OMG plc

Year ended 30 September 2011

Company number;
3998880

OMG ANNUAL REPORT 10.11

OMG

Disappointing results, positive developments.

In terms of results, we can't deny that 2010/11 has been a disappointing year for OMG

With no let-up in tough trading conditions across many of our markets, we made matters worse for ourselves by losing well over £1 million on a project that went badly wrong As a result, we were unable to match the record-breaking performance we reported 12 months ago, with turnover and profits well down on last year

And yet there have been so many positive developments

We made an important acquisition, which establishes us as a new leader in a rapidly growing market

We took decisive steps to cut costs and build resilience across the Group, in line with our belief that the world economy is now operating in a "semi-permanent" recession

We saw some of our newer businesses begin to make a contribution to profits, just as we have predicted over the last few years

And, perhaps most exciting of all, we entered the final stage of preparations for the launch of OMG's first mass market consumer product in 2012

Needless to say, we don't expect anyone to be thrilled with the figures reported here But when you know a bit more about what lies behind them, we hope you'll agree that - one own goal aside - 2010/11 really was a pretty encouraging year for OMG

Achieving the impossible since 1984

At the end of our 27th year in business, the Oxford Metrics Group is a well established British technology company - employing around 245 people in the UK and US, and with customers in 78 countries At first sight, OMG may seem hard to understand, since our four main businesses - 2d3, Yotta, Vicon and our newly launched consumer products division, OMG Life - 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 Olympic athletes to improve their performance People with severe memory impairment, including Alzheimer's, to recapture "lost" memories 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

INSIDE11

ANNUAL REPORT 10.11

OMG

FINANCIALS

Group revenue of £26 4m (FY10 £29 2m)

Revenue impacted by £1 0m due to difficulties with the Guardian Project within House of Moves

Strong performance within 2d3 and core Vicon systems business

Profit before tax from continuing operations of £0 7m (FY10 £3 7m)

Adjusted* profit before tax from continuing operations of £1 1m (FY10 £3 9m)

Loss from discontinued operations of £0 8m (FY10 £2 6m) in respect of Yotta MVS

Net cash balance at 30 September of £2 8m (30 September 2010 £6 2m, 31 March 2011 £2 4m)

Reflects £1 3m utilised in the acquisition of Sensing Systems, increased investment in group-wide R&D, and expenditure on House of Moves Guardian Project

Proposed dividend maintained at 0 3p (FY10 0 3p)

*Profit before tax from continuing operations before Group recharges adjusted for share based payments, amortisation of intangibles and acquisition costs of £1 1m (FY10 £3.9m) (see notes 4 and 6)

A YEAR OF TWO STORIES

Chairman's Statement

– Anthony Simonds-Gooding –

Cheshire East & West and the Merseyside Consortiums

Yotta DCL has been undertaking visual inspections for Cheshire and Merseyside for the last five years We were over the moon when they awarded us a further four year contract to carry out their visual surveys as it ensures we continue to build our relationship and provide the data they need to make informed decisions

The financial year in review tells two quite different stories The first story, our financial results, is one of disappointment, particularly when compared to the exciting, record breaking performance delivered in 2009/10 ('FY10') By far and away, the largest single impact on our result this year has come from the performance of our House of Moves segment which has been impacted by difficulties experienced with the Guardian Project To a lesser, but important degree, tough trading conditions in some of our other businesses have compounded this effect

At the same time, and while they may at first appear masked by the year's financial conclusion, 2010/11 ('FY11') has seen a number of important and positive operational developments within the business

First, we made an important acquisition, which establishes our 2d3 segment as a clear leader in its market Sensing Systems, acquired in February 2011, has added momentum to our 2d3 operations this year, unearthing new business opportunities, driving revenue and enabling 2d3 to achieve its first full-year breakeven at the adjusted level*

FY11 also saw us take decisive steps to cut costs and build resilience across the Group These measures, in combination with important customer wins and new product launches, resulted in some of our newer businesses becoming stronger, as well as enabling our core Vicon systems business to improve its profitability Looking to the future, and perhaps most exciting of all, we entered the final stage of preparations for our launch of OMG Life's first consumer-facing product, planned for the financial year now ahead

Financial performance in close-up

The Group's key performance indicators ('KPIs') are as follows

KPI	FY11	FY10	Change
Group revenue	**£26 4m**	£29 2m	-£2 8m
Group cash position	**£2 8m**	£6 2m	-£3 4m
Group adjusted* profit before tax	**£1 1m**	£3 9m	-£2 8m

*Profit before tax from continuing operations before Group recharges adjusted for share based payments, amortisation of intangibles and acquisition costs of £1 1m (FY10 £3 9m) (see notes 4 and 6)

The movements on these KPIs are discussed below

The Group reported revenues from continuing operations of £26 4m (FY10 £29 2m) representing a decline of 9 7% compared to the record breaking previous financial year As a consequence the Group reported lower adjusted* Profit before Tax from continuing activities ('PBT') of £1 1m (FY10 £3 9m) compared to last year Individual segment performance can be broken down as follows

Vicon Group

	Revenue		PBT		Adjusted* PBT	
	FY11	FY10	FY11	FY10	FY11	FY10
Vicon UK	£9 5m	£9 9m	£4 6m	£4 9m	£3 4m	£3 2m
Vicon US	£8 5m	£8 8m	£0 4m	(£0 4m)	£2 2m	£2 0m
Total Vicon	£18 0m	£18 7m	£5 0m	£4 5m	£5 6m	£5 2m
HoM	£2 0m	£4 4m	(£1 8m)	£0 9m	(£1 8m)	£0 9m

