and was our only business not to report growth in the financial year.

Meanwhile, 2d3 continues to go from strength to strength, reporting revenues of £1.2m - up 37% compared with last year.

Impressive revenue performance coupled with on-going cost control enabled the Group to report a profit before tax of £1.0m, compared with £0.6m a year ago. On an adjusted basis, before share-based payments, amortisation of intangibles and other non-recurring costs including the impairment of Yotta USA, the year saw profits jump to £3.2m, compared with £1.1m in 2008/09 (see Note 5).

Foreign exchange rates behaved themselves during 2010 so the comparison between the reported figures this year and last is not materially affected. The one exception to this is that 2008/09 did include a significant revaluation of UK-based dollar assets, which benefited the Income Statement by £0.8 million - and this has not been repeated in 2009/10, which makes the improvement in adjusted profit compared to last year (after adding back this book gain) even more impressive.

Our positive trading performance during the financial year is reflected in our balance sheet, which includes a healthy cash position of £6.2m, compared with £2.8m a year ago.

This improvement was underpinned by working capital management, which saw inventory reduce significantly, and also by prudent investment in capital-related assets of £0.9m. The balance sheet also reflects a full impairment of Goodwill and Intangibles in relation to Yotta USA of £1.9m which has been necessary in the light of trading performance in a very tough US property market and a review of future prospects in the medium term.

Looking ahead

Looking ahead to 2010/11, the Board and I remain committed to building shareholder value and continued growth, both within our existing businesses and through acquisition

It's worth emphasising that although we didn't complete any acquisitions in 2009/10, this remains a vital part of our plans for continued growth As we have explained in previous reports, we have a clearly defined strategy for making such additions, based on "acquiring to amplify" - that's to say, buying businesses with skills and expertise that we believe can achieve more when combined with our fantastic technology And we don't buy unless we're certain that the fit is right and financially accretive

In closing, I can only reiterate that, whilst the economic outlook remains uncertain, the Group's performance over the last year entitles us to feel confident about the future To say the least, 2009/10 was a year in which we exceeded our own high expectations With our strategy tested in the toughest conditions imaginable, and with innovative products and services establishing positions of strength in an increasingly wide range of markets around the world, there's every reason to believe that OMG can achieve even more in 2010/11, and over the years to come ■

Anthony Simonds-Gooding
Chairman

“just a few of the incredible things our technology helped OMG customers achieve last year...”

Turning aerial intelligence into action... faster.

Since we launched our TacitView software in 2008, it's proved invaluable to military analysts and planners in maximising the value of the enormous quantity of data provided by "eye in the sky" Unmanned Aerial Vehicles (UAVs). Now, TacitView 2.0 has taken off, with a host of new capabilities that help shrink the time between acquiring data and acting upon it.

Just like the rest of us, the modern military is often in danger of drowning in data. Twenty-first century technology makes it easy to amass incalculably vast amounts of information - but then what? Will it quickly and effectively be put to positive use? Or will the sheer weight of raw data simply overwhelm those responsible for managing and making sense of it?

In the case of the visual data provided by UAVs, that's no longer an issue. Since its launch, TacitView has transformed the ability of analysts to process, interpret and manage the information contained in raw aerial imagery. By enhancing the quality of still or moving images, and by piecing together "mosaics" made up of information from multiple images from different sources, TacitView provides a clear and complete picture of what's really happening on the ground - making it easy, for example, to identify IEDs, suspect vehicles or enemy troop movements.

Now, with the recent launch of TacitView 2.0, all these capabilities, plus many more, are available in a new, more flexible format, suitable for lightweight mobile computing, analyst workstations and enterprise servers. Which means that for the first time, anyone, from an individual soldier in a combat zone upwards, can draw upon our unrivalled expertise in image understanding when making crucial decisions.

Zap!!! Ker-Pow!! Doinkk!

House Of Moves brings 30 new superheroes to life

Once, back in the mists of time, Vicon House of Moves was merely a motion capture services studio But, following a freak radio-active meteor shower, the business has been TRANSFORMED into the mightiest mocap and creative animation powerhouse the world has ever seen.

Well, actually it wasn't a meteor shower as much as a considered strategic decision to develop the animation side of our business, by building a top class creative team But, whatever the precise originations of this transformation, it has resulted in some fantastically exciting new projects - none more so much than our collaboration with comic book legend Stan Lee, the creator of Spider-Man®, Iron Man®, The Incredible Hulk® and many others

Working with Guardian Media Entertainment (GME) on a new joint venture for the US National Hockey League® (NHL), we're developing animated content for a new superhero franchise, compelling tales of Good versus Evil, based on 30 superhero guardians (one to represent each NHL team), told across a variety of media including TV, print, social media and Jumbotron

Whooooosh! Superheroes at super-speed

What makes this such an incredible opportunity for House of Moves is the depth and breadth of our involvement Presented with the concept and character designs created by Stan Lee, we've taken it on from there - from modelling the characters and their environments, through storyboarding, to motion capture, lighting, rendering and final output

In just six months, our unique combination of creative and technological super-powers, has enabled us to turn around several animated shorts, the first of which was teased at New Comic Con in October, with a complete roll-out to follow over the course of the current NHL season

As House of Moves Vice President of Production Brian Rausch explains, the key to meeting this very tight delivery schedule was the decision to render final animation in the Unreal Game engine "Our render time goes from roughly 1½ hours per frame, with traditional methods, down to about 30 seconds - while also providing incredibly high quality output "

"The viewers and fans are never going to expect how truly great this production is going to be thanks to the magic of Vicon and the spectacular effects that they're able to pull off "

Stan Lee,
comic book legend

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Anthony Simonds-Gooding
Chairman

Better roads for Wales

One year into our biggest ever contract, with the Welsh Assembly Government (WAG), Yotta DCL has surveyed around 15,000 km of the country's road network. There's still a long way to go, but already we're giving WAG and its local authority partners the power to maintain their roads better and more cost-effectively than ever before

So, to start with a few facts and figures 12 months into a four year contract, we've collected road condition data for 21 out of 22 Welsh local authorities, as well as for WAG itself, which is directly responsible for trunk roads and motorways We've carried out sophisticated SCANNER surveys on over 10,000 km of A, B and C roads, around 2200 km of motorways, and just over 2000 km of smaller unclassified roads

We've also done "Deflectograph" tests which assess the long term durability of road surfaces, as well as further tests designed to measure skid resistance in wet conditions

Information... and the power to use it

But it's not the quantity of data delivered by Yotta that really matters, as much as the quality And by far our biggest commitment has been to providing information in a way that enables those responsible for the maintenance of Welsh roads to make the best possible use of it To that end, we've worked very closely indeed with WAG and the local authorities, helping them understand precisely what our data means, and how they can apply it to develop a cost-effective long term maintenance strategy - hugely important at a time when public sector spending is under enormous pressure

For road-users in Wales it will take a while for the benefits to filter through, but we're confident that they will start to notice the difference over the next few years And the client is obviously happy with our input, since we've been given over 80 days of professional services consultancy work, over and above the terms of our original contract

On course for success

Alongside our higher profile work in the movies, our motion capture technology has built up an impressive track record in helping athletes at all levels to improve their performance Now, for the first time, Vicon is taking to the golf course.

From club hacker to Major tournament winner, every golfer knows how a club that feels exactly right when you pick it up can transform your game And these days, supplying made-to-measure clubs is a highly sophisticated and technologically advanced business, not to mention a very profitable one

So we were delighted when the undisputed leaders of club shaft manufacturing, Fujikura Golf, invited us to join forces with them and golf performance coaching specialists Bentley 3, to develop a new 3D system that would take the science of club-fitting to an entirely new level

Precisely the right club, for every golfer

Enso, as the system is known, uses high speed motion capture from multiple Vicon cameras, as well as custom-designed software, to capture in real-time multiple dynamic measurements of the entire golf club, including shaft deflections, club head speed and impact location Using this incredibly detailed information, club-fitters can prescribe, with unprecedented precision, the correct club for golfers at any level - not only offering significantly improved performance, but also helping them avoid injury

Launched at the PGA Show in Orlando in January, Enso was rapturously received by the golfing world And the system will soon be in use at around 120 fitting centres all over the USA, with longer terms plans to roll out the service internationally

Which means that, thanks in large part to Vicon technology, golfers all over the world will soon be hitting the ball further and more accurately than ever before The bad news? With a perfect fit now guaranteed, blaming your club when you end up in the rough is no longer an option

"Vicon and Bentley 3's technologies and expertise will allow Fujikura to take custom fitting and golf shaft design to a level that has never been seen before This breakthrough technology will be a game changer in improving the performance of golfers of all skill levels "

David Schnider,
President and COO Fujikura

new improved OMG

CEO Statement
Nick Bolton

Looking back over the last 12 months, what excites me most about our record results is the proof they provide of how much OMG has changed in recent years It's not just that we've grown rapidly, though it's certainly true that we have our 2009/10 revenue of £31 2 million is more than double the figure we reported five years ago It's the fact that today s OMG is such a massively different business from the one we were running back then

Just consider the evidence The single most notable achievement of 2009/10? Probably the signing of the Group's biggest ever contract, by Yotta DCL - a business that's only existed since 2007 The most impressive all-round performance by any of our business units? A strong contender would be the remarkable results turned in by House of Moves, acquired by OMG in 2004 The most significant development in terms of long-term growth potential? That would be the news that our defence industry venture 2d3 is very close to breakeven before allocation of group overheads in just its third full year of trading as a stand-alone division Or, hang on, maybe it would be Vicon's worldwide system sales growing by 18% year on year

In any case, whatever our most startling successes and biggest breakthroughs over the past year, one thing that's indisputable is the fantastic energy, commitment and creativity shown by all our 200 plus people over the last 12 months And I'd like to take this opportunity to thank them - and, of course, all our customers - very warmly indeed for their part in making 2009/10 our best ever year

Delivering on diversity

Of course, when you look a bit more closely at what we achieved last year, not everything has changed The Vicon T-Series, for example, continues to dominate in the field of motion capture, as it and its predecessors have for over 20 years But even here, in the traditional heartland of our business, we've renewed and transformed our offering - widening the market by introducing a new, more accessibly priced Vicon product, Bonita, which has become our fastest ever selling camera

In short, our strategy of diversifying - both into new markets and within existing ones - is now delivering exciting results, while ensuring that OMG never stands still For me, that sounds like just about the most essential prerequisite for running a successful technology business

Nichebusters!

Playing devil's advocate for just a moment, I know that some might see a possible flaw in our diversification strategy the fact that all OMG products and services, existing and new, compete in niche markets But we're increasingly clear that this represents a strength rather than a weakness

For us, niche definitely isn't a dirty word being the biggest player in a relatively small market is the perfect position to be in In a cluttered and overcrowded world, it's the easiest way to achieve real cut-through By compelling us to be serious about understanding and responding to customer needs, it helps ensure that we successfully differentiate our products and services from those of our competitors

And the good news is that being a specialist "nichebuster" doesn't impose any restriction on potential growth On the contrary, we see an almost unlimited number of niche markets out there in which our brilliant technology could enable us to establish a position of strength For us, this is a proven principle on which our past success has been based, and which will continue to guide our future growth, both organic and by acquisition

Now, back to the year under review let's take a closer look at how our three main businesses performed

OMG CEO

ANNUAL REPORT

Yotta processing data

Yotta development

OFFICIAL
MOST MEN CAN'T DANCE

Researchers at Northumbria University have used Vicon motion capture technology to carry out the first rigorous scientific analysis of dance moves that make men attractive to women - or more often, of course, a bit less attractive than before they started dancing. Naturally, we're thrilled to be part of this ground-breaking work. Now, crank up the stereo, and we'll show you what we've learned

Vicon: back in the USA - and looking good around the world

Established way back in 1984, Vicon may be the oldest subsidiary of the Group, but in 2009/10 it demonstrated a vibrancy, vitality and determination to stay relevant that would put many a start-up business to shame

The headline news in relation to Vicon is that US sales are back on track, after last year's recession-induced nose-dive And elsewhere too things are looking decidedly rosy for our market-leading motion capture business, with overall Vicon group revenues up by 26% and a whole host of reasons to be cheerful, ranging from the unbelievable performance of our new Bonita camera to a strongly resurgent Japanese market

From entertainment to engineering

In the US entertainment market, conditions remained tough (though, as we explain below, House of Moves achieved remarkable things) But overall, our good US performance, with sales up 25% on 2008/09, was based on strong growth in life sciences and engineering, which outsold entertainment for the first time

Elsewhere, probably the most encouraging development for Vicon was a dramatic improvement in Japan, where sales were up three fold on last year But generally, around the world, results were very positive indeed, with sales in numerous countries including Russia, Australia and Taiwan, adding up to overall growth outside of the US of 13%

House of Moves. powerhouse performance

Within Vicon, our Los Angeles-based House of Moves motion capture and animation services studio deserves a special mention for its outstanding performance in 2009/10, exceeding its fairly ambitious revenue target by over 76% In view of the continuing slow-down in the US entertainment sector, warm congratulations are definitely due to Brian Rausch and his team

Stunt work at House of Moves

PRECISION FLIGHT CONTROL A POTENTIAL LIFE-SAVER

By tracking position in space Vicon cameras are enabling researchers in the GRASP Lab at the University of Pennsylvania to achieve highly precise manoeuvres of quadrotor Unmanned Aerial Vehicles (UAV) The aim of the research? To achieve computer-controlled quadrotor flight precise enough to be applied practically in scenarios such as search and rescue operations inside buildings too badly damaged by fire or earthquake to allow human entry

When Brian joined us less than three years ago, House of Moves was well established as a world leader in motion capture services. But since then, the business has developed dramatically, as we've seized the opportunity to move into animation, building a multi-talented team that blends technological expertise and creative skills of the highest order - a very rare combination indeed.

As a result, House of Moves is now a centre of excellence for the US entertainment industry, offering a truly end-to-end production service, from character design through to rendering, as well as facilities including what we believe is the world's largest motion capture sound stage, with 200 Vicon T160 cameras.

The best example yet of what this transformation means in practice is a hugely exciting animation project that House of Moves is currently working on, in collaboration with legendary comic book writer Stan Lee, co-creator of Spider-Man®, the X-Men®, Iron Man® and the Hulk®.

What makes this such an incredible opportunity is the depth and breadth of our involvement. Presented with the concept and character designs created by Stan Lee, we've done the rest - from modelling the characters and their environments, through storyboarding, to motion capture, lighting, rendering and final output.