Vicon reported system sales of £18 0m (FY10 £18 7m), with the USA proving to be a relatively stable market while sales in the Rest of the World fell slightly Despite challenging economic conditions globally, Vicon achieved an improvement in overall gross margin, rising to 70 9% (FY10 69 5%) A combination of this improved gross margin and effective cost control allowed us to increase Vicon Systems' overall adjusted* profit to £5 6m (FY10 £5 2m) These cost control measures, aimed at effectively "recession-proofing" Vicon for future years, aim to deliver £1 4m in annualised cost savings at Vicon

House of Moves (HoM), in contrast, reported revenues of £2 0m (FY10 £4 4m) representing a significant decline on the prior year, caused largely by difficulties with the Guardian Project The entertainment market also remained severely depressed throughout the financial year, compounding this effect The business reported a loss for the year of £1 8m (FY10 profit of £0 9m), largely as £1 0m of revenue attributable to the Guardian Project has not been recognised This performance at House of Moves is the largest single contributing factor to this year's disappointing financial performance

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University of Basel, Lab. of Biomechanics & Biocalorimetry

Dynamic 3D deformation of bones is crucial in the successful design and longevity of complex orthopaedic oncological implants The Children's University Hospital and University of Basel carried out research using a Vicon system to measure the sub-millimetre deformation of a whole pelvis specimen and concluded the accuracy of the Vicon system was approximately 20 times better than other solutions available

"Despite challenging economic conditions globally, Vicon achieved an improvement in overall gross margin."

– Anthony Simonds-Gooding –

"The key here is to take maximum advantage of OMG technology to add value to our offering."

– Anthony Simonds-Gooding –

Newcastle City Consortium

Since 2006 Yotta DCL has had a longstanding relationship with members of the Newcastle City Consortium undertaking surveys for the Tyne & Wear Local Authority and the Tees Valley Local Authority Which is why we were so pleased to have been awarded the entire road network surveying work for the Newcastle City Consortium over the next three years

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Yotta Group

	Revenue		PBT		Adjusted* PBT	
	FY11	FY10	FY11	FY10	FY11	FY10
UK	£3 8m	£4 8m	(£1 0m)	(£0 7m)	(£0 5m)	(£0 1m)

Yotta UK reported revenue this year of £3 8m (FY10 £4 8m) The year-on-year decline here was largely due to the impact of the UK Government's Comprehensive Spending Review ('CSR'), which resulted in reduced margins – particularly in H2 – and increased competition in an already competitive market The operation reported an adjusted* loss of £0 5m (FY10 loss £0 1m) Clearly a loss is disappointing, but in the context of the revenue decline the loss was mitigated to some extent by a good operational performance and cost control

Following a strategic review, we've taken steps to put more distance between our highways business and the competition, in an increasingly cost-conscious market The key here is to take maximum advantage of OMG technology to add value to our offering To that end, two new products have been developed during the year Horizons, which is a Software-as-a-Service ('SaaS') based data product and Tempest, which is a significantly redesigned and cost-reduced surveying vehicle

In June 2011, the Group's Yotta USA business was sold to Tyler Technologies The operation, acquired in 2008, was hit shortly afterward, by a severe downturn in the US residential property market Despite the Group's best endeavours to turn the business around, market forces were simply overwhelming, resulting in FY10's results including a full impairment of goodwill and intangibles FY11's results include a final loss attributable to discontinued operations of £0 8m (FY10 loss £2 7m), which includes a trading loss of £0 5m and a Net Asset write-off of £0 3m

US Army Geospatial Center

We are delighted to be working with the AGC to perform applied research work geared toward generating 3D information from 2D imagery sources in urban environments Visualising 3D information is critical to maintain situational awareness, and also greatly enhances mission planning Ultimately, our research will help the army make more informed decisions by helping them to better understand their operational environment in a 3D format

2d3 Group

	Revenue		PBT		Adjusted* PBT	
	FY11	FY10	FY11	FY10	FY11	FY10
UK	£0 9m	£0 6m	(£0 2m)	(£0 8m)	£0 1m	£0 1m
US	£0 6m	£0 6m	(£0 6m)	£0 1m	(£0 6m)	(£0 3m)
Sensing	£1 1m	-	£0 3m	-	£0 5m	-
Total 2d3	£2 6m	£1 2m	(£0 5m)	(£0 7m)	£0 0m	(£0 2m)

Overall, 2d3 reported significantly enhanced revenue this year of £2 6m (FY10 £1 2m) and an adjusted* breakeven result (FY10 loss £0 2m) This performance included the positive impact of Sensing Systems, acquired in February 2011, which added £1 1m to revenue and an adjusted* profit of £0 5m The UK consolidated its position as a respected advisor to the UK Defence market and increased revenues to £0 9m (FY10 £0 6m) while the USA produced revenues of £0 6m (FY10 £0 6m), similar to last year The loss reported in the US reflects continued investment during the year in business development and other resources that are expected to yield benefits in the future, with effect from October 2011 our US operations will be merged completely

This result, delivered for the first time in 2d3's fourth full year of operations, takes 2d3 to a new level, cementing its ability to offer defence industry clients an unmatched range of video intelligence capabilities

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"Combining our companies and rapidly producing the next version of Tungsten has enabled 2d3 Sensing to win several key contracts totalling more than $1m. We have an aggressive development roadmap that will be capitalising on this combination of demand and capability to produce continued results. Watch this space..."