TRON LEGACY TAKING 3D ACTION TO THE NEXT LEVEL

Just released at the time of writing, Tron: Legacy looks set to become not just a box office blockbuster but a new benchmark in terms of Hollywood visual effects. An action-packed 3D adventure, it features Oscar winner Jeff Bridges and Garrett Hedlund as a father and son team, embarking on an epic life-or-death journey across a visually stunning video-game universe unlike anything previously seen on the big screen. Our role? Through Vicon House of Moves, much of the movie's breathtaking stunt work was captured in seven days shooting on our motion capture stages.

Vicon cameras: always a better choice

Launched towards the end of 2008/09, our more compact entry level camera Bonita made an enormous impact in its first full year - outselling any previous Vicon camera in its first 90 days, and shipping to 17 different countries, including Saudi Arabia, the Czech Republic and Australia.

What makes this outstanding performance so particularly pleasing is that things have worked out precisely as we hoped and planned. We've been entirely successful in positioning Bonita as our "Mini" in relation to the T-Series "BMW", a claim substantiated by the fact that T-Series sales have not been cannibalised by the new arrival. In fact, on the contrary, we've found Bonita invaluable in helping us to "up-sell" to customers in need of even higher levels of sophistication and performance.

Meanwhile, the multi-award winning T-Series sails serenely on, dominating the upper end of the motion capture camera market as completely as ever, the natural first choice for every application, from creating blockbuster visual effects in movies such as Iron Man 2 and Tron: Legacy, to teaming up with **sport**scotland to help their "iron men and women" prepare for the Olympics.

In short, more than ever before, our customers across the entertainment, engineering and life sciences industries can be sure there is a Vicon camera that is exactly right for the specific motion capture task they have in mind.

Golf: our latest drive for increased sales

Ever met a golfer who wouldn't dearly like to drive the ball 30 or 40 yards further? Neither have we. Which is why we're so excited about Vicon's new venture into this large and highly lucrative market.

In collaboration with Fujikura, the world's premier golf shaft manufacturer, our technology is transforming the science of club-fitting, offering players at all levels dramatic improvements in their game. Our new Enso system was launched to a rapturous response at the PGA Show in Orlando in January, and we hope will soon be in use at fitting centres across the US - analysing each customer's golf swing, enabling the optimum shaft to be recommended.

Vicon Bonita

Vicon T-Series

AN END TO GOAL-LINE DISPUTES?

So did the ball cross the line, or didn't it? On Channel 5's Gadget Show in September, we provided a demonstration of how Vicon motion tracking could settle that old dispute once and for all. Using a 10 camera set-up, we were able to prove, with sub-millimeter accuracy, that you really can't argue with technology. Was anyone from FIFA watching? We haven't heard from them yet, but if the call comes, we'll be happy to answer it.

Vicon Revue: the "Best of What's New"

In our last annual report, we told you about the enormous potential we saw in a completely new departure for Vicon. Having signed a licensing agreement with Microsoft to develop their SenseCam technology and market it worldwide, we had just launched Vicon Revue, a wearable camera that automatically captures thousands of pictures a day.

At the time, we were particularly excited about the role we believed this innovative new product could play in helping Alzheimer's patients to recover "lost" memories. And we're pleased to say that others have proved to share our enthusiasm, with Revue recently winning Popular Science magazine's prestigious "Best of What's New" award.

Further detailed research is currently being pursued, to establish how best Revue can help not just Alzheimer's sufferers, but many other patients with memory loss. But meanwhile, we're more convinced than ever that we are onto something big, and that the concept of "moment capture" has transformative potential across a range of markets, some of which we are currently exploring. For now, it's very much a case of "watch this space".

Vicon Revue

The Vicon difference: as strong as ever

All in all, then, it was a year of really excellent progress for our most mature business, which continued to break new ground technologically while moving into whole new markets with the single-minded aim of establishing a dominant position

This growth into new markets, especially its use in engineering, has meant Vicon systems are increasingly being seen as a generic test and measurement tool In other words, the market is recognising when you need to measure something which is moving, easily and to very high levels of accuracy, you should be using a Vicon system

Amid all this forward movement and change, though, one thing that has remained constant is "the Vicon difference" We still offer the market's only 16 megapixel motion capture camera, and the only system with dedicated software applications for each of its markets A quarter of a century on, the longest established rule of motion capture still holds good if you want the very best, you buy Vicon

Continues on page 44

BERLIE BRA - BEATING THE BOUNCE

Using Vicon cameras, the Australian Institute of Sport has enabled leading lingerie brand Berlei to accurately measure breast movement, and fine-tune its latest bra designs to minimise uncomfortable "bounce" - giving the company an important product design advantage particularly in the case of their market-leading sports bras. So that's a bit more than half the population with good reason to be thankful for our brilliant technology

2d3: a watershed year for our highest flying business

After just three years as a stand-alone division, our defence and aerial imaging business returned revenues of £1 2 million, achieving a first half break-even performance for the first time, a major milestone for the Group and, we firmly believe, a strongly positive indication of 2d3's enormous long term growth potential

We continued to make real headway on both sides of the Atlantic, building ever closer relationships with key defence contractors in the US, strengthening links with the UK Ministry of Defence, and launching well-received new products into a market that is rapidly gaining knowledge and understanding of the unique capabilities provided by OMG technology

US. progress through partnership

2d3 is now firmly established as a credible player within the US ISR (Intelligence, Surveillance, Reconnaissance) market, where there is a fast growing recognition of the need to manage intelligence from video But, as a foreign-owned business, we will always find it hard to establish direct relationships with government So using our technological expertise to make 2d3 an indispensable partner is key to our strategy for continued growth in this market

Specifically, over the last year, we've been very successful in creating "demand pull" among government programme managers, who put pressure on prime contractors to involve us in high profile projects

For example, we successfully participated in a US Air Force project called CRATR, focusing on the rapid assessment of damaged runways Using our TacitView software, we performed the complex computer vision tasks of acquiring full motion video and creating geo-located mosaics - enabling decision-makers to rapidly compare images of the same runway across time, in order to identify critical repairs with minimum turnaround time

More prestigious still, 2d3 has recently been awarded a sub-contract to supply critical computer vision capabilities to DARPA, the US Department of Defense's Advanced Research Projects Agency This places us at the cutting edge of technologically-led innovation within the US defence establishment, an extraordinary achievement for a relatively small newcomer on the scene

Fighting fire with visual intelligence

While 2d3's focus in the US has mainly been capitalising on our technology in the defence arena, there are many more applications just waiting to be explored What we do better than anyone, is enable users to exploit their imagery - to locate, measure, track and record what's happening in the world today Which means that TacitView and our other software capabilities have enormous potential across markets such as pipeline patrol, border protection, law enforcement, and forestry services - including forest fire-fighting In 2009/10 we achieved a notable success, signing our first reseller agreement with American Aerospace Advisors for use on US Forestry and Fire Fighting Programs

For this application, we have shown how aerial imaging can play a valuable role in fighting the fires that regularly ravage huge tracts of forest across the US, by providing intelligence on how the fire is spreading, where it's hottest, what stands in its way, and so on

UK: high performance research

Meanwhile, in the UK, 2d3 continued to make excellent progress, with increased revenues of £0 6 million largely attributable to the research services we provided to the Ministry of Defence, where our team of vision experts successfully delivered a further eight research projects

We're also proud to be playing a part in safeguarding the nation against terrorist threats 2d3 has recently been contracted by the Counter Terrorism Centre (CTC) to engage in work related to the automatic tracking and location of people and objects during the sweeping of premises and roadways for explosive or other devices The projects make use of our experience in image-based tracking and will incorporate innovative methods of presenting information to the operator, based on augmented reality

TacitView 2 0: building a product business

Arguably the single most significant development of the year for 2d3 was the launch in January of a new improved version of our TacitView software application for processing and understanding imagery from Unmanned Aerial Vehicles (UAVs) and other sources Based upon our fast-growing understanding of military requirements and priorities, this provides a host of new capabilities, which make it even more flexible and easy-to-use, in all kinds of situations For users, the major benefit is, quite simply, quicker, better informed decision-making

But from our point of view, the key significance of TacitView 2 0 is that it represents an important step towards our goal of making 2d3 a product-based business, rather than merely a supplier of services Currently, we're still largely in the business of selling OMG's expertise, in the form of consultancy But we're perfectly clear that real profitability and long-term growth will depend on product sales, and we're committed to shifting the balance of our business in that direction

So far, response to TacitView 2 0 has been highly positive, with every prospect of some significant orders in 2010/11

Same product, different package

As an off-the-shelf product, TacitView 2.0 is primarily of interest to manufacturers of UAVs, enabling them to offer a fully equipped aerial imaging platform. But we've also been quick to recognise that we can package many of the key components that make up TacitView in ways that meet large defence contractors' need for greater modularity.

By offering software libraries, from which they can pick and choose, we're giving them the option of integrating 2d3 image understanding expertise into the solutions they are developing. Yet another way in which we are creating ever closer links with the prime contractors who represent our passport to the top table.

Taking 2d3 to the next level

Overall, we are delighted with the progress 2d3 has continued to make over the last year. We always said that it would take time to build relationships and to establish our credibility in the vast and conservatively-minded defence industry. But just three years in, we've done precisely that, whilst nearly achieving a full year break-even performance before allocation of Group overheads for the first time.

So, definitely happy – but far from satisfied. So far, our level of investment in 2d3 has been relatively modest. We know that if we are prepared to put more in, we stand to get a deal more in return. In short, our highest flying business is ready to go to the next level.

TacitView aerial imagery

Yotta: a rather bumpy road, but with more ups than downs

Our hi-tech surveying business experienced decidedly mixed fortunes, with the continuing troubles of the US property market and the British climate on the negative side, more than outweighed by some very exciting developments, including a deal worth £4-5 million over the next four years - the biggest single contract the Group has ever won

Disappointing US performance

Yotta USA revenues in the US were down to £2 0 million, resulting in an operating loss of £0 7 million There's a straightforward explanation for this our American business is focused on providing street-level surveys used by county governments to assess property values for taxation purposes, and as long as the property market remains severely depressed, there is simply no incentive for the county governments to carry out revaluations

Given these conditions, the slowdown has focused our attention on reducing costs and increasing efficiency - for example, by concentrating our efforts on stronger local markets, sizing our fleet to meet current needs, and leasing vehicles as and when needed

Our biggest ever deal

Back in the UK, the year got off to a cold start, with the exceptionally bad weather making surveying impossible for a large part of December and January

But things brightened up dramatically when Yotta was awarded a four year contract by the Welsh Assembly Government to carry out a comprehensive condition survey of the country's roads, an enormous piece of work covering around 15,000 km of roads, and enabling 22 local authorities around Wales to benefit from better highways information

Naturally, we are delighted to have won such a large and prestigious contract But, above all, it's the long-term financial visibility it provides that is of greatest value to us put simply, we know that two of our state-of-the-art surveying vehicles are fully booked for 6 months in advance, and that we have a significant income stream assured until 2014

Elsewhere in the UK

More generally, the second half of the year turned out very well indeed, with Yotta continuing to win other sizeable contracts from highways authorities around the country, including Bury Metropolitan Borough Council, Nottingham County Council and Leicestershire County Council

In total, we carried out our highest value and most technologically advanced SCANNER surveys on almost 50,000 km of roads throughout the country, while our more labour-intensive visual surveys provided authorities with detailed information on a further 30,000 plus km

As we announced in our last annual report, a key development in 2010 was the launch of the Footway Network Survey (FNS) Having successfully trialled our dedicated FNS software in 2008/09, Yotta became the first UK surveyor to be accredited for surveying methodology and software And we've worked on seven contracts to date, which gives us a dominant position in this important new sub-market, with a pipeline of prospective business indicating continued strong growth

Innovating to deliver real benefits

As in every area of OMG's business, technological innovation is a high priority - specifically the kind that delivers real benefits to our customers The best example of this in 2009/10 was the launch of NotaVia, our new "zero human touch" data collection software, which enables surveyors to collect precisely the data they want faster, more accurately and more efficiently than ever before

Largely, of course, it's our own surveyors who will be using NotaVia, enabling them to provide our local authority customers with significantly higher standards of service But we're also looking to generate income by selling this innovative software, and so far response has been positive, with Transport for London one of the bigger customers already using NotaVia

Raising our environmental game

One other achievement last year that we're particularly proud of in July, we became the first highways surveying company in the UK to achieve ISO 14001 2004 accreditation, in recognition of our ever improving environmental management systems

Very few companies of our size achieve this certification, which is based on a rigorous assessment of all areas within the business likely to have an environmental impact As well as setting a framework for us to continually raise our game in this important respect, we expect it to result in valuable commercial benefits, such as reduced energy consumption and waste management costs

With our vans covering tens of thousands of kilometres a year, our CO_2 output is inevitably higher than we would wish By way of off-setting the impact, we have also started a tree planting scheme - planting trees in every region we survey

YOTTA GOES OFF ROAD

In total, Yotta DCI surveyed almost 50,000 km of Britain's roads during 2009/10 But one of the year's most exciting developments took place off-road, as we established a market-leading position within the newly launched Footway Network Survey - the first systematic method to assess the condition of the country's pavements, cyclepaths and other footways

The road ahead...

Where next for Yotta? After a year in which the positives comfortably outweighed the negatives, we're looking ahead with real optimism Having won the biggest contract in OMG's history, and proved we can handle the enormous amount of work it has generated, we're convinced that there is an addressable market to go for and believe there are other similarly large projects just around the corner

In addition, we've ended 2009/10 with not just one income stream, but three as you've read, whilst providing surveying services, we have started to sell our expertise in the form of software And another significant source of income that we haven't yet mentioned is our fast expanding consultancy service working with local authorities to devise cost-effective highway management strategies This important part of our business grew by around 20% last year, and with the pubic sector under greater pressure than ever to save money in the current climate, we're confident there s plenty more where that came from in the year ahead

PLANTING TREES, WHEREVER WE GO

With Yotta DCL s hi-tech surveying vans covering thousands of kilometres a year, our CO_2 output is inevitably higher than we would wish So to offset the impact we've started planting trees in every region we survey – which was part of the reason why in July, we became the first highways surveying company in the UK to achieve ISO 14001 2004 accreditation for environmental management

Fairly amazing? Whatever next?