– Jon Damush, President, 2d3 Sensing –

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OMG Life

	Revenue		PBT		Adjusted* PBT	
	FY11	FY10	FY11	FY10	FY11	FY10
UK	-	-	(£0 9m)	(£0 5m)	(£0 7m)	(£0 2m)

During the year OMG Life continued its product development in line with plan and established a strategic relationship with advertising agency Bartle Bogle Hegarty ('BBH') to assist with marketing strategy and execution In total, OMG Life invested £1 0m (before Group recharges) which included capitalised Research & Development ('R&D') of £0 3m, and remains firmly on track to launch its first exciting product to market within the financial year just started

Returning to a Group level, foreign exchange rates, in particular the dollar sterling rate, have been relatively stable during the financial year and have had no material impact on Group performance which included a £0 1m (FY10 Nil) book gain which has in previous years influenced the results of the Vicon Group

Investing in R&D

The Group proudly continues to invest in R&D, spending £3 7m (FY10 3 1m) representing an increase of 22% over the previous financial year The investment has been across the Group which is intended to maintain Vicon's market leading position, to provide Yotta with a technological edge over its competitors, to further enhance the intelligence offering of 2d3 and to deliver OMG Life's camera From this total spend the Group expensed £1 9m (FY10 2 3m) and capitalised £1 8m (FY10 £0 8m) in this year's results

The Group finished the year with a cash balance of £2 8m (30 September 2010 £6 2m, 31 March 2011 £2 4m) with cash decreased year-on-year due to the acquisition of Sensing Systems, increased R&D investment and costs associated with the Guardian Project The Statement of Financial Position looks a little different compared with last year, mainly due to the addition of Sensing Systems Intangible Assets and Goodwill and the associated contingent consideration A net decline in Trade and other receivables is reported, Trade Receivables increased, reflecting a strong finish to the financial year, whilst Prepayments decreased, as did Amounts due from customers for contract work, reflecting the disposal of Yotta MVS which accounted for a significant portion of both balances in last year's accounts A decline in Trade and other payables is reported the movement in Trade Payables reflects the general level of trading during the financial year and the decrease in Accruals and deferred income is lower due to lower bonus provisions and the removal of deferred income in relation to the Guardian Project Stock, which increased, is now considered to be at a normal level compared to the very low position reported a year ago As a whole the Statement of Financial Position remains robust

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"OMG Life continued its product development in line with plan and established a strategic relationship with advertising agency Bartle Bogle Hegarty"

– Anthony Simonds-Gooding –

“From our first engagement with OMG, we knew that the product had all the ingredients for success. But what really excited us was the opportunity to invent a compelling consumer brand - the kind of brand that doesn’t just enter an existing market sector, but actually creates a new one.”

– Nigel Bogle, Group Chairman, BBH –

"As we look forward to FY12, global economic instability remains. But we believe OMG's diversified portfolio of businesses offers a degree of robustness in this uncertain world."

– Anthony Simonds-Gooding –

Lexus 'Light' Commercial

House of Moves carried out the motion capture for the Lexus 'Light' commercial, part of the luxury carmaker's "Engineering Amazing" campaign Through the use of motion capture, the difference in data derived from a typical crash test dummy and the Lexus 'crash test genius' was illustrated with tiny dots of light outlining a driver in a slow-motion simulated crash The commercial highlighted the advanced simulation technology Lexus developed in pursuit of industry-leading safety

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Current year taxation is minimal as the Group has been able to offset losses against profits In addition, the US arm of the Group was restructured at the start of the financial year, resulting in a more efficient tax position A claim for R&D tax relief for the prior year impacted on the current year expense This was off-set by recognition of the related deferred tax liability The increase in deferred tax assets and liabilities carried on the Statement of Financial Position is a result of the aforementioned R&D deferred tax liability, an adjustment in the current year for a previous netting of the US deferred tax position and the recognition of a deferred tax liability in relation to the intangible assets purchased as part of the Sensing acquisition

The Group is pleased to confirm its proposal to pay a dividend for the year, maintained at the same level as the previous financial year at 0 3p

Looking ahead

As we look forward to FY12, global economic instability remains But we believe OMG's diversified portfolio of businesses offers a degree of robustness in this uncertain world

With its reduced cost base and reinvigorated focus on its core markets, we expect Vicon to continue to deliver profitably on its solid sales pipelines with opportunities broadly spread across geographies and markets We have high hopes for 2d3 in FY12 with a stronger business development team focussed on a larger and better visibility sales pipeline than ever before Turning to Yotta, although we anticipate continuing pressure on margins for the least sophisticated surveys, we do expect Tempest to provide competitive advantage in the mandatory machine-based surveys market The sales pipeline for Horizons is good but this needs to be converted to demonstrate the commercial success of the product Lastly, the product and opportunity for OMG Life remain exciting and while this is our first step in the consumer environment we believe there is demand in the targeted marketplace and the product has clear differentiation

In summary, the Board remains confident in the Group's ability to meet its expectations in the year ahead and believes there is much to be excited about in OMG for the year and years ahead ■

*Profit before tax from continuing operations before Group recharges adjusted for share based payments, amortisation of intangibles and acquisition costs of £1 1m (FY10 £3 9m) (see notes 4 and 6)

NOW IN MORE RESILIENT SHAPE

CEO Statement

– Nick Bolton CEO –

For me personally, it's been an exciting year of sharply contrasting challenges and outcomes It's been a busy one too, following my adoption of a leadership role at OMG Life, in addition to my responsibilities as Group Chief Executive Naturally, I share Anthony's disappointment with the financial result delivered this year Nevertheless, my overwhelming feeling after 12 months very much at the sharp end of our business, is that OMG moves ahead now in more resilient shape, with greater vibrancy and a clearer sense of direction than ever

I'm fully aware that, in view of our results, many readers may be approaching this document in quite a sceptical frame of mind I hope that, when reviewing the hard evidence of the operational progress our businesses have made over the last 12 months, and of their potential for growth, readers will – as I do – continue to believe in the prospects for our Group

Our astounding people

Before taking a closer look at how our individual businesses performed, I'd like to take this opportunity to thank all of our brilliantly talented and dedicated people for their continuing hard work in fairly testing conditions We remain as conscious as ever of our debt to them, for their fantastic contribution over the last year and their continued commitment to building an even better future for OMG

Contrasting challenges, consistent strategy

For me, one of the most interesting effects of tackling challenges as diverse as getting our newest venture off the ground, while helping to ensure the future of our longest established business, has been to make me more strongly aware of OMG's "strength in diversity"

I realise that some might look at the same picture and see a lack of coherence and a business spread across different markets But, at the end of this year, I am more convinced than ever that our strategy of diversification into profitable niche markets is the right one for OMG

At first sight, there may seem to be a gulf between our state-of-the-art motion capture cameras and our soon-to-be-launched consumer-oriented camera But what they have in common - with each other and with everything else OMG does - is brilliant pixel-related technology that allows them to meet a customer need better than the competition, and thereby lead their respective markets

AWE Virtual Reality Lab

The new VR lab at AWE uses Virtual Reality (VR) to visualise designs before they are built often saving thousands of pounds when early mistakes are identified The Vicon system transports users into the VR environment where they can move around virtual prototypes in real-time Accuracy is vital as it enables users to check they can reach things, that they can see everything and that they are comfortable For AWE it's not a question of whether to use VR, but how much it would cost not to use it

"I'd like to take this opportunity to thank all of our brilliantly talented people."

– Nick Bolton CEO –

LAUNCHING OMG LIFE

"Diversification into profitable niche markets is the right one for OMG."

– Nick Bolton CEO –

If you've read our last two annual reports, you may remember that in 2009 we signed an agreement with Microsoft to develop their SenseCam technology a wearable automatic camera that we re-developed and marketed as Vicon Revue Things have moved on dramatically over the last 12 months to the extent that in May, we set up a new consumer-facing division – OMG Life – to take some of its technology to market in a new consumer-orientated camera

To say that I and all of us at OMG are excited about this new project would be something of an understatement We're not quite ready to unveil the first Life product at the moment, but it is planned for launch in the current financial year just started And, while you cannot yet see it, we can tell you that it is based on the ground-breaking Revue "moment-capture" technology and that by this time next year, we expect it to be selling in numbers that will make a real impact on Group profit

Life – the story so far

We originally saw this innovative technology being of greatest value to people with memory impairment including Alzheimer's, in helping them to recover "lost" memories and manage their lives more effectively Vicon Revue has indeed been successful playing this valuable role But, since we first laid hands on this technology, our view of its potential has rapidly evolved We have come to believe, very strongly indeed, that it has much, much wider applications

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"We have been working closely on the development, market testing, strategy and positioning for a highly desirable new consumer brand."

– Nick Bolton CEO –

Managing Traumatic Brain Injury with Revue

In 2004 an accident left Tom, a former car dealer from Chicago with Traumatic Brain Injury Tom now suffers with severe short term memory and in 2010 started using Revue Out of all the tools Tom uses to help his memory, Revue has been the most useful, it helps manage his day-to-day life and gives him confidence that if he forgets something, the images from that day will set the record straight Tom comments, "Nothing could replace it and nothing else could have helped me like Revue has"

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BBH partners for Life

To help us maximise the potential of Revue in consumer markets, we knew we needed top quality marketing, brand and product development expertise And that's precisely what we secured in July when we formed a new strategic partnership with BBH, one of the world's most widely respected and creatively garlanded brand communications agencies We have been working closely with BBH and its brand invention division Zag on the development and market testing of the product itself, as well as on developing the marketing strategy and positioning for what we intend to be a highly desirable new consumer brand This partnership has been further strengthened by acceptance of OMG shares by BBH in part consideration for their contribution

Seeing the unseen

By the time you read this, we expect to be taking delivery of the first examples of the finished product We cannot unveil it here, but we can assure you that it is something quite special, an aesthetically delightful piece of design, with an understated elegance that allows it to take on the style of the individual wearing it

In terms of market positioning, the key to understanding the potential of Product X (we're currently keeping the brand name under wraps) is that it genuinely offers something different from other types of serious camera and the camera in your mobile phone Summed up in the line above, it's about capturing the moments that would otherwise be missed, it is a quite different proposition to a serious photographer's SLR, or the compact digital that we all use on holiday or at Christmas, but never seem to have with us at other times when we might need it

Working with BBH, we have rigorously tested this positioning, and found that it strikes a powerful chord with potential buyers And they won't have to wait much longer to start "seeing the unseen "

A potential market of millions

We will launch Product X in 2011/12 ('FY12'), initially only in the UK and online, but subsequently also through carefully chosen retail outlets As for the size of the market we plan to reach, our preliminary work has confirmed our belief that this is a product with mass appeal We have identified a potential audience of between 3 5 and 4 5 million people, in the UK alone Even a relatively low level of penetration to begin with, would represent an enticingly high number of units