In our last annual report, at the end OMG s toughest ever year in business, you may remember that our cautiously positive verdict on our own performance was "Pretty good, considering"

We've come a very long way since then It's true, of course, that we've been helped by a slow and gradual recovery in the global economy, as many of our markets around the world have shaken off the crippling effects of the recession But nevertheless, we hope you'll agree that what we've achieved in 2009/10 - record results, continued dominance of established markets, and exciting progress in new ones - does indeed deserve to be described as "fairly amazing"

What next? With the economic outlook still far from certain, you can be sure we're taking absolutely nothing for granted But one firm promise we can make is that our incredible technology will continue to transform people's lives, and that OMG will continue to grow, to prosper, and to set itself new challenges, as it has throughout its history

Nick Bolton
CLO

OMG PLC Reports

OMG

Report of The Directors

The directors present their report together with the audited consolidated financial statements for the year ended 30 September 2010

Principal activities

The principal activities of the Group are the development, production and sale of image understanding solutions

Business review

The consolidated income statement for the year is set out on page 64 and shows revenue for the year of £31,179,000 (2009 £26,190,000) and profit of £322,000 (2009 £482,000)

A review of developments affecting the Group during the year and its prospects for the future appears in the Chairman's and Chief Executive's statements, along with a review of the business environment, strategy and related key performance indicators The Board considers key performance indicators to include revenue, gross margin, profit before tax and cash position These are discussed in the Chairman and CEO statements

Full details of changes in share capital during the year are shown in note 22 to the financial statements

Dividends

The directors are proposing a final dividend in respect of the financial year ended 30 September 2010 of 0 3 pence per share which will absorb an estimated £205,000 of shareholders' funds This dividend will be paid on 1 March 2011 to shareholders on the register of members at close of business on 17 December 2010

Research and development

During the year, the Group expensed £2,335,000 (2009 £3,351,000) in research costs In addition £753,000 (2009 £114,000) of development costs were capitalised

Research and development costs are principally the costs of employees involved in research and development, together with related equipment and materials for hardware development and external costs

Directors and their interests

The interests of the directors in the shares of the Company and their interest in options over the shares of the Company at 30 September 2010 are disclosed in the report on remuneration

The directors who served throughout the year were as follows

Anthony Simonds-Gooding
Jonathon Reeve
Julian Morris
Nick Bolton
David Deacon
Catherine Robertson

At the Annual General Meeting of the Company, Jonathon Reeve and Julian Morris, representing one third of the Board, will retire and, being eligible, offer themselves for re-election

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment The Group's average creditor payment period at 30 September 2010 was 35 days (2009 34 days) The Company's average creditor payment period at 30 September 2010 was 25 days (2009 26 days)

Risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks The key business risks affecting the Company are set out below,

Product and technology risk

The Group operates in a complex and competitive technological environment The business requires continual investment in the products and services that it offers to maintain its competitive position In order to mitigate this risk the business has invested in product marketing with the objective of focusing research and development with specific measurable aims and goals to meet market needs In addition, the Group is investing in new and separate markets which exploit existing technology The business coordinates each development project with Board monitoring and project management principles in order to mitigate the length of time that products take to enter the market

Suppliers

The Group sources certain product components which are only available from a small number of specialist suppliers Disruption to the supply chain could have an adverse effect on the business Where possible, such risks are mitigated by ensuring ownership of design and intellectual property and maintaining appropriate inventory levels

Employees

The Group's performance depends largely on its skilled staff The loss of key individuals and the inability to recruit individuals with the right experience and skills could adversely impact the Group's results To mitigate these matters, the Company aims to put in place appropriate management structures and provide competitive remuneration, including share options and where possible provide continuing career development for key personnel

Market

There is a risk that territory and global macro-economic conditions may result in one or more markets being adversely affected and the revenues of the business impacted accordingly The Group has positioned itself as a global business, selling to several different markets in order to minimise the impact of economic downturn in one or a number of markets

Financial

The business has outlined its principal financial risks in note 20 to the accounts These are broadly summarised as foreign currency and credit risks Typically half of the Group's revenues are generated from its US subsidiary in US dollars, together with some overseas territories which purchase in US dollars and Euros Changes in exchange rates could have an adverse effect on revenues and profitability of the Group Where possible the Group aims to mitigate this by making purchases and engaging personnel in local markets

Financial instruments

Information about the Group's management of financial risk can be found in note 20 of the consolidated financial statements

Directors' indemnity insurance

The directors confirm that qualifying third party indemnity provisions are held that comply with Section 309B under the Companies (Audit, Investigations and Community Enterprise) Act 2004

Employees

The Group ensures that all employees are kept informed, as far as is practical, with regard to the activities of the Group This is achieved through the use of staff briefings, and electronic communications It is the Group's aim that recruitment and development of staff should be determined solely on ability and other relevant requirements of the job Disabled persons and those who become disabled are given the same consideration as others and, depending on their skills, will enjoy the same prospects as other staff

The Group's policies on Health & Safety are continually under review, ensuring that current practices comply with the laws applicable in the countries in which it operates

Charitable donations

During the year the Group made no charitable donations (2009 None)

Going concern

After making relevant enquiries, reviewing the cash flow forecasts for the two year period from the balance sheet date and considering worse case scenarios, the directors consider the Group to have adequate resources to continue in operational existence for the foreseeable future For this reason they continue to adopt the going concern basis in preparing the financial statements

Statement on disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware Relevant information is defined as "information needed by the Company's auditors in connection with preparing their report"

Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market

In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
  make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website Financial statements are published on the 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

Auditors

BDO LLP offer themselves for reappointment as auditors and a resolution will be proposed at the AGM to approve the auditors reappointment

BY ORDER OF THE BOARD

C L Robertson
Secretary

1 December 2010

Corporate Governance Report

Directors' statement on corporate governance

The Board of Directors is accountable to shareholders for the good corporate governance of the Group Under the AIM rules for companies, the Group is not required to comply with the June 2008 Combined Code of Corporate Governance However, the Board is aware of the best practice defined by the Code and will seek to adopt procedures to institute good governance insofar as is practical and appropriate for a group of its size while retaining its primary focus on the entrepreneurial success of the business This statement sets out how certain principles of the code are applied to OMG plc

Directors

The composition of the Board is set out on page 60 The Board comprises a non-executive Chairman, a second non- executive director and four executive directors

The Board meets bi-monthly and is provided with relevant information on financial, business and corporate matters prior to meetings The Board has a formal schedule of matters reserved to it and is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant operational and financial matters The Board has established both an Audit and Remuneration Committee Given the small size of the Board, it is not considered necessary to constitute a separate Nominations Committee All members of the Board are fully consulted on the potential appointment of a new director All directors are subject to re-election every three years

Steps are taken to ensure that members of the Board develop an understanding of the views of shareholders through the use of trading updates, announcements, annual and interim reports and the AGM

Accountability and audit

The Audit Committee comprises the two non-executive directors and meets annually The Committee has specific terms of reference which deal with its authority and duties The Committee overviews the adequacy of the Group's internal controls, accounting policies and financial reporting and provides a forum through which the Group's external auditors report to the non-executive directors

Internal control

There is an ongoing process for identifying, evaluating and managing risk via review of internal controls and these control processes were in place during the year The Board has overall responsibility for ensuring that the Group maintains systems of internal control to provide it with reasonable assurance regarding the reliability of financial information used within the business and that the assets of the business are safeguarded It is acknowledged that such systems can only provide reasonable and not absolute assurance against material misstatement or loss Key areas of internal control are listed below

- The preparation and review of monthly financial information which provides a comparison to budget and forecast and identifies and explains significant variances and also highlights emerging trends in the business

- The preparation of an annual budget showing projected revenues, costs, funding requirements and operational targets The Board is responsible for approving the budget Forecasts are produced to update the budget for any significant change in Group performance

- An internal audit programme ensuring the integrity of reporting, adoption and consistency of financial controls and identifying potential areas of risk across the Group

- Significant capital expenditure projects, acquisitions, and contracts require Board approval

Report on Remuneration

The Directors Remuneration Report Regulations are not a requirement for AIM listed Companies Set out below are certain disclosures which are consistent with these regulations

Remuneration committee
The remuneration committee is made up of the non-executive directors and the deputy chairman The terms of reference of the committee are to review and make recommendations to the Board regarding the terms and conditions of employment of the executive directors

Service agreements
No director has a service agreement with a notice period that exceeds 12 months

Policy on directors' remuneration
The remuneration is set by comparison to market rates at levels to attract, retain and motivate the best staff, recognising that they are key to the ongoing success of the business

Directors' remuneration (audited)
The remuneration of directors who served during the year was as follows

	Salary and bonuses £'000	Benefits in kind £'000	**2010 Total £'000**	**2010 Pension contributions £'000**	2009 Total £'000	2009 Pension contributions £'000
A Simonds-Gooding (Chairman)	32	-	**32**	-	32	-
J Reeve (Non Executive Director)	24	-	**24**	-	24	-
J Morris (Executive Director)	129	1	**130**	**14**	102	14
N Bolton (Chief Executive Officer)	318	1	**319**	-	167	-
C Robertson (Secretary and Executive Director)	68	1	**69**	**7**	54	8
D Deacon (Chief Finance Officer)	212	1	**213**	-	146	-
	783	4	**787**	**21**	525	22

Directors' share options
Interests in share options for directors who served during the year were as follows

	Exercise price	**At 30 September 2010 Number**	At 1 October 2009 Number	Exercise period
A Simonds-Gooding	6 5p	**65,000**	65,000	June 2004 to December 2012
J Reeve	55 94p	**65,000**	65,000	August 2009 to August 2017
C Robertson	2 5975p	**600,000**	600,000	June 2002 to January 2011
N Bolton	12 53p	**1,200,000**	1,200,000	June 2006 to June 2015
N Bolton	0 25p	**1,955,705**	1,955,705	September 2011 to December 2018
D Deacon	23 42p	**900,000**	900,000	March 2011 to March 2019
		4,785,705	4,785,705	

The vesting of options takes place proportionally over time which is typically a period of three years The vesting of options is not subject to any performance criteria except for the options with exercise price of 0 25p which vest on 30 September 2011 in a quantity subject to the performance of the Company's share price in the 30 day period prior to the vesting date

No director exercised share options during the current or prior year

The average share price for the year was 22 95 pence (2009 25 81 pence) and the closing share price was 25 75 pence (2009 20 00 pence)

Directors' interests

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary share capital of OMG plc at 30 September 2010 and at 1 October 2009 according to the register of directors' interests

	Ordinary shares of 0 25p		Percentage of issued share capital	
	2010 Number	2009 Number	2010 %	2009 %
A Simonds-Gooding	**454,054**	454,054	**0 66**	0 66
J Reeve	**16,475**	16,475	**0 02**	0 02
J Morris	**10,459,320**	10,459,320	**15.31**	15 31
C Robertson	**578,366**	578,366	**0 85**	0 85
N Bolton	**357,142**	357,142	**0 52**	0 52
D Deacon	**-**	-	**-**	-

By order of the remuneration committee

Anthony Simonds-Gooding
Chairman

Independent Auditor's Report to the Shareholders of OMG PLC

We have audited the financial statements of OMG plc for the year ended 30 September 2010 which comprise the Consolidated Income Statement, the Consolidated and Company Statement of Comprehensive Income, the Consolidated and Company Statement of Position, the Consolidated and Company Statement of Cashflows, the related notes and the information in the Report on Remuneration that has been described as audited The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements and the information in the Report on remuneration that has been described as audited in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 30 September 2010 and of the Group's profit for the year then ended,

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,

- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or

- the parent Company financial statements are not in agreement with the accounting records and returns, or

- certain disclosures of directors remuneration specified by law are not made, or

- we have not received all the information and explanations we require for our audit

BDO LLP.

Simon Brooker (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Reading
United Kingdom

1 December 2010

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

OMG PLC Accounts

Consolidated Income Statement for the year ended 30 September 2010

	Note	2010 £'000	2009 £'000
Revenue	4	**31,179**	26,190
Cost of sales		**(14,224)**	(11,940)
Gross profit		**16,955**	14,250
Sales, support and marketing costs		**(4,750)**	(4,278)
Research and development costs		**(2,335)**	(3,351)
Administrative expenses - exceptional	6	**(1,920)**	-
- other		**(7,153)**	(6,181)
Other income		**168**	178
Operating profit		**965**	618
Finance income	9	**11**	14
Finance expense	9	**(22)**	(22)
Profit before taxation	5	**954**	610
Taxation	8	**(632)**	(128)
Profit for the financial year attributable to owners of the parent during the year	24	**322**	482
Basic earnings per ordinary share (pence)	10	**0 47p**	0 74p
Diluted earnings per ordinary share (pence)	10	**0 45p**	0 71p

Consolidated and Company Statement of Comprehensive Income for the year ended 30 September 2010

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Net profit for the year	**322**	482	**169**	(817)
Other comprehensive income				
Exchange differences on retranslation of overseas subsidiaries	**(75)**	167	**-**	-
Deferred tax in respect of employee share options	**(14)**	(53)	**(25)**	(21)
Total other comprehensive income	**(89)**	114	**(25)**	(21)
Total comprehensive income for the year attributable to owners of the parent	**233**	596	**144**	(838)

The notes on pages 68 to 98 are an integral part of these consolidated financial statements

Consolidated and Company Statement of Financial Position as at 30 September 2010

COMPANY NUMBER 3998880	Note	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Non-current assets					
Goodwill and Intangible assets	12	**5,175**	7,226	**-**	-
Property, plant and equipment	14	**2,367**	2,718	**29**	54
Financial asset - investments	15	**69**	69	**5,739**	5,739
Deferred tax asset	21	**505**	566	**211**	139
		8,116	10,579	**5,979**	5,932
Current assets					
Inventories	16	**1,475**	2,309	**-**	-
Trade and other receivables	17	**9,413**	7,627	**5,150**	4,486
Cash and cash equivalents		**6,198**	2,776	**(207)**	113
		17,086	12,712	**4,943**	4,599
Current liabilities					
Trade and other payables	18	**(5,651)**	(4,451)	**(385)**	(199)
Current tax liabilities		**(783)**	(94)	**(40)**	(5)
		(6,434)	(4,545)	**(425)**	(204)
Net current assets		**10,652**	8,167	**4,518**	4,395
Total assets less current liabilities		**18,768**	18,746	**10,497**	10,327
Non-current liabilities					
Financial liabilities	19	**(9)**	-	**-**	-
Deferred tax liability	21	**(120)**	(405)	**-**	-
		(129)	(405)	**-**	-
Net Assets		**18,639**	18,341	**10,497**	10,327
Capital and reserves attributable to owners of the parent					
Share capital	22	**171**	171	**171**	171
Share premium account	24	**6,773**	6,773	**6,773**	6,773
Merger reserve	24	**2,928**	2,928	**2,928**	2,928
Retained earnings	24	**8,677**	8,304	**625**	455
Foreign currency translation reserve	24	**90**	165	**-**	-
Total equity shareholders' funds		**18,639**	18,341	**10,497**	10,327

The financial statements on pages 64 to 98 were approved by the Board of Directors and authorised for issue on 1 December 2010 and signed on their behalf by

Nick Bolton
Director

David Deacon
Director

The notes on pages 68 to 98 are an integral part of these consolidated financial statements

Consolidated and Company Statement of Cashflows for the year ended 30 September 2010

	Note	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Cash flows from operating activities					
Operating profit / (loss)		**965**	618	**101**	(742)
Depreciation and amortisation		**1,358**	1,575	**19**	83
Impairment of intangibles		**1,920**	28	**-**	-
(Profit) / loss on disposal of property, plant and equipment		**(2)**	11	**(1)**	-
Share-based payments		**167**	67	**128**	66
Exchange adjustments		**(53)**	(168)	**-**	-
Decrease in inventories		**846**	840	**-**	-
(Increase) / decrease in receivables		**(1,704)**	2,594	**(663)**	(1,275)
Increase / (decrease) in payables		**1,574**	(4,060)	**186**	325
		5,071	1,505	**(230)**	(1,543)
Tax paid		**(179)**	(380)	**-**	-
Net cash from operating activities		**4,892**	1,125	**(230)**	(1,543)
Cash flows from investing activities					
Purchase of property, plant and equipment		**(864)**	(1,029)	**(1)**	(22)
Purchase of intangible assets		**(753)**	(114)	**-**	-
Proceeds on disposal of property, plant and equipment		**284**	309	**8**	-
Interest received		**11**	14	**5**	10
Acquisition of subsidiary undertaking net of cash acquired		**-**	(236)	**-**	(236)
Net cash used in investing activities		**(1,322)**	(1,056)	**12**	(248)
Cash flows from financing activities					
Payment of finance lease liabilities		**(32)**	(144)	**-**	-
Interest element of finance lease repayments		**(4)**	(22)	**-**	-
Other interest paid		**(18)**	-	**-**	-
Equity dividends paid		**(102)**	(75)	**(102)**	(75)
Net cash used in financing activities		**(156)**	(241)	**(102)**	(75)
Net increase / (decrease) in cash and cash equivalents		**3,414**	(172)	**(320)**	(1,866)
Cash and cash equivalents at beginning of the period		**2,776**	2,877	**113**	1 979
Effect of exchange rate changes		**8**	71	**-**	-
Cash and cash equivalents at end of the period	27	**6,198**	2,776	**(207)**	113

Major non-cash transactions

Part of the consideration paid during the prior year for the purchase of Mobile Video Services Inc comprised shares Also during the prior year shares relating to the deferred consideration for the purchase of Data Collection Limited were issued Further details of both transactions are set out in note 25

The notes on pages 68 to 98 are an integral part of these consolidated financial statements

Consolidated and Company Statement of changes in Equity for the year ended 30 September 2010

Group	Share capital £'000	Shares to be issued £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Total £'000
Balance as at 1 October 2008	163	1,470	6,620	1,464	7,883	(2)	17,598
Total comprehensive income for the period	-	-	-	-	429	167	596
Transactions with owners							
Dividends	-	-	-	-	(75)	-	(75)
Shares issued	8	(1,470)	153	1,464	-	-	155
Movement in relation to share options	-	-	-	-	67	-	67
Balance as at 30 September 2009	171	-	6,773	2,928	8,304	165	18,341
Total comprehensive income for the period	-	-	-	-	308	(75)	233
Transactions with owners							
Dividends	-	-	-	-	(102)	-	(102)
Movement in relation to share options	-	-	-	-	167	-	167
Balance as at 30 September 2010	171	-	6,773	2,928	8,677	90	18,639

Company	Share capital £'000	Shares to be issued £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Total £'000
Balance as at 1 October 2008	163	1,470	6,620	1,464	1,302	-	11,019
Total comprehensive income for the period	-	-	-	-	(838)	-	(838)
Transactions with owners							
Dividends	-	-	-	-	(75)	-	(75)
Shares issued	8	(1,470)	153	1,464	-	-	155
Movement in relation to share options	-	-	-	-	66	-	66
Balance as at 30 September 2009	171	-	6,773	2,928	455	-	10,327
Total comprehensive income for the period	-	-	-	-	144	-	144
Transactions with owners							
Dividends	-	-	-	-	(102)	-	(102)
Movement in relation to share options	-	-	-	-	128	-	128
Balance as at 30 September 2010	171	-	6,773	2,928	625	-	10,497

The notes on pages 68 to 98 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements for the year ended 30 September 2010

1. Basis of preparation of the financial statements

The consolidated and parent Company financial statements of OMG plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise judgement in the process of applying the Group's accounting policies which affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reported period Although the estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3

Changes in accounting standards

International Accounting Standards (IAS/IFRS)

At the date of authorisation of these financial statements the following standards which have not been adopted early in these financial statements were issued by the IASB, but not yet effective

- IFRS 1 (Amendment) 'First-time Adoption of International Financial Reporting Standards'
- IFRS 2 (Amendment) 'Share-based Payment Group Cash-settled Share-based Payment Transactions'
- IFRS 9 'Financial Instruments' *(subject to EU endorsement)*
- IAS 24 'Related Party Disclosures' (revised)
- IAS 32 (Amendment) 'Financial Instruments Presentation Classification of Rights Issues'

The Group and Company do not believe that the adoption of any of these standards in future periods will have a material impact on the results or financial position of the Group or Company

'Improvements to IFRSs (2009)' was issued in April 2009 Its requirements are effective over a range of dates, the earliest being for accounting periods beginning on or after 1 January 2010 'Improvements to IFRSs (2010)' was issued in May 2010 Its requirements are effective over a range of dates, the earliest being for accounting periods beginning on or after 1 January 2011 This standard comprises a number of amendments to clarify the requirements of IFRSs and eliminate inconsistencies between Standards The Group and Company are assessing the impact and expected timing of these amendments, but do not expect them to have a material impact on the disclosures of the Group or Company

International Financial Reporting Interpretations Committee (IFRIC)

At the date of authorisation of these financial statements the following interpretations which have not been adopted early in these financial statements were issued by the IASB, but not yet effective The Group and Company do not believe that the adoption of any of these interpretations will have a material impact on the Group's results or financial position

- IFRIC 14 (Amendment) 'Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'
- IFRIC 15 'Agreements for the construction of Real Estate'
- IFRIC 17 'Distributions of Non-cash Assets to Owners'
- IFRIC 18 'Transfer of Assets From Customers'
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

2. Accounting policies

The principle accounting policies applied in the preparation of these consolidated financial statements are set out below These policies have been consistently applied to all the years presented, unless otherwise stated

Basis of consolidation

The consolidated financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 September 2010 Subsidiary undertakings are those entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group Acquisitions of subsidiaries are dealt with by the acquisition method of accounting from the date of acquisition Inter-company balances and transactions are eliminated on consolidation

Notes to the Consolidated Financial Statements continued

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker The Chief Operating Decision Maker has been identified as the Board of Directors of OMG plc

Revenue
Revenue represents the fair value of consideration received or receivable arising from the provision of goods and services to third party customers, net of VAT, and trade discounts

Within Vicon and 2d3 revenue is recognised on the delivery of the product, with a deferral made for the fair value of the undelivered element under the terms of the sale Revenue not recognised in the income statement under this policy is classified as deferred income in the balance sheet Revenue from services is recognised as the work is performed Revenue is only recognised where there is appropriate evidence of an arrangement, where the consideration is fixed and determinable and where collectability is reasonably assured

Within Yotta survey contracts are accounted for in accordance with IAS 18, 'Revenue' Where the outcome of the contract can be estimated reliably, revenue is recognised by reference to the total sales value and the stage of completion of the survey contracts The related profit includes results attributable to contracts completed and in progress where a profitable outcome can be prudently foreseen

Where revenue recognised exceeds amounts invoiced it is included within debtors as amounts due from customers for contract work Payments in excess of recognised turnover are included within creditors under payments on account in respect of contract work The amount of costs incurred on survey contracts, net of amounts transferred to cost of sales is included in long term contract balances within inventories

Government grants
Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and that the Group will comply with all attached conditions Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate

Goodwill and intangible assets
Goodwill is carried at cost less any provision for impairment Intangible assets are valued at cost less amortisation and any provisions for impairment

Goodwill arising on business combinations (representing the excess of fair value of the consideration given and associated costs over the fair value of the separable net assets acquired) is capitalised and its subsequent measurement is based on annual impairment reviews, with any impairment losses recognised immediately in the income statement

The Group has elected to apply IFRS 3, 'Business combinations' prospectively from the date of transition to IFRS and therefore goodwill written off to reserves prior to 1 October 2006 has not been reinstated on transition to IFRS

Externally acquired intangible assets
Intangible assets are capitalised at cost and amortised to nil by equal annual instalments over their estimated useful economic life The rates applicable are

• Brand name	over 10 years
• Customer relationships	over 8 years
• Intellectual property	over 4 or 5 years

Internally generated intangible assets (research and development costs)
Expenditure on internally developed products is capitalised if it can be demonstrated that

- It is technically feasible to develop the product for it to be sold,
- Adequate resources are available to complete the development,
- There is an intention to complete and sell the product,
- The Group is able to sell the product,

Notes to the Consolidated Financial Statements continued

- Sale of the product will generate future economic benefits, and
- Expenditure on the project can be measured reliably

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed, which is estimated to be 4 years The amortisation expense is included within research and development expenses in the consolidated income statement

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated income statements as incurred

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives The rates applicable are

• Computers and equipment	25% - 50%
• Furniture and fixtures	20% or 50%
• Motor vehicles	25%
• Demonstration equipment	25% - 50%
• Leasehold improvements	Over the lower of 10 years, and remaining period of the lease

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date An asset s carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the income statement

Investments in subsidiaries

Investments are included at cost less provision for impairment

Inventories

Inventories are stated at the lower of historical cost and net realisable value, on a first in first out basis, after making allowance for obsolete and slow moving items Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses

Financial assets

The Group and Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired The Group has not classified any of its financial assets as held to maturity

Fair value through profit or loss This category comprises only in-the-money derivatives (see financial liabilities section for out-of-the-money derivatives) They are carried in the balance sheet at fair value with changes in fair value recognised in the consolidated income statement in finance income or expense Other than derivative financial instruments which are not designated as a hedging instrument, the Group does not have any assets held for trading nor does it voluntarily classify any financial asset as being at fair value through profit or loss

Loans and receivables Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet The accounting policies for these assets are discussed below

Available-for-sale Available-for-sale financial assets comprise the equity investment in a business start up incorporated in Germany Available-for-sale financial assets are measured at fair value with gains or losses recognised directly in equity through the statement of changes in equity and recycled into the income statement on sale or impairment of the asset

Financial liabilities

The Group and Company classifies its financial liabilities into one of two categories depending on the purpose for which the asset was acquired

Fair value through profit or loss This category comprises only out-of-the-money derivatives (see financial assets for in-the-money derivatives) They are carried in the balance sheet at fair value with changes in fair value recognised in the consolidated

Notes to the Consolidated Financial Statements continued

income statement Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss

Other financial liabilities Other financial liabilities include trade payables and other short term monetary liabilities The accounting policies for these liabilities are discussed below

Trade and other receivables
Trade receivables do not carry interest and are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables Trade receivables are assessed individually for impairment Such provisions for impairment are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of less than three months

Trade and other payables
Trade payables and other short term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method

Current and deferred taxation
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on

- The initial recognition of goodwill,
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered)

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either

- The same taxable Group company, or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered

Foreign currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency) The consolidated financial statements are presented in Sterling (£) which is the Company's functional and presentation currency

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement

Notes to the Consolidated Financial Statements continued

For consolidation purposes assets and liabilities of foreign subsidiaries that have a functional currency different from the presentation currency are translated at the rates of exchange ruling at the balance sheet date Income statements of such undertakings are translated at the average rates of exchange during the year Exchange differences arising on these translations are taken to the foreign currency translation reserve

Employee benefits

Contributions to pension schemes
The Group accounts for pensions and similar employee benefits under IAS 19 'Employee benefits'
The Group operates defined contribution pension schemes for both its UK and US employees The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period

Employee share option schemes
The Group operates an equity settled share based compensation plan The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement over the vesting period of the grant with a corresponding adjustment to equity The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non market vesting conditions (for example, profitability and sales growth targets) Non market vesting conditions are included in assumptions about the number of options that are expected to vest At each balance sheet date the entity revises its estimates of the number of options that are expected to vest It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity

Operating leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases Finance leases are capitalised at the lease's commencement at the lower of the fair value and the present value of the minimum lease payments

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding The corresponding rental obligations, net of finance charges, are included in other long term payables The interest element of the finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term

Derivative financial instruments

Derivative financial instruments ('derivatives') such as forward currency contracts are used to hedge risks associated with foreign currencies

Such derivative financial instruments are initially recognised at fair value at the date on which a derivative contract is entered into and subsequently measured at fair value at each balance sheet date Derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles

Dividend distribution

Dividends are recognised when they become legally payable In the case of interim dividend, this is when they are paid In the case of final dividends, this is when approved by the shareholders at the annual general meeting

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated Provisions are not recognised for future operating losses Provisions are measured at the present value of the expenditure expected to be required to settled the obligation using a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation

Notes to the Consolidated Financial Statements continued

3 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future Estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances In the future, actual experience may differ from these estimates and assumptions The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Estimates and assumptions

(a) Impairment of goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment The recoverable amount is determined based on value in use calculations The use of this method required estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows (see note 13) Actual outcomes may vary

(b) Useful lives of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their estimated 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 12 and 14

(c) Inventory

The Group reviews the net realisable value of, and demand for, its inventory on a regular basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value Factors that could impact estimated demand and selling prices include the timing and success of future technological innovations, competitor actions, supplier prices and economic trends If total inventory losses differ from management estimates by 1%, the Group's consolidated net income in 2010 would have improved/declined by an estimated £5,000, depending upon whether the actual results were better/worse, respectively, than expected

(d) Share based payment

The Group operates a number of equity settled share based remuneration schemes for employees Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non market vesting conditions The fair value of share options is estimated using the Monte Carlo option pricing model on the date of grant based on certain assumptions Those assumptions are described in note 23 and include, among others, the expected volatility and expected life of the option More details including carrying values are disclosed in note 23

(e) Determination of fair values of intangible assets acquired in business combinations

The fair value of intellectual property acquired in business combinations is based on the estimated cost to recreate the intellectual property The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the asset

(f) Income taxes

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made

(g) Capitalisation of development costs

Development costs are capitalised according to the criteria set out in IAS 38 Management make assumptions as to when these criteria have been met and consequently the date from which the costs for a project are capitalised

Notes to the Consolidated Financial Statements continued

4. Segmental analysis

Segment information is presented in the financial statements in respect of the Group's business segments, which are reported to the Chief Operating Decision Maker (CODM) The Group has identified the Board of Directors of OMG plc ("the board") as the CODM The business segment reporting reflects the Group's management and internal reporting structure