Expect more from Life

We would be the first to acknowledge that, for OMG, moving into consumer markets for the first time represents a big step into new and unfamiliar territory But we see it very clearly as a natural progression our technology already touches millions of people's lives all over the world, and we have always believed in its potential to make an even wider impact In addition, we are happy to have the support and enthusiastic involvement of one of the world's leading suppliers of brand expertise and creative thinking That may not guarantee Product X will hit the jackpot, but it greatly increases our chances of scoring a major success

And one final point we need to underline While we are excited about the forthcoming launch of our first consumer product, it is only the beginning for OMG Life We are already hard at work, thinking about further potentially profitable ways to apply OMG's brilliant technology to making life better for consumers Expect more from Life

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Gears of War 3

House of Moves contributed to the cinematic animation and facial keyframing on the highly anticipated Gears of War 3 video game A team of 44 worked on the project for approximately a year and a half, resulting in the completion of over 36,000 seconds of character work Sales for the third-person shooter soared when it hit shelves in late September 2011

"If I can't remember something, I view a photo, and it opens a window – I remember the image and in my head it snaps to a bigger picture. That's what it's like; you only need something to jog that tiny bit of memory to help you remember more."

– Ashley Hiscocks –

SMARTER VICON

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At the other end of the spectrum from our consumer start-up, I have also derived a lot of satisfaction from playing a hands-on role within OMG's longest established business though I have to say this hasn't always been a comfortable experience

I took over as CEO of Vicon in October 2011, at the start of the current financial year But in the second half of FY11, I started working with the Vicon management team on a major project aimed at focussing the business on its core markets and getting it into the best possible shape to continue trading profitably for another 25 years

This on-going programme, which will continue into FY12, is about increasing innovation while at the same time reducing fixed costs, in a variety of ways – from reducing unnecessary expenditure to getting smarter about how we manage stock And, as our Chairman mentioned, the overall objective is to achieve a total saving of £1 4m a year, which we believe will make a huge difference to the long term resilience of the business – building a smarter Vicon

A mixed year performance-wise

Overall, it was another tough market for Vicon this year Yet thanks in part to our improving cost control, profitability on system sales actually increased, despite overall segment revenue being slightly down

The economic downturn continued to have an adverse effect on sales in some territories But in others we performed well - with France, for example, delivering a record year and healthy sales in Australia too In Japan, we were unable to match our record-breaking performance in 2009/10, but sales held up pretty well, and the Asia Pacific region, as a whole, had a strong year

In the US, the entertainment sector remained very slow although, as we explain later, we are optimistic that ground-breaking new software, soon to be launched, will make a major impact over the next few years But we maintained our recent encouraging progress in the life sciences field, with our lower cost Bonita camera system performing impressively for us in this area Our increased focus on the engineering sector also started to deliver good results, with sales to multiple Boeing sites across the US as well as to other major clients, such as Hyundai in South Korea, the French Atomic Energy Commission and ASICS in Japan

Another significant development in the year was the appointment of our first ever dedicated salesperson for South America, reflecting our belief that the region's exciting growth potential deserves our focussed attention

Still achieving incredible things

We have mentioned a few important sales above, but there were many more in FY11, which further demonstrate the incredible diversity of applications for Vicon motion capture technology These range from our exciting involvement in a new UK-based centre of excellence for performance capture, founded by actor and director Andy Serkis, to our key role in the vital work being done at Headley Court, the UK Armed Forces Rehabilitation Centre, which is funded by the charity, Help for Heroes, and acquired a Vicon system in FY11

"Bonita performed impressively in the life sciences field."

– Nick Bolton CEO –

"The highest standards of accuracy in outdoor conditions"

– Nick Bolton CEO –

Extension of Vicon's fast selling camera range

Just recently launched, Vicon has added two new cameras to its Bonita camera range, the Bonita 3 and Bonita 10 The size and specification of the new cameras open up the possibility of capturing smaller, more detailed movements in ever more confined, complex environments We're very much looking forward to seeing the many ways our customers put them to use

Motion capture let's take this outside

The year's big technological breakthrough - and the latest example of Vicon's unrelenting drive to stay two or three steps ahead of the field – came in February, with the launch of a new addition to our flagship T-Series family that takes high quality motion capture ('mocap') out of the studio for the first time

Building on the speed and flexibility of the T-Series, which offers up to four times the resolution of any other mocap camera, the new S Edition range are capable of performing to the highest standards of accuracy in outdoor conditions, including full sunlight For clients in fields such as sport, there are major benefits Using the S Edition, athletes' performance can now be measured and assessed in "natural" conditions, rather than in the inevitably somewhat artificial setting of an indoor studio For a case in point, look no further than the work the University of Western Australia has done with the S Edition, developing the gold standard for testing the action of bowlers on the cricket field

Meanwhile, back in the studio

As it has always been, Vicon remains the go-to provider of motion capture technology to the entertainment industry, with our T-Series system still the natural first choice for jaw-dropping visual effects Our movie credits in FY11 included "The Chronicles of Narnia The Voyage of the Dawn Treader," "Gulliver's Travels" and "Black Swan " And among the high profile games we worked on, were Call of Duty Black Ops, Assassin's Creed Brotherhood, and Gears of War 3

Taking mocap into real time

Despite the successes above, our traditional entertainment markets have remained slow and not just because of external economic factors Another issue for us is that our clients in this sector have been perfectly happy with the Vicon systems and technology they are currently using So slower sales have, to an extent, been a consequence of our own success

Nevertheless, we are confident that one of our latest technological advances will breathe new life into this sector over the next few years During FY11, we have rewritten our software from the ground up to enable directors to direct motion capture in real time We demonstrated an early version of the new software in August to 50 key clients at EA's studios in Vancouver and received an extremely enthusiastic response When the finished product is launched in FY12, we will be looking for equally meaningful sales

Always leading, never satisfied

In a year when our commercial focus was on cost management, we remained as keenly aware as ever of the crucial importance of maintaining the "technology gap" between Vicon and its competitors Another example of our commitment to continuous innovation came with the launch in September of a new version of our Polygon Life Sciences software - also well received, and expected to deliver healthy revenues in FY12

As a Group, we are looking to our younger businesses to deliver dynamic growth over the next few years But we are as committed as ever to ensuring that Vicon continues to deliver steady and sustainable profitability, by remaining the natural first choice for motion capture, in all its worldwide markets

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“Being able to collect 3D data in the field is priceless as it does away with the constraints of laboratory data collection.”

– Kane Middleton, University of Western Australia, researcher –

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House of Moves

By far and away, the largest single impact on our performance this year has come from the delays experienced with the Guardian Project in our House of Moves ('HoM') segment First highlighted in the Group's Interim Results in May, funding of the Project remains unresolved and the Group remains unpaid for services provided by House of Moves during the first half While the Board still believes that the Group could ultimately be paid, neither revenue nor accounts receivable have been recognised in the financial statements in respect of this project, meaning that the Group has no further exposure in this respect

Even this bad news story turns out to have an important upside Working on the Guardian project, the HoM team rapidly accelerated the development of ground-breaking new technology which offers enormous benefits to producers of 3D animation for movies, TV and games Specifically, HoM technology can now massively reduce the amount of time and work it takes to create high quality 3D animation, enabling directors to bring characters to life in real time Just as important, the content created can be easily re-used across different media, which means, for example, that animation assets created for a blockbuster movie can be simultaneously incorporated into the related video game, and subsequently used again in the spin-off TV show Until now, the animated content for each medium would have had to be recreated from scratch

This simultaneous creation of content across media is known as Transmedia content production It represents a genuine technological breakthrough, with the potential to dramatically reduce the time and cost involved in 3D animation, while delivering real creative advantages for directors and producers And it makes HoM a world leader in Transmedia content, with valuable IP that greatly increases the capability and value of the business

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EA's Need for Speed The Run

CGI characters are becoming increasingly more believable, but the trick to bridging the "uncanny valley" is realistic eye movement EA approached House of Moves (HoM) looking to capture eyeball movement to deliver more lifelike characters Ever up for the challenge, the HoM team set to work on bridging existing technologies and developing new ones, resulting in the EOG eye tracking process that, when combined with their current system, enables the creation of incredibly emotive digital characters This eye tracking animation process debuted on EA's Need for Speed The Run video game, which is available now

"Unrelenting drive to stay two or three steps ahead of the field."

– Nick Bolton CEO –

“The Imaginarium is a world-class Performance Capture studio, whose ambition is to become internationally recognised for harnessing science, art and cutting edge technology to create emotionally engaging characters that delight and astound audiences all over the globe. Vicon were the obvious choice of partner for us as we pursue this goal.”

– Andy Serkis, Co-Founder, The Imaginarium –

“We have never made any secret of our belief that our aerial imaging business can achieve great things in the defence industry. That belief is now stronger than ever.”

– Nick Bolton CEO –

A BREAKTHROUGH YEAR FOR 2D3

Continued from page 46

2d3 has had an exceptional year The headline news was obviously our acquisition of Sensing Systems Inc, which brings together two relatively small and young businesses to create something greater than the sum of the parts, a new market leader in the defence-related video intelligence market But everywhere you look, there's evidence of our aerial imaging business moving onto a higher plane – from winning coveted "prime contractor" contracts to making key hires that are transforming the professionalism of 2d3's business development process We have never made any secret of our belief that our aerial imaging business can achieve great things in the defence industry That belief is now stronger than ever

An acquisition that makes perfect sense

When acquisitions don't work out, it's usually because there's no genuine fit between the two parties In contrast, as the next major step in the development of 2d3, our acquisition in February of Sensing Systems Inc made perfect sense

Crucially, the two businesses already had a strong and productive working relationship, with 2d3 having used Sensing's flagship product, Tungsten libraries, for some time So we knew for certain that there were complementary skills and technological capabilities, as well as good personal chemistry

When we first approached Sensing in 2010, they also had offers from other would-be buyers, including major defence contractors But they chose to join forces with us, seeing 2d3 as kindred spirits, a business at the same stage in its development, offering an opportunity to work together to build something new

Tungsten 3.0 first fruits of integration

Bringing together 2d3's proven vision science capabilities with Sensing's expertise in digital media software for aerial platforms, greatly strengthens our position in the growing video intelligence market And, while we believe the potential for long term growth is immense, the acquisition has delivered real benefits for us and our clients almost from day one

In fact, the first product developed by 2d3 Sensing was launched in August just five months after the acquisition was completed, when we unveiled Tungsten 3 0 at the AUVSI show in Washington DC This new product combines Tungsten's well known qualities as a software development kit with new computer vision capabilities, greatly increasing its value to customers - by giving developers the power to build motion imagery solutions quickly and easily It is a winning combination orders for Tungsten alone post acquisition amounted to more than Sensing's entire revenue for the whole of last year