The Group comprises the following business segments

- Vicon Group This is the development, production and sale of computer software and equipment for the entertainment and life science markets,
- Yotta Group This is services for the management of infrastructure and taxation, and
- 2d3 Group This is the development and sale of computer software for the defence market

Other unallocated costs represent segments that are not significant for separate disclosure and head office expenses not recharged to subsidiary companies

Inter segment transfers are priced along the same lines as sales to external customers, with an appropriate discount being applied to encourage use of Group resources This policy was applied consistently throughout the current and prior year There were no significant inter segment sales during the current or prior year

Intra segment sales between Vicon UK and Vicon USA are eliminated prior to management and internal reporting, and hence are not shown separately in the analysis below The total sales from Vicon UK to Vicon USA in the year ended 30 September 2010 are £4,938,000 (2009 £3,215,000)

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories and trade and other receivables Unallocated assets comprise deferred taxation, investments and cash and cash equivalents

Notes to the Consolidated Financial Statements continued

Business segments are analysed below

	Revenue		Profit before tax		Adjusted profit before tax		Non-current assets	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Vicon UK	9,936	8,829	4,940	2,296	4,962	2,342	1,565	1,140
Vicon USA	8,789	7,002	(438)	(15)	(438)	68	1,381	1,179
House of Moves USA	4,448	2,524	936	37	936	63	771	989
Vicon Group	*23,173	*18,355	5,438	2,318	5,460	2,473	3,717	3,308
Yotta UK	4,791	4,653	(747)	(649)	(638)	(501)	3,791	4,018
Yotta USA	1,976	2,229	(2,698)	(311)	(681)	(217)	114	2,756
Yotta Group	6,767	6,882	(3,445)	(960)	(1,319)	(718)	3,905	6,774
2d3 UK	610	370	(796)	(386)	(796)	(386)	44	44
2d3 USA	629	535	113	20	113	20	141	181
2d3 Group	1,239	905	(683)	(366)	(683)	(366)	185	225
Unallocated	-	48	(356)	(382)	(227)	(278)	309	272
OMG Group	31,179	26,190	954	610	3,231	1,111	8,116	10,579

	2010	2009
By origin		
UK	15,337	13,900
USA	15,842	12,290
	31,179	26,190
By destination		
UK	6,891	6,874
Europe	2,525	3,289
North America	15,255	12,074
Asia Pacific	5,762	3,589
Other	746	364
	31,179	26,190

*The following additional information is provided to the Chief Operating Decision Maker
Further analysis by market is not available

	2010 £'000	2009 £'000
Revenue by market		
Entertainment	9,213	8,771
Life sciences	13,960	9,584
	23,173	18,355

Notes to the Consolidated Financial Statements continued

	Carrying amount of segment assets		Carrying amount of segment liabilities		Segment depreciation and amortisation	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Vicon UK	7,235	4,803	(2,894)	(1,579)	370	358
Vicon USA	5,123	4,533	(1,293)	(958)	191	269
House of Moves USA	1,730	1,220	(344)	(60)	134	117
Vicon Group	14,088	10,556	(4,531)	(2,597)	695	744
Yotta UK	7,967	7,817	(1,142)	(1,147)	468	555
Yotta USA	1,171	3,462	(188)	(873)	139	141
Yotta Group	9,138	11,279	(1,330)	(2,020)	607	696
2d3 UK	1,137	449	(53)	(16)	18	27
2d3 USA	734	504	(99)	(95)	18	25
2d3 Group	1,871	953	(152)	(111)	36	52
Other unallocated	105	503	(550)	(222)	20	83
OMG Group	25,202	23,291	(6,563)	(4,950)	1,358	1,575

Notes to the Consolidated Financial Statements continued

5. Profit before taxation

The profit before taxation is stated after charging / (crediting)

	2010 £'000	2009 £'000
(Profit) / loss on disposal of property, plant and equipment	(2)	11
Depreciation of property, plant and equipment - owned (note 14)	825	1,084
- under hire purchase/finance lease (note 14)	128	126
Amortisation of customer relationships (note 12)	174	171
Amortisation of intellectual property (note 12)	9	18
Amortisation of brand name (note 12)	7	6
Amortisation of development costs (note 12)	215	170
Impairment of intangible fixed assets	1,920	28
Share based payments – equity settled (note 23)	167	67
Operating lease charges – other than plant and machinery	638	652
Foreign exchange	(33)	(759)
Research and development costs	2,335	3,351

During the year the Group obtained the following services from the Group's auditors as detailed below

	2010 £'000	2009 £'000
Fees payable to the Company's auditor for the audit of the parent Company and consolidated financial statements	18	18
Fees payable to the Company's auditor for other services		
The audit of financial statements of subsidiaries pursuant to legislation	68	42
Tax services	30	18
	116	78

Audit services include £13,000 in respect of the Company (2009 £13,000)

6. Reconciliation of adjusted profit before tax

	Group 2010 £'000	Group 2009 £'000
Profit before tax	954	610
Share based payments - equity settled	167	67
Amortisation of intangibles arising on acquisition	190	195
Exceptional costs	1,920	239
Adjusted profit before tax	3,231	1,111

Exceptional costs comprise the impairment of intangible fixed assets in the year ended 30 September 2010 and redundancy and restructuring costs in the year ended 30 September 2009

Notes to the Consolidated Financial Statements continued

7. Directors and employees

Staff costs during the year were as follows

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Wages and salaries	**11,804**	10,852	**911**	675
Share-based payments	**167**	67	**128**	66
Social security costs	**1,015**	950	**105**	81
Other pension costs	**294**	311	**30**	39
	13,280	12,180	**1,174**	861

The average number of employees of the Group during the year was

	2010 Number	2009 Number
Development	**41**	45
Sales and customer support	**46**	50
Production and production services	**111**	108
Management and administration	**46**	44
	244	247

The average number of employees of the Company during the year was 10 (2009 11) all of which are classified as management and administration

Details of directors' remuneration are included in the Report on Remuneration

Exercise of directors' share options

During the current and previous year no directors exercised share options Additional details can be obtained from the Report on Remuneration on page 60

8. Taxation

The tax charge is based on the profit for the year and represents

	2010 £'000	2009 £'000
United Kingdom corporation tax at 28% (2009 28%)	**782**	130
Overseas taxation	**186**	154
Adjustments in respect of prior year	**(100)**	18
Current taxation	**868**	302
Deferred taxation (note 21)	**(236)**	(174)
Total taxation expense	**632**	128

At 30 September 2010, the Group had an undiscounted deferred tax asset of £505,000 (2009 £566,000) The asset comprises principally accelerated capital allowances, the accumulated unrelieved tax losses available to Group undertakings to offset against future taxable trading profits of the same trade and future tax relief available on the exercise of outstanding employee share options in OMG plc

Deferred tax assets and liabilities have been measured at an effective rate of 27% and 36% in the UK and USA respectively (2009 28% and 36% respectively) and are detailed in note 21

Notes to the Consolidated Financial Statements continued

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28% (2009 28%)
The differences are explained as follows

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	954	610
Expected tax charge based on the standard rate of corporation tax in the UK of 28% (2009 28%)	267	171
Effect of		
Expenses not deductable for tax purposes	233	67
Impairment of intangible fixed assets	537	-
Utilisation of losses	-	(44)
Adjustments to tax charge in respect of prior year current tax	(100)	18
Adjustments to tax charge in respect of prior year deferred tax	(202)	-
Higher rates on overseas taxation	56	34
Research and development tax credit	(165)	(118)
Effect of rate change	6	-
Total tax expense	632	128

9. Finance income and expense

	2010 £'000	2009 £'000
Finance expense - Hire purchase liabilities	(4)	(22)
- Other interest payments	(18)	-
	(22)	(22)
Finance income - interest income on short term bank deposits	11	14

10 Earnings per share

	2010			2009		
	Earnings £'000	Weighted average number of shares	Per share amount (pence)	Earnings £'000	Weighted average number of shares	Per share amount (pence)
Basic earnings per share						
Earnings attributable to ordinary shareholders	322	68,306,306	0 47	482	65,577,369	0 74
Dilutive effect of employee share options	-	3,005,229	(0 02)	-	2,656,313	(0 03)
Diluted earnings per share	322	71,311,535	0 45	482	68,233,682	0 71

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (share options) For share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscriptions rights and outstanding share based payment charges attached to outstanding share options The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise price of the share options

11. Profit of the holding Company

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements The profit of the Company for the year was £169,000 (2009 loss of £817,000)

Notes to the Consolidated Financial Statements continued

12. Goodwill and intangible assets

Group	Brand name £'000	Customer relationships £'000	Intellectual property £'000	Development costs £'000	Goodwill £'000	Total £'000
Cost						
At 1 October 2009	68	1,382	207	855	5,402	7,914
Additions	-	-	-	753	-	753
Impairment	(69)	(653)	(44)	-	(1,385)	(2,151)
Adjustment to consideration (note 25)	-	-	-	-	(379)	(379)
Translation difference	1	8	1	-	(110)	(100)
At 30 September 2010	**-**	**737**	**164**	**1,608**	**3,528**	**6,037**
Amortisation						
At 1 October 2009	10	310	176	192	-	688
Charge for the year	7	174	9	215	-	405
Impairment	(17)	(194)	(21)	-	-	(231)
Translation difference	-	-	-	-	-	-
At 30 September 2010	**-**	**291**	**164**	**407**	**-**	**862**
Net book value at 30 September 2010	**-**	**446**	**-**	**1,201**	**3,528**	**5,175**
Net book value at 30 September 2009	58	1,072	31	663	5,402	7,226

Group	Brand name £'000	Customer relationships £'000	Intellectual property £'000	Development costs £'000	Goodwill £'000	Total £'000
Cost						
At 1 October 2008	54	1,255	199	769	4,967	7,244
Additions	-	-	-	114	-	114
Impairment	-	-	-	(28)	-	(28)
Adjustment to consideration	-	-	-	-	(72)	(72)
Translation difference	14	127	8	-	507	656
At 30 September 2009	**68**	**1,382**	**207**	**855**	**5,402**	**7,914**
Amortisation						
At 1 October 2008	3	134	158	22	-	317
Charge for the year	6	171	18	170	-	365
Translation difference	1	5	-	-	-	6
At 30 September 2009	**10**	**310**	**176**	**192**	**-**	**688**
Net book value at 30 September 2009	**58**	**1,072**	**31**	**663**	**5,402**	**7,226**
Net book value at 30 September 2008	51	1,121	41	747	4,967	6,927

Company	Intellectual Property £'000
Cost	
At 1 October 2009 and 30 September 2010	164
Amortisation	
At 1 October 2009 and 30 September 2010	164
Net book value at 30 September 2009 and 2010	**-**

Notes to the Consolidated Financial Statements continued

Company	Intellectual Property £'000
Cost	
At 1 October 2008 and 30 September 2009	**164**
Amortisation	
At 1 October 2008	155
Charge for the year	9
At 30 September 2009	**164**
Net book value at 30 September 2009	**-**
Net book value at 30 September 2008	9

13. Goodwill and impairment

Details of goodwill allocated to cash generating units for which the amount of goodwill so allocated is significant in comparison to total goodwill is as follows

	Goodwill carrying amount 2010 £'000	2009 £'000
Vicon		
Vicon USA cash generating unit (Peak)	**441**	450
House of Moves cash generating unit (HoM)	**635**	660
Yotta		
Yotta USA cash generating unit (MVS)	**-**	1,839
Yotta UK cash generating unit (DCL)	**2,452**	2,453
	3,528	5,402

During the year there was impairment to goodwill in the Yotta USA cash generating unit of £1,385,000

The recoverable amounts of all the CGU's have been determined from value in use calculations based on cash flow projections from formally approved budgets covering the financial years ending 30 September 2011, 30 September 2012 and 30 September 2013 Other major assumptions are as follows (the growth rate applies only to the period beyond the formal budgeted period with the value in use calculation based on the budgeted cash flows up to 30 September 2013 and assumes a perpetuity based terminal value)

	Peak 2010 %	HoM 2010 %	DCL 2010 %	MVS 2010 %
Discount rate	**16 0**	**16 0**	**16 0**	**16 0**
Average operating margin	**16 0**	**14 0**	**11 0**	**(10 0)**
Growth rate	**2 5**	**2 5**	**2 5**	**0 0**

	Peak 2009 %	HoM 2009 %	DCL 2009 %	MVS 2009 %
Discount rate	10 0	10 0	10 0	10 0
Average operating margin	28 0	21 0	11 0	20 0
Growth rate	2 5	5 0	5 0	5 0

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions Discount rates are based on the Group's WACC adjusted to reflect management's assessment of specific risks related to the cash generating unit Growth rates beyond the formally budgeted period are based on economic data pertaining to the region concerned

A sensitivity analysis has been performed to establish how a change in the key assumptions would impact the value in use Both growth and discount rates would have to move substantially in order for the carrying value to be impaired

Notes to the Consolidated Financial Statements continued

14. Property, plant and equipment

Group	Computers and equipment £'000	Furniture and fixtures £'000	Motor vehicles £'000	Demonstration equipment £'000	Leasehold improvements £'000	Total £'000
Cost						
At 1 October 2009	4,337	614	131	777	845	6,704
Additions	631	18	-	189	26	864
Disposals	(216)	(13)	(2)	(410)	-	(641)
Translation differences	22	3	-	7	4	36
At 30 September 2010	**4,774**	**622**	**129**	**563**	**875**	**6,963**
Depreciation						
At 1 October 2009	2,638	527	73	496	252	3,986
Charge for the year	630	48	23	104	148	953
Disposals	(110)	(7)	(2)	(240)	-	(359)
Translation differences	9	2	-	4	1	16
At 30 September 2010	**3,167**	**570**	**94**	**364**	**401**	**4,596**
Net book value at 30 September 2010	**1,607**	**52**	**35**	**199**	**474**	**2,367**
Net book value at 30 September 2009	1,699	87	58	281	593	2,718

Included within the net book value of £2,367,000 is £173,000 relating to assets held under hire purchase and finance lease agreements The depreciation charged in the period in respect of these assets amounted to £128,000

Group	Computers and equipment £'000	Furniture and fixtures £'000	Motor vehicles £'000	Demonstration equipment £'000	Leasehold improvements £'000	Total £'000
Cost						
At 1 October 2008	3,812	590	114	792	795	6,103
Additions	634	7	42	332	14	1,029
Disposals	(262)	(6)	(25)	(401)	-	(694)
Translation differences	153	23	-	54	36	266
At 30 September 2009	**4,337**	**614**	**131**	**777**	**845**	**6,704**
Depreciation						
At 1 October 2008	2,026	410	74	405	100	3,015
Charge for the year	773	103	24	163	147	1,210
Disposals	(249)	(6)	(25)	(94)	-	(374)
Translation differences	88	20	-	22	5	135
At 30 September 2009	**2,638**	**527**	**73**	**496**	**252**	**3,986**
Net book value at 30 September 2009	**1,699**	**87**	**58**	**281**	**593**	**2,718**
Net book value at 30 September 2008	1,786	180	40	387	695	3,088