A broader customer base

More widely, too, the acquisition has already strengthened our business, greatly increasing 2d3's customer base, and giving us credibility with the many major US defence contractors that Sensing Systems was already doing business with A case in point is our new contract for high value computer vision work with the key prime contractor working on perhaps the most significant Wide Area Motion Imagery ('WAMI') system in development today, a win we would never have secured without the Sensing connection This and other major contracts with big players in the US defence industry - including Boeing subsidiary, Insitu - represent a very positive sign for the new, improved 2d3 These are large companies that would be perfectly capable of developing systems themselves, but choose to depend on us, knowing we can provide what they need, when they need it

It is not just our technology that these organisations value, but also our agility and responsiveness We achieve this by developing off-the-shelf products that meet 'generic' needs, then sending in our Solutions Group – which combines 2d3 and Sensing expertise – to tailor the product precisely to the client's specific requirements

Further UK success

The key developments in the 2d3 story in FY11 were undoubtedly in the US, but in the UK, too, it was another very good year for the business - with record revenue in the first half of FY11, from further Ministry of Defence ('MoD') Defence Science and Technology Laboratory ('Dstl') contract wins - and more in the pipeline.

Right people, right process

Since 2d3 started, our plans for growth have always been based upon creating "demand-pull", persuading people high up in the defence establishment to become advocates for our technology and to put pressure on major contractors to involve us in their projects. In the US, this hasn't always been easy for a relatively small foreign-owned newcomer. So, one of the most important developments this year was our decision to add top notch business development professionals to our team, in the UK as well as the US. We knew what we were looking for: people who understand our technology and, even more important, have in-depth first-hand knowledge of how the defence procurement system works, from the inside – and good relationships at the highest level. And that is precisely what we found.

In the US, our new business development specialist is based in Washington DC, putting us close to the seat of power, enabling us to attend all key briefings, and helping to ensure we're developing products that correspond to current Department of Defense ('DoD') priorities. Similarly, in the UK, our business development specialist is now giving us a necessary inside track into the Ministry of Defence.

We are very clear that the purpose of these key hires is to bring real discipline and structure to 2d3's new business development process, with people who know the right way to go about winning government contracts. It's a crucial part of 2d3's coming of age as a business, a clear and strong indication that we now belong among the big boys in the defence industry, and deserve to be taken seriously.

2d3 prime contractors

Already, our new more professional approach to winning business is getting results - one of the first examples being a big contract with the US Army Geospatial Center ('AGC'), the research body responsible for maximising the military value of geospatial data collection. We have been engaged by AGC to perform applied research work geared toward generating 3D information from 2D imagery sources in urban environments. For us, the most exciting aspect of this project is that 2d3 is the prime contractor, that is to say we have been hired directly by the US government, not brought in by a third party. This represents a real step forward for 2d3. And, having established 2d3 as worthy of prime contractor status, we expect it to be much easier to persuade the DoD to see us in that role on future projects.

Continues on page 57

2d3 launches Catalina

Catalina bridges the gap between sensor and analyst. A server-side software solution providing video storage and retrieval tools along with remote access and on the fly streaming to exploitation tools such as TacitView via a centralized server. No matter where collection assets are deployed, Catalina provides core capabilities that projects motion imagery and related metadata into the eyes of decision makers.

“We were pretty sure there was something there, but the images weren’t conclusive. With 2d3’s amazing TacitView software, it was easy to identify what we’d found, and to build up a 3D image of the villa.”

– Adrien Normier, Wings for Sciencf –

YOTTA – TIGHTER MARGINS, WIDER HORIZONS

"In terms of the competition, Yotta's position is as strong as ever."

– Nick Bolton CEO –

Continued from page 52

This has been a challenging 12 months for Yotta In terms of the amount of work we did, it was actually a pretty good year for our highways business But massive pressure on UK public spending meant that Yotta's Local Authority clients were simply unable to pay as much for surveys, resulting in lower revenues and much tighter margins Our response to this situation has, however, been positive Recognising that conditions in the UK are unlikely to improve any time soon, we refocused our efforts on developing technologically advanced new products that will not just give us the edge on our home turf, but also open up exciting possibilities in overseas markets

Raising our game

It is worth underlining that, in terms of the competition, Yotta's position is as strong as ever What has changed is our clients' ability to pay for our services And in many cases their procurement process is now based exclusively on price provided the survey supplier has the necessary accreditation, nothing else is taken into account In view of this, it wasn't hard to recognise that, to make Yotta successful, we needed to raise our game Rather than get into an unwinnable price-war, we were perfectly clear that our strategy should be to capitalise on OMG's brilliant technology, to set us apart and provide us with a clear competitive advantage To that end, in FY11, we've been busy developing two important new products

Tempest a SCANNER van that changes everything

When Yotta started in 2006, our two high tech SCANNER survey vans had been purchased and equipped at a cost of around £800,000 each As they approach the end of the road, having covered over 600,000 miles between them, we set ourselves the challenge of building our own better vehicle, at greatly reduced cost

At the time of writing, the first new Tempest van is undergoing the accreditation process Costs for it came in at around £300,000 a saving of half a million pounds compared to its predecessors And we're hoping subsequent Tempest vans will cost less than £250,000 These large-scale savings will make a big difference to our ability to carry out technologically sophisticated surveys at relatively low cost, while remaining profitable We also strongly believe that Tempest has potential for overseas sales, and we're currently just starting to explore that possibility We hope to have good news to report by this time next year

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Horizons putting data on the map