Included within the net book value of £2,718,000 is £301,000 relating to assets held under hire purchase and finance lease agreements The depreciation charged in the period in respect of these assets amounted to £126,000

Notes to the Consolidated Financial Statements continued

Company	Computers and equipment £'000	Furniture and fixtures £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 October 2009	284	268	8	560
Additions	1	-	-	1
Disposals	(55)	-	-	(55)
At 30 September 2010	**230**	**268**	**8**	**506**
Depreciation				
At 1 October 2009	249	255	2	506
Charged for the year	16	1	2	19
Disposals	(48)	-	-	(48)
At 30 September 2010	**217**	**256**	**4**	**477**
Net book value at 30 September 2010	**13**	**12**	**4**	**29**
Net book value at 30 September 2009	35	13	6	54

Company	Computers and equipment £'000	Furniture and fixtures £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 October 2008	263	267	8	538
Additions	21	1	-	22
Disposals	-	-	-	-
At 30 September 2009	**284**	**268**	**8**	**560**
Depreciation				
At 1 October 2008	228	203	1	432
Charged for the year	21	52	1	74
Disposals	-	-	-	-
At 30 September 2009	**249**	**255**	**2**	**506**
Net book value at 30 September 2009	**35**	**13**	**6**	**54**
Net book value at 30 September 2008	35	64	7	106

15. Investments

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Shares in subsidiary undertakings - cost				
At 1 October	-	-	**5,670**	5,670
Additions	-	-	-	-
At 30 September	**-**	-	**5,670**	5,670
Other investment - cost				
At 1 October and 30 September	**69**	69	**69**	69
Total fixed asset investments	**69**	69	**5,739**	5,739

Notes to the Consolidated Financial Statements continued

Details of the Company's principal subsidiary undertakings, all of which are wholly owned and included within the consolidated financial statements, are as follows

Name of entity	Principal activity	Country of incorporation
Vicon Motion Systems Limited	Development, production and sale of computer software and equipment	England and Wales
2d3 Limited	Development and sale of computer software	England and Wales
Yotta Limited	Services for the management of infrastructure	England and Wales
OMG Springboard Limited	Professional services	England and Wales
Vicon Motion Systems, Inc	Sales, marketing and customer support	United States of America
House of Moves, Inc	Motion capture services	United States of America
2d3, Inc	Development and sale of computer software	United States of America
Yotta MVS, Inc	Services for the management of infrastructure and taxation	United States of America

Available-for-sale financial asset

During the year ended 30 September 2005 the Company acquired 12% of the equity in a business start-up incorporated in Germany in return for a capital injection of €100,000 (£69,000) There were no disposals or impairment provisions on the available-for-sale financial asset in the year ended 30 September 2010 or 2009

16. Inventories

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Component parts	1,470	2,304	-	-
Long term contract balances	5	5	-	-
	1,475	2,309	-	-

The cost of inventories recognised as expense and included in cost of sales is £5,716,000 (2009 £4,637,000)

During the year £208,000 of inventories were impaired (2009 £184,000) and included within cost of sale

17. Trade and other receivables

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Trade receivables	6,451	5,645	-	-
Provision for impairment of trade receivables	(67)	(65)	-	-
Net trade receivables	6,384	5,580	-	-
Amounts owed by other Group undertakings	-	-	5,051	4,400
Other debtors	102	20	7	5
Prepayments and accrued income	1,287	742	92	81
Amounts due from customers for contract work	1,640	1,285	-	-
	9,413	7,627	5,150	4 486

Amounts owed by other Group undertakings are repayable on demand and do not carry interest

Notes to the Consolidated Financial Statements continued

As of 30 September 2010 trade receivables of £1,477,000 (2009 £1,476,000) were past due but not impaired These relate to a number of independent customers for whom there is no recent history of default The ageing analysis of these trade receivables is as follows

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Up to 3 months	982	861	-	-
3 to 6 months	193	338	-	-
Over 6 months	302	277	-	-
	1,477	1,476	-	-

As of 30 September 2010 trade receivables of £67,000 (2009 £65,000) were past due and impaired The amount of the provision was £67,000 as of 30 September 2010 (2009 £65,000) The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic situations The ageing of these receivables is as follows

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Up to 3 months	31	-	-	-
3 to 6 months	-	28	-	-
Over 6 months	36	37	-	-
	67	65	-	-

The carrying amounts of the Group and Company's trade and other receivables are denominated in the following currencies

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Sterling	3,993	3,936	5,149	4,242
Euro	743	396	-	-
US Dollar	4,521	3,295	-	244
	9,257	7,627	5,149	4,486

Movements in the provision for impairment of trade receivables are as follows

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
At 1 October	65	48	-	-
Provided during the year	2	17	-	-
At 30 September	67	65	-	-

The movement on the provision for impairment of trade receivables has been included in administrative expenses in the income statement

Other classes of financial assets included within trade and other receivables do not contain impaired assets

The maximum exposure to credit risk at the reporting date is the fair value of each receivable set out above

Notes to the Consolidated Financial Statements continued

18. Trade and other payables

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Trade payables	1,563	1,191	43	54
Social security and other taxes	179	145	-	-
Other creditors	137	97	-	-
Accruals and deferred income	3,714	2,407	342	145
Payments on account in respect of contract work	40	80	-	-
Contingent consideration	-	472	-	-
Hire purchase and finance lease agreements	18	59	-	-
	5,651	4,451	385	199

Amounts payable to Group undertakings are payable on demand and do not carry interest

The contingent consideration relates to the purchase of the business assets of Mobile Video Services Inc (note 25) The amounts disclosed under hire purchase and finance lease agreements are secured against the assets to which they relate

19. Financial liabilities

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Hire purchase and finance lease agreements	9	-	-	-

The amounts disclosed under hire purchase and finance lease agreements are secured against the assets to which they relate

Hire purchase arrangements are repayable

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Not later than one year	18	59	-	-
Later than one year but not later than two years	9	-	-	-
	27	59	-	-

20. Financial instruments

The Group and Company's financial instruments comprise cash and short term deposits, debtors and creditors that arise directly from its operations, and forward contracts The risks associated with these financial instruments and the Group's policies for managing those risks are outlined below

Interest rate risk of financial liabilities	Total £'000	Fixed rate £'000	Weighted average fixed interest rates %	Weighted average period for which rate is fixed Years
30 September 2010				
UK sterling	27	27	8 43	1 58
30 September 2009				
UK sterling	59	59	11 59	1 99

The hire purchase arrangements represent the Group's financial liabilities shown above, the maturity profile is shown in note 19

Notes to the Consolidated Financial Statements continued

Interest rate risk of financial assets

Surplus cash funds are deposited with UK clearing banks on a short term basis for periods of less than three months The interest rates earned (all of which are variable throughout the year) are compared with those available from other financial institutions of comparable credit status

The rate of interest earned during the year on cash deposits ranged between 0 22% and 0 32% (2009 0 17% and 5 17%)

	GBP £'000	Euro £'000	US$ £'000	2010 Total £'000	GBP £'000	Euro £'000	US$ £'000	2009 Total £'000
Group cash at bank and in hand	4,528	74	1,596	6,198	1,557	20	1,199	2,776

	GBP £'000	Euro £'000	US$ £'000	2010 Total £'000	GBP £'000	Euro £'000	US$ £'000	2009 Total £'000
Company cash at bank and in hand	(207)	-	-	(207)	113	-	-	113

Management considers a 0 5 basis point move in interest rates to be reasonably possible If the interest rates in effect during the year had moved by plus or minus 0 5 basis points and all other variables held constant the Group's profit for the year ended 30 September 2010 would decrease/increase by £22,000 (2009 decrease/increase by £14,000) There would be no impact on other equity reserves

As disclosed in note 15 the Group has an equity investment of £69,000 (2009 £69,000) denominated in Euros This is accounted for as an available-for-sale financial asset and is measured at fair value in the balance sheet with gains or losses recognised directly in equity

The Group and Company do not have any longer term foreign currency cash holdings

Borrowing facilities
The Group and Company have no borrowings other than the hire purchase arrangements disclosed above

Risk management
The Group is exposed through its activities to the following financial risks

Liquidity risk
At 30 September 2010 the Group's cash and short term deposits amounted to £6,198,000 (2009 £2,776,000) The Group had no financial borrowing obligations
All financial liabilities are short term with the exception of obligations under hire purchase and finance lease agreements of £9,000, see note 19
Management does not consider liquidity to be a key risk

Credit risk
Sales are made on a basis designed to minimise so far as possible the risk of non-payment in each case Balances owing from customers are reviewed at least monthly, and action is taken where considered appropriate with a view to achieving timely settlement, see note 17
The Group and Company are continually reviewing the credit risk associated with holding money on deposit in banks and seek to mitigate this risk by spreading deposits between banks with high credit status

Notes to the Consolidated Financial Statements continued

Foreign currency risk

The Group's foreign exchange transaction exposure arises principally in the UK subsidiaries from trading with US subsidiary undertakings and third parties in Europe and the Far East The Group's policy is to reduce exposure to revaluation of monetary assets and liabilities Under the policy assets and liabilities held in currencies other than a Company's functional currency are minimised through intercompany trading

The Group considers the volatility of currency markets over the year to be representative of the potential foreign currency risk it is exposed to The main currency the Group's results were exposed to at the year end was the US dollar and over the year the volatility of this currency was 11 4% (2009 17 4%) If Sterling had strengthened against the dollar at year end by 10% it would have decreased Group profit by £271,000 (2009 £267,000) If Sterling had weakened against the dollar at year end by 10% it would have increased Group profit by £331,000 (2009 £326,000)

The table below shows the extent to which Group companies have monetary assets in currencies other than their local currency

Functional currency of operation	Sterling £'000	2010 US$ £'000	Euro £'000	Total £'000	Sterling £'000	2009 US$ £'000	Euro £'000	Total £'000
Sterling	-	5,065	828	5,893	-	4,079	408	4,487
US Dollar	(926)	-	-	(926)	-	-	-	-

Derivative financial instruments at fair value through profit or loss
At the current and prior year end, the Group had no forward contracts outstanding

Fair value of financial assets and financial liabilities
Book values of financial assets and liabilities are not materially different from their fair values

Financial instruments held for trading purposes
The Group does not trade in financial instruments

Notes to the Consolidated Financial Statements continued

The carrying value of the Group and Company's financial assets and liabilities is as follows

Financial assets	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Loans and receivables				
Trade receivables	**6,384**	5,580	**-**	-
Other debtors	**102**	20	**7**	5
Prepayments and accrued income	**1,287**	742	**92**	81
Amounts due from customers for contract work	**1,640**	1,285	**-**	-
Investments in subsidiaries	**-**	-	**5,670**	5,670
Cash and cash equivalents	**6,198**	2,776	**(207)**	113
Assets held for sale				
Equity investment	**69**	69	**69**	69
At 30 September	**15,680**	10,472	**5,631**	5,938

Financial liabilities				
Other financial liabilities				
Trade payables	**1,563**	1,191	**43**	54
Social security and other taxes	**179**	145	**-**	-
Other creditors	**137**	97	**-**	-
Accruals and deferred income	**3,714**	2,407	**342**	145
Payments on account in respect of contract work	**40**	80	**-**	-
Contingent consideration	**-**	472	**-**	-
Hire purchase and finance lease agreements	**27**	59	**-**	-
At 30 September	**5,660**	4,451	**385**	199

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders

The Group considers its capital to comprise ordinary share capital, share premium and accumulated retained earnings Neither the foreign currency translation reserve nor share based payment reserve are considered capital There have been no changes in what the Group considers to be capital from the prior year

In order to maintain or adjust its working capital at an acceptable level and meet strategic investment needs, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets

The Group does not seek to maintain any debt to capital ratio, but will consider investment opportunities on their merits and fund them in the most effective manner

Notes to the Consolidated Financial Statements continued

21. Deferred tax

	Group Deferred tax asset £'000	Group Deferred tax liability £'000	Company Deferred tax asset £'000	Company Deferred tax liability £'000
At 1 October 2008	475	(408)	248	-
Credited to the income statement (note 8)	144	30	(88)	-
Charged directly to equity	(53)	(27)	(21)	-
At 30 September 2009	566	(405)	139	-
Credited to the income statement (note 8)	(52)	288	97	-
Charged directly to equity	(9)	(3)	(25)	-
At 30 September 2010	**505**	**(120)**	**211**	**-**

The following table summarises the provided tax asset and liability

Recognised - asset	**Group 2010 £'000**	Group 2009 £'000	**Company 2010 £'000**	Company 2009 £'000
Capital allowances in excess of depreciation	**86**	75	**19**	23
Tax relief on unexercised employee share options	**202**	96	**192**	92
Losses	**217**	395	**-**	24
Deferred tax asset	**505**	566	**211**	139
Recognised - liability				
Recognition of intangible asset	**(120)**	(375)	**-**	-
Accelerated capital allowances	**-**	(30)	**-**	-
Deferred tax liability	**(120)**	(405)	**-**	-

Deferred tax assets and liabilities have been measured on an undiscounted basis at an effective tax rate of 27% and 36% (30 September 2009 28% and 36%) in the UK and USA, respectively The Group has no unprovided deferred tax assets (2009 None)

22. Share capital

	2010 £'000	2009 £'000
Authorised		
100,000,000 ordinary shares of 0 25p	**250**	250
Allotted, called up and fully paid		
68,306,306 shares of 0 25p (2009 68,306,306 ordinary shares of 0 25p)	**171**	171

During the year ended 30 September 2009 603,260 shares were issued as deferred consideration in respect of the acquisition of the business assets of Mobile Video Services Inc by Yotta MVS Inc in the year ended 30 September 2008 In addition 2,512,880 shares were issued as deferred consideration in respect of the acquisition of the business assets of Data Collection Limited by Yotta Limited in the year ended 30 September 2007

Notes to the Consolidated Financial Statements continued

At 30 September 2010 options were outstanding over 8,188,304 ordinary shares of 0 25p each (2009 8,188,304) including those held by directors as follows

Number of shares over which options granted	Exercise price	Exercise period
38,667	0 25p	June 2002 to March 2011
1,955,705	0 25p	September 2011 to December 2018
695,000	2 5975p	June 2002 to January 2011
176,002	6 50p	June 2004 to February 2013
1,200,000	12 53p	June 2006 to June 2015
200,000	19 75p	September 2011 to September 2019
1,700,000	23 42p	March 2011 to March 2019
560,000	23 66p	March 2006 to March 2016
397,930	25 13p	March 2011 to March 2019
800,000	29 50p	September 2006 to September 2016
65,000	55 94p	August 2009 to August 2017
400,000	56 30p	March 2008 to March 2018

Details of directors' interests in share options are shown in the Report on Remuneration

The market price of the ordinary shares at 30 September 2010 was 25 75p (2009 20 00p) and the range during the year was 18 00p to 30 00p (2009 19 25p to 41 00p) Shares to be issued are detailed in note 25

23. Share based payments

The Group operates a number of share based remuneration schemes for employees introduced in 2001 Under these schemes the board can grant options over shares in the Company to employees of the Group Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant The contractual life of an option is 10 years Awards under the share based remuneration schemes are generally reserved for employees at senior management level and above

Options granted under the share based remuneration schemes generally become exercisable on the second anniversary of the date of grant Exercise of an option is subject to continued employment Options were valued using the Monte-Carlo option-pricing model No performance conditions were included in the fair value calculations

A reconciliation of option movements over the year to 30 September 2010 is shown below

	2010		2009	
	Number '000	Weighted average exercise price (pence)	Number '000	Weighted average exercise price (pence)
Outstanding at 1 October	**8,188**	**16.68**	4,588	21 63
Granted	**-**	**-**	4,253	12 75
Exercised	**-**	**-**	-	-
Forfeited	**-**	**-**	(653)	25 81
Outstanding at 30 September	**8,188**	**16 52**	8,188	16 52
Exercisable at 30 September	**3,775**	**19 07**	3,622	17 93

No options were exercised during the year ended 30 September 2010 or during the year ended 30 September 2009

Notes to the Consolidated Financial Statements continued

Share options outstanding at the year end

	2010				2009	
Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of shares ('000)	Weighted average contractual remaining life (years)	Weighted average exercise price (pence)	Number of shares ('000)	Weighted average contractual remaining life (years)
0 25	0 25	1,994	8	0 25	1,994	9
2 60	2 60	695	-	2 60	695	1
6 50-12 53	11 75	1,376	4	11 75	1,376	5
19 75-23 42	23 03	1,900	8	23 03	1,900	9
23 66	23 66	560	5	23 66	560	7
25 13	25.13	398	8	25 13	398	9
29 50	29 50	800	6	29 50	800	7
55 94	55 94	65	7	55 94	65	8
56 30	56 30	400	7	56 30	400	8

The total charge for the year relating to employee share based payment plans was £167,000 (2009 £67,000), all of which related to equity-settled share based payment transactions After tax, the total charge was £120,000 (2009 £48,000)

In line with IFRS 2, options which were granted before 7 November 2002 and that had vested at 1 October 2006 have been ignored for the purposes of estimating the charge for share based payments

There were no share options granted during the year The assumptions used in the calculation of the fair value of the options granted during the year ended 30 September 2009 were as follows

	2010	2009
Exercise price (pence) (4)	-	0 25-25 13
Vesting period (years)	-	2-3
Expected volatility (%) (1)	-	41 1-41 9
Option life (years)	-	10
Expected life (years) (2)	-	2-3
Risk free rate (%) (3)	-	4 62-5 47
Expected dividend yield (%)	-	0 32

Notes
(1) The expected volatility is based on historical volatility over the last 3 years For options granted before June 2005 the expected volatility is based on historical volatility over the period April 2001 to June 2005
(2) The expected life is the expected period to exercise assuming the options are exercised at the earliest opportunity
(3) The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life
(4) In the year ended 30 September 2009 there was more than one option grant

The weighted average grant date fair value of options granted in the year ended 30 September 2009 was 9 26p

Notes to the Consolidated Financial Statements continued

24. Movement in reserves

Group	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Shares to be issued £'000	Foreign currency translation reserve £'000	Total £'000
At 1 October 2009	6,773	2,928	8,304	-	165	18,170
Retained profit for the year	-	-	322	-	-	322
Currency translation differences on foreign currency net investment	-	-	-	-	(75)	(75)
Deferred tax in respect of employee share options	-	-	(14)	-	-	(14)
Shares issued	-	-	-	-	-	-
Premium on issue of shares	-	-	-	-	-	-
Dividend paid (note 33)	-	-	(102)	-	-	(102)
Share-based payments	-	-	167	-	-	167
At 30 September 2010	**6,773**	**2,928**	**8,677**	**-**	**90**	**18,468**

Group	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Shares to be issued £'000	Foreign currency translation reserve £'000	Total £'000
At 1 October 2008	6,620	1,464	7,883	1,470	(2)	17,435
Retained profit for the year	-	-	482	-	-	482
Currency translation differences on foreign currency net investment	-	-	-	-	167	167
Deferred tax in respect of employee share options	-	-	(53)	-	-	(53)
Shares issued	-	-	-	(6)	-	(6)
Premium on issue of shares	153	1,464	-	(1,464)	-	153
Dividend paid (note 33)	-	-	(75)	-	-	(75)
Share-based payments	-	-	67	-	-	67
At 30 September 2009	**6,773**	**2,928**	**8,304**	**-**	**165**	**18,170**

Notes to the Consolidated Financial Statements continued

Company	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Shares to be issued £'000	Total £'000
At 1 October 2009	6,773	2,928	455	-	10,156
Retained profit for the year	-	-	169	-	169
Deferred tax in respect of employee share options	-	-	(25)	-	(25)
Shares issued	-	-	-	-	-
Premium on issue of shares	-	-	-	-	-
Dividend paid (note 33)	-	-	(102)	-	(102)
Share-based payments	-	-	128	-	128
At 30 September 2010	**6,773**	**2,928**	**625**	**-**	**10,326**

Company	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Shares to be issued £'000	Total £'000
At 1 October 2008	6,620	1,464	1,302	1,470	10,856
Retained loss for the year	-	-	(817)	-	(817)
Deferred tax in respect of employee share options	-	-	(21)	-	(21)
Shares issued	-	-	-	(6)	(6)
Premium on issue of shares	153	1,464	-	(1,464)	153
Dividend paid (note 33)	-	-	(75)	-	(75)
Share-based payments	-	-	66	-	66
At 30 September 2009	**6,773**	**2,928**	**455**	**-**	**10,156**

The following describes the nature and purpose of each reserve within owner's equity

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value
Share premium account	Amount subscribed for share capital in excess of nominal value
Foreign currency translation	Gains/losses arising on retranslation of the net assets of overseas operations into sterling
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement
Merger reserve	Excess of the fair value of the shares issued for the acquisition made in the year to 30 September 2007 over the aggregate of the nominal value of shares issued by the Company to the former shareholders of the acquired company, which qualify for merger relief under Section 612(2) of the Companies Act 2006
Shares to be issued	Deferred contingent share consideration for the acquisition of Data Collection Limited in the year ended 30 September 2007

25. Business combinations in prior periods

During the year ended 30 September 2008 the Group incorporated a wholly owned US subsidiary, Yotta MVS Inc, with an issued and fully paid share capital of 1,000 shares of common stock, for the purposes of acquiring the business assets of Mobile Video Services Inc

On 24 April 2008 the Group completed the acquisition of the trade and assets of Mobile Video Services Inc for a total consideration with a provisional fair value of £2,053,000 This included deferred consideration of £758,000 which was contingent upon certain revenue milestones being generated by the purchased assets within the two year period following the date of acquisition

Notes to the Consolidated Financial Statements continued

The first revenue milestone was reached on 24 April 2009 and resulted in additional share consideration of 603,260 ordinary shares and cash consideration of £236,000 The adjusted total consideration after the first contingent consideration has a provisional fair value of £1,996,000 The movement of £57,000 has decreased the goodwill arising on acquisition

The second revenue milestone for the twelve month period to 24 April 2010 was not reached and therefore the remaining contingent consideration was not paid The adjusted total consideration has a fair value of £1,617,000 The movement of £379,000 has decreased the goodwill arising on acquisition

The acquired business contributed revenues of £928,000 and net profit of £11,000 to the Group for the period from 24 April 2008 to 30 September 2008 If the acquisition had occurred on 1 October 2007, Group revenue would have been £27,502,000 and net profit would have been £1,731,000 These amounts have been calculated using the Group's accounting policies

The total goodwill arising on acquisition after adjusting for the contingent consideration was £1,114,000 which is subject to an annual impairment review

The fair value of the business assets acquired was as follows

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Intangible assets	-	607	607
Property, plant and equipment	46	-	46
Accounts receivable	98	-	98
Prepayments	14	-	14
Amounts recoverable on contracts	25	-	25
Cash	2	-	2
Accruals	(20)	-	(20)
Customer deposits	(28)	-	(28)
Deferred tax liability	-	(161)	(161)
Net business assets acquired	137	446	583

Consideration	£'000
Cash	963
Share consideration	654
Total consideration	1,617
Costs of acquisition	80
Purchase consideration and costs of acquisition	1,697
Goodwill arising	1,114

The fair value adjustment relates to the recognition of separately identifiable intangible assets

The initial share consideration consisted of 1,045,671 ordinary shares The fair value of these shares issued was determined by reference to their quoted market price of 50 50 pence at the date of acquisition An additional share consideration of 603,260 ordinary shares and cash consideration of £236,000 was paid on reaching the first contingent consideration milestone The number of shares issued was determined with reference to an average quoted market price of 25 70p of the shares over a ten day period at the date the milestone was achieved

The goodwill is attributable to the presence of certain intangible assets such as the assembled workforce which do not qualify for separate recognition and the significant synergies expected to arise after the Group's acquisition of the business trade and assets of Mobile Video Services Inc

Notes to the Consolidated Financial Statements continued

26. Reconciliation of net cash flow to movements in net funds

	Group 2010 £'000	Group 2009 £'000	**Company 2010 £'000**	Company 2009 £'000
Increase / (decrease) in cash in the year	**3,414**	(172)	**(320)**	(1,866)
Currency movements	**8**	71	**-**	-
Payment of capital element of hire purchase arrangements	**32**	144	**-**	-
Movement in net funds in the year	**3,454**	43	**(320)**	(1,866)
Net funds at 1 October	**2,717**	2,674	**113**	1,979
Net funds at 30 September	**6,171**	2,717	**(207)**	113

27. Analysis of changes in net funds

	At 1 October 2009 £'000	Cash flows £'000	Exchange movements £'000	Other movements £'000	**At 30 September 2010 £'000**
Cash at bank and short term deposits	2,776	3,414	8	-	**6,198**
Finance lease due within one year	(32)	14	-	-	**(18)**
Finance lease due after one year	(27)	18	-	-	**(9)**
	2,717	3,446	8	-	**6,171**

28. Capital commitments

At 30 September 2010 the Group had no capital commitments contracted but not provided for (2009 £nil)

29. Contingent liabilities

There are no material contingent liabilities requiring disclosure at 30 September 2010 (2009 none)

30. Pensions

The Company operates a defined contribution pension scheme for the benefit of the UK employees The assets of the scheme are administered by trustees in a fund independent from those of the Group The amount charged under this scheme to the income statement during the year was £231,000 (2009 £247,000)

Pension contributions are also paid for the benefit of US employees under the 401k savings plan scheme, a US government savings scheme The amount charged under this scheme to the income statement during the year was £62,000 (2009 £64,000)

31. Government grants

During the year £161,000 (2009 £171,000) of Government grants were recognised in the income statement These grants significantly relate to funding for research projects

Notes to the Consolidated Financial Statements continued

32. Commitments under operating leases

At 30 September 2010 the Group had the following gross minimum lease payments under non cancellable operating leases as follows

	Land and Buildings 2010 £'000	Restated 2009 £'000
Not later than one year	551	631
Later than one year and not later than five years	1,043	1,440
Later than five years	379	554
	1,973	2,625

At 30 September 2010 the total future minimum sublease payments expected to be received under non cancellable subleases was £23,000 (2009 £47,000)

33. Dividend

Equity - ordinary	2010 £'000	2009 £'000
Final 2008 paid in 2009 (0 115 pence per share)	-	75
Final 2009 paid in 2010 (0 150 pence per share)	102	-

The directors are proposing a final dividend in respect of the financial year ended 30 September 2010 of 0 3 pence per share (2009 0 15 pence per share) which will absorb an estimated £205,000 of shareholders' funds This dividend will be paid on 1 March 2011 to shareholders who are on the register of members at close of business on 17 December 2010 subject to approval at the AGM This dividend has not been accrued in these financial statements

34. Related party transactions

The key management personnel are deemed to be the directors During the year short term employee benefits of £808,000 (2009 £547,000) were paid to the directors In addition share based payments of £84,000 (2009 £ 64,000) were charged to the income statement in respect of share options held by the directors

The Company has outstanding balances and transactions with its subsidiaries as set out below

	Outstanding balances		Transactions in year	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Vicon Motion Systems Limited	155	566	(411)	(72)
2d3 Limited	909	810	99	(610)
Yotta Limited	3,528	2,422	1,106	1,570
OMG Springboard Limited	459	203	256	140
Yotta MVS, Inc	-	399	(399)	399
	5,051	4,400	651	1,427

Notes to the Consolidated Financial Statements continued

The transactions in the year include head office recharges to subsidiaries of £1,881,000 (2009 £1,497,000) Other transactions arise from treasury cash management between the Company and its subsidiaries

The amount receivable from 2d3 Limited is stated net of a provision of £750,000 (2009 £750,000) and the amount recognised as an expense in the year in respect of doubtful debts from related parties was £nil (2009 £750,000)

During the year Braverman Gooding Limited, owned by the Chairman's son, invoiced OMG Springboard Limited £33,000 for marketing consultancy services At the year end the balance outstanding was £8,000

35. Events after the balance sheet date

The financial statements were authorised for issue by the Board as a whole following their approval on 1 December 2010

Notice of Annual General Meeting

This document is important and requires your immediate attention If you are in any doubt as to what action to take you are recommended to consult your stockbroker, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your ordinary shares in OMG plc, you should pass this document, together with the accompanying form of proxy, to the person through whom the sale or transfer was made for the transmission to the purchaser or transferee

OMG plc
Notice of annual general meeting
Notice of the annual general meeting which has been convened for 11 February 2011 at 4pm at OMG plc, 14 Minns Business Park, West Way, Oxford, OX2 0JB is set out below

To be valid, forms of proxy must be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham Kent, BR3 4TU as soon as possible and in any event not later than 48 hours (excluding days that are not a working day) before the time appointed for holding the meeting

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Notice is hereby given that the 2011 annual general meeting of OMG plc (the "Company) will be held at 14 Minns Business Park, West Way, Oxford OX2 0JB on 11 February 2011 at 4pm for the following purposes

Ordinary business
1. To receive and adopt the financial statements of the Company for the financial year ended 30 September 2010 and the reports of the directors and auditors on those financial statements

2. To reappoint BDO LLP as auditors of the Company and to authorise the directors to determine the auditors' remuneration

3. To declare a final dividend of 0 3 pence per share on each of the Company's ordinary shares for the financial year ended 30 September 2010

4. To re-elect Julian Morris, who retires by rotation in accordance with the Company s articles of association and offers himself for re-appointment by general meeting, as a director of the Company

5. To re-elect Jonathon Reeve, who retires by rotation in accordance with the Company's articles of association and offers himself for re-appointment by general meeting, as a director of the Company

Special business
As special business to consider and, if thought fit, pass resolution 6 as an ordinary resolution and resolutions 7 to 8 as special resolutions

6. That the directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £ 86,258

This authority shall apply in substitution for all previous authorities (but without prejudice to the validity of any allotment pursuant to such previous authority) and shall unless previously revoked, varied or renewed by the Company in general meeting, expire on 10 February 2016, save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights granted to subscribe for or convert any security into shares after such expiry and the directors may allot shares or grant such rights in pursuance of any such offer or agreement as if the power and authority conferred by this resolution had not expired

7. Special Resolution. That, subject to the passing of resolution 6 above, the directors be and are hereby generally and unconditionally given power for the purposes of section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution 6 above, or where the allotment constitutes an

Notice of Annual General Meeting continued

allotment by virtue of section 560(2)(b) of the Act, in each case as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to

(a) the allotment of equity securities in connection with an offer of equity securities in connection with or pursuant to a rights issue, open offer or other pro-rata issue made to
(i) the holders of shares in the Company in proportion (as nearly as may be practicable) to the respective numbers of shares held by them, and
(ii) holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors of the Company otherwise consider necessary, and so that the directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, and

b) the grant of options to subscribe for shares in the Company, and the allotment of such shares pursuant to the exercise of options granted, under the terms of any share option scheme adopted or operated by the Company, and

c) the allotment of equity securities, other than pursuant to sub-paragraphs (a) and (b) above of this resolution, up to an aggregate nominal amount of £43,129

This power shall (unless previously renewed, varied or revoked by the Company in general meeting) expire on 10 February 2016, save that the Company may before the expiry of this power make any offer or enter into any agreement which would or might require equity securities to be allotted, or treasury shares sold, after such expiry and the directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired

8. Special Resolution. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (as defined in section 693(4) of the Act) of ordinary shares of 0 25 pence each in the capital of the Company ("Ordinary Shares") in such manner and on such terms as the directors of the Company may from time to time determine, and where such shares are held as treasury shares, the Company may use them for the purposes set out in sections 727 or 729 of the Act, including for the purpose of its employee share schemes, provided that

a) the maximum number of Ordinary Shares authorised to be purchased is 6,900,630,

b) the minimum purchase price which may be paid for any Ordinary Share is 0 25 pence (exclusive of expenses),

c) the maximum purchase price which may be paid for any Ordinary Share is the higher of (in each case exclusive of expenses)
i) an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made, and
ii) an amount equal to the higher of the price of the last independent trade and the highest current independent bid as derived from the London Stock Exchange's trading system known as SEAQ, and this authority shall take effect on the date of passing of this resolution and shall (unless previously revoked, renewed or varied) expire on the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, 15 months after the date of passing of this resolution, save in relation to purchases of Ordinary Shares the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry

By order of the Board

Catherine Robertson
Company Secretary

2 December 2010
Registered office 14 Minns Business Park, West Way, Oxford OX2 0JB

Notice of Annual General Meeting continued

The notes on voting procedures, together with explanatory notes on the resolutions to be put to the meeting, which follow, form part of this notice

Notes.

1. Only holders of Ordinary Shares are entitled to attend and vote at this meeting A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting and at any adjournment of it Such a member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member A member may only appoint a proxy using the procedures set out in these notes and the notes to the proxy form A proxy need not be a member of the Company Completion and return of a form of proxy will not preclude a member from attending and voting in person at the meeting or any adjournment of the meeting

2. A form of proxy is provided with this notice and instructions for use are shown on the form To be effective, the completed form of proxy must be deposited at the office of the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, by not later than 48 hours (excluding days that are not a working day) before the start of the meeting (or any adjournment of the meeting) together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of authority

3. A vote withheld option is provided on the form of proxy to enable you to instruct your proxy not to vote on any particular resolution, however, it should be noted that a vote withheld in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution

4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at close of business on 9 February 2011 shall be entitled to attend and vote at this annual general meeting in respect of such number of shares registered in their name at that time Changes to entries on the register of members after close of business on 9 February 2011 shall be disregarded in determining the rights of any person to attend or vote at the meeting

5. Copies of the service agreements of the executive directors and the letters of appointment of the non-executive directors will be available for inspection during normal business hours from the date of dispatch of this notice until the date of the meeting (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and will also be made available for inspection at the place of the annual general meeting for a period of 15 minutes prior to and during the continuance of the meeting

6 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares

7 Except as provided above, members who wish to communicate with the Company in relation to the meeting should do so by calling our shareholder helpline on 0871 664 0391 (calls cost 10p per minute plus network extras) or, if calling from overseas, on +44 208 639 3367 Lines are open 8 30 am – 5 30pm Monday to Friday No other methods of communication will be accepted

Explanatory notes

Report and Accounts (Resolution 1)
The directors of the Company must present the accounts to the meeting

Reappointment and remuneration of auditors (Resolution 2)
Resolution 2 proposes the reappointment of BDO LLP as auditors of the Company and authorises the directors to set their remuneration

Declaration of a dividend (Resolution 3)
A final dividend can only be paid after the shareholders at a general meeting have approved it A final dividend of 0 3 pence per Ordinary Share is recommended by the directors for payment to shareholders who are on the register of members at the close of business on 17th December 2010 If approved, the date of payment of the final dividend will be 1 March 2011

Re-election of directors (Resolutions 4 and 5)
The Company's articles of association require that all directors retire at least every three years and that all newly appointed directors retire at the first annual general meeting following their appointment

At this meeting, Julian Morris and Jonathon Reeve will retire and stand for re-election as directors Having considered the performance of and contribution made by each of the directors standing for re-election the board remains satisfied that the performance of each of the relevant directors continues to be effective and to demonstrate commitment to the role and, as such, recommends their re-election

Notice of Annual General Meeting continued

Directors' authority to allot securities (Resolution 6)
Your directors may only allot shares or grant rights over shares if authorised to do so by shareholders The authority granted at the last annual general meeting will expire on the passing of this resolution or, if it is not passed, on 25 February 2015

The authority in resolution 6 will allow the directors to allot new shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company up to a nominal value of £86,258 There is no present intention of exercising this general authority As at 2nd December 2010, the Company did not hold any shares in treasury If the resolution is passed, the authority will expire on 10 February 2016 unless previously revoked, varied or renewed

Disapplication of pre-emption rights (Resolution 7)
If the directors wish to allot any of the unissued shares or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) company law requires that these shares are first offered to existing shareholders in proportion to their existing holdings There may be occasions, however, when the directors will need the flexibility to finance business opportunities by the issue of equity securities without a pre-emptive offer to existing shareholders This cannot be done under the Act unless the shareholders have first waived their pre-emption rights

Resolution 7 asks the shareholders to do this and, apart from rights issues or any other pre-emptive offer concerning equity securities and the grant of share options, the authority will be limited to allotment of equity securities for cash up to a maximum number of 17,251,600 ordinary shares (which includes the sale on a non pre-emptive basis of any shares held in treasury) Shareholders will note that this resolution also relates to treasury shares and will be proposed as a special resolution

This resolution seeks a disapplication of the pre-emption rights on a rights issue so as to allow the directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas shareholders If given, the authority will expire on 10 February 2016

Authority to purchase own shares (Resolution 8)
In certain circumstances, it may be advantageous for the Company to purchase its own shares and resolution 8 seeks the authority from shareholders to continue to do so The directors will continue to exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and is in the best interests of shareholders generally Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority

Any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly, save that the Company may hold in treasury any of its own shares that it purchases pursuant to the Act and the authority conferred by this resolution This gives the Company the ability to re-issue treasury shares quickly and cost-effectively and provides the Company with greater flexibility in the management of its capital base It also gives the Company the opportunity to satisfy employee share scheme awards with treasury shares

Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the treasury shares

The resolution specifies the maximum number of Ordinary Shares that may be acquired and the maximum and minimum prices at which they may be bought

Resolution 8 will be proposed as a special resolution to provide the Company with the necessary authority If given, this authority will expire at the conclusion of the next annual general meeting of the Company in 2012 or, if earlier, the date which is 15 months after the date of passing of the resolution

The directors intend to seek renewal of this power at subsequent annual general meetings

Form of Proxy

Notes for completion of the proxy form

1. As a member of the Company you are entitled to appoint another person as your proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company You must follow the appointment procedures set out in these notes

2 Completion and return of this proxy form or appointment of a proxy electronically using the CREST electronic proxy appointment service will not preclude you from attending the meeting and voting in person If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated

3. A proxy does not need to be a member of the Company but must attend the meeting to represent you To appoint as your proxy a person other than the chairman of the meeting, insert their full name in the box If you sign and return this proxy form with no name inserted in the box on page 105, the chairman of the meeting will be deemed to be your proxy Where you appoint as your proxy someone other than the chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions If you wish your proxy to make any comments on your behalf at the meeting, you will need to appoint someone other than the chairman and give them the relevant instructions directly

4 If you appoint a proxy to vote on your behalf at this annual general meeting, your voting rights will revert to you at the conclusion of the annual general meeting or any adjournment of the annual general meeting

5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares To appoint more than one proxy, please insert the name of each proxy to be appointed in the box on page 105 and insert in brackets after each name the number of shares in respect of which each respective proxy is appointed

6 To direct your proxy how to vote on the resolutions, please indicate how you wish your votes to be cast by placing 'X' in the appropriate column To abstain from voting on a resolution, select the relevant "Vote withheld" box Please note that a vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution If you either select the "Discretionary" option or if no specific direction as to how you wish your vote to be cast is given, your proxy may vote or abstain, at his or her discretion On any other business which is put before the meeting (including a motion to adjourn the meeting or to amend a resolution) the proxy will vote (or abstain from voting) at his or her discretion

7 To be valid, this proxy form must be

a) completed and signed,

b) sent or delivered to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU , and

c) received by Capita Registrars Limited no later than 48 hours (excluding days that are not a working day) before the time of the meeting

8 If a member is a company, this proxy form must be executed under its common seal (or such form of execution as has the same effect) or executed on its behalf by a duly authorised officer of the company or an attorney for the company A copy of the authorisation of such officer or attorney must be lodged with this proxy form

9. If this proxy form is executed under a power of attorney or any other authority the original power or authority (or a duly certified copy of such power or authority) must be lodged together with this proxy form

10 In the case of joint holders, any one holder may sign the form of proxy but all the names of the joint holders should be stated on this proxy form If more than one of the joint holders purports to appoint a proxy, the appointment submitted by the most senior holder will be accepted to the exclusion of the appointment(s) of the other joint holder(s), seniority being determined by the order in which the names of the joint holders stand in the register of members of the Company in respect of the joint holding (the first-named being the most senior)

11 If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence

12 Any alterations made to this form should be initialled

13 You may not use any fax number or email address or other electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated

If you have any queries completing this form please contact Capita Registrars Limited on telephone number 0871 664 0391 (calls cost 10p per minute plus network extras) or, if calling from overseas, on +44 208 639 3367 Lines are open 8 30am – 5 30pm, Monday to Friday

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OMG PLC
Form of Proxy

For use at the annual general meeting to be held at 14 Minns Business Park, West Way, Oxford OX2 0JB on 11 February 2011 at 4p.m. Before completing this form, please read the explanatory notes opposite.

I/We ______________________________

of ______________________________

being [a] member[s] of OMG plc (the **"Company"**), hereby appoint the chairman of the meeting or (see note 3)

____

as my/our proxy (see note 4) to attend, speak and vote for me/us on my/our behalf at the annual general meeting of the Company to be held at 4p m on 11 February 2011 and at any adjournment of the meeting

I/We have indicated with an 'X' in the appropriate spaces how I/we wish my/our votes to be cast and direct the proxy to vote as indicated

If this form is signed and returned without any indication as to how my/our proxy shall vote, my/our proxy may exercise his or her discretion as to both how he or she votes (including as to any amendments to the resolutions) and whether or not he or she abstains from voting

I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting

Resolution. (Place X in appropriate box)	**For**	**Against**	**Withheld**	**Discretionary**
Ordinary business				
1 To receive and adopt the financial statements for the year ended 30 September 2010	☐	☐	☐	☐
2 To re-appoint BDO LLP as auditors and authorise the directors to fix their remuneration	☐	☐	☐	☐
3 To declare a final dividend	☐	☐	☐	☐
4 To re-elect Julian Morris as a director	☐	☐	☐	☐
5 To re-elect Jonathon Reeve as a director	☐	☐	☐	☐
Special business				
6 To authorise the directors to allot shares pursuant to section 551 of the Companies Act 2006 (the "**Act**")	☐	☐	☐	☐
7 To authorise the directors to allot shares pursuant to section 570 of the Act as if section 561 of the Act did not apply	☐	☐	☐	☐
8 To authorise the Company to make one or more market purchases of ordinary shares in the Company	☐	☐	☐	☐

Signature(s) Date 2011 Signature(s) Date 2011

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Third fold and tuck in

Business Reply
Licence Number
RSBH-UXKS-LRBC

First fold

PXS
34 Beckenham Road
BECKENHAM
BR3 4TU

Second fold

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OMG PLC
Company information

Company registration number	3998880
Registered office	14 Minns Business Park West Way Oxford OX2 0JB
Directors	Anthony Simonds-Gooding (Non-executive Chairman) Jonathon Reeve (Non-executive Director) Julian Morris (Deputy Chairman) Nick Bolton (Chief Executive Officer) David Deacon (Chief Financial Officer) Catherine Robertson (Executive Director)
Secretary	Catherine Robertson
Bankers	National Westminster Bank plc 121 High Street Oxford OX1 4DD
Solicitors	Taylor Wessing 5 New Street Square London EC4A 3TW
Broker and nominated advisor	Evolution Securities 100 Wood Street London EC2V 7AN
Registrars	Capita IRG Plc Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA
Auditors	BDO LLP Kings Wharf 20-30 Kings Road Reading Berkshire RG1 3EX
Report design	Z3/Studio - www designbyz3 com
Words	Lindsay Camp
Print	Taylor Bloxham
Photography	Scene Photography (Other imagery as credited)

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