For Yotta, the year's second leap forward through innovation was the launch in April of our new Horizons SaaS software product It's a major breakthrough in terms of making road condition data more user-friendly and valuable for Yotta's local authority clients From their point of view, there are two main aspects to Horizons The first, is that for the first time, it presents the vast amount of data that Yotta collects, in a format that can be understood by anyone Our Horizons product does this by projecting all the information onto Google Maps, where it appears in the form of simple graphics This means valuable data can now be used by virtually anyone within the client organisation, not just a select handful of specialists

The second key function of Horizons is analysis, taking all the information collected by Yotta, and creating schemes showing precisely what needs to be done to maintain the condition of roads, and how it can be done most cost-effectively

By pulling together all the relevant data, and presenting it in an easily understood form, Horizons greatly simplifies the decision-making process At a time when Yotta's Local Authority clients are under enormous pressure to spend every penny wisely, the arrival of Horizons could hardly be more in tune with their needs We are pleased to report that the system has already gone live in Nottinghamshire and many other Authorities are currently showing a strong interest

New surveys... and repeat business

Despite the cost pressures we have talked about, our surveying business has continued to flourish During the year, we have been awarded contracts by six new local authority clients And, pleasing in a different way, we have won further good-sized projects from satisfied customers around the country, including the Tyne and Wear and Tees Valley Consortium, Lincolnshire County Council and the Cheshire and Merseyside consortium

Cumbria County Council

We are delighted to have been awarded a four year contract with Cumbria Country Council to carry out road condition surveys on approximately 4,784 miles (7,700km) of highway network, covering everything from major routes to minor rural roads This new contract represents a new phase in our relationship with Cumbria as up until now we've worked with Cumbria Highways, a partnership between Cumbria County Council, Amey and Connect Roads which work together on behalf of the County Council

Last year, we talked here about our biggest ever contract with the Welsh Assembly Government, worth over £4m and covering around 15,000 km of the country's road network Just to update you, we're now half-way through this enormous project and it is progressing well In addition to giving Yotta a healthy regular income, it's also served as a valuable platform for winning further new business from Local Authorities in Wales

Yotta the road ahead

We cannot deny that the local government spending squeeze has made this a difficult year for Yotta, but we have ended FY11 looking ahead with real optimism External economic pressures have sharpened our awareness of the need to focus on the areas where our technology and our ability to innovate, give us a clear advantage, and can earn us higher margins

This isn t just about developing new products Our professional services team have had another good year, offering a consultancy service that is of even greater value to local authorities desperate to find ways of reducing costs, but with much less expertise available in-house

We still have big ambitions, too Looking ahead, we don't see Yotta as just a UK highways business, but as a provider of technology with wider applications - equally valuable, for example, to railways and public utility networks And, as you've read, we certainly don't see Yotta being confined to UK markets With new products like Tempest and Horizons, we've mapped out the way forward for Yotta, and given ourselves a clear vision of a more profitable future ■

REPORTS

Report of The Directors

The dırectors present theır report together wıth the audıted consolıdated financıal statements for the year ended 30 September 2011

Principal activities

The prıncıpal actıvıtıes of the Group are the development, productıon and sale of ımage understandıng solutıons

Business review

The consolıdated ıncome statement for the year ıs set out on page 75 and shows revenue from contınuıng operatıons for the year of £26,366,000 (2010 £29,203,000) and profit of £641,000 (2010 £2,907,000) Revenue from dıscontınued operatıons for the year of £900,000 (2010 £1,976,000) and loss of £828,000 (2010 £2,585,000) ıs shown net ın a separate lıne ın the ıncome statement and gross wıthın note 4

A revıew of developments affectıng the Group durıng the year and ıts prospects for the future appears ın the Chaırman's and Chıef Executıve's statements, along wıth a revıew of the busıness envıronment, strategy, new product development and related key performance ındıcators The Board consıders key performance ındıcators to ınclude revenue across all operatıons, Vıcon Motıon Systems gross margın, adjusted profit before tax and Group cash posıtıon These are dıscussed ın the Chaırman's statement

Full detaıls of changes ın share capıtal durıng the year are shown ın note 23 to the financıal statements

Dividends

The dırectors are proposıng a final dıvıdend ın respect of the financıal year ended 30 September 2011 of 0 3 pence per share whıch wıll absorb an estımated £214,000 of shareholders' funds Thıs dıvıdend wıll be paıd on 12 March 2012 to shareholders on the regıster of members at close of busıness on 16 December 2011

Research and development

Durıng the year, the Group expensed £1,931,000 (2010 £2,335,000) ın research costs In addıtıon £1,843,000 (2010 £753,000) of development costs were capıtalısed

Research and development costs are prıncıpally the costs of employees ınvolved ın research and development, together wıth related equıpment and materıals for hardware development and external costs

Directors and their interests

The ınterests of the dırectors ın the shares of the Company and theır ınterest ın optıons over the shares of the Company at 30 September 2011 are dısclosed ın the report on remuneratıon

The dırectors who served throughout the year were as follows

Anthony Sımonds-Goodıng
Jonathon Reeve
Julıan Morrıs
Nıck Bolton
Davıd Deacon
Catherıne Robertson

At the Annual General Meetıng of the Company, Nıck Bolton and Davıd Deacon, representıng one thırd of the Board, wıll retıre and, beıng elıgıble, offer themselves for re-electıon

Supplier payment policy

The Group's polıcy ıs to settle terms of payment wıth supplıers when agreeıng the terms of each transactıon to ensure that supplıers are made aware of the terms of payment and abıde by the terms of payment The Group's average credıtor payment period at 30 September 2011 was 32 days (2010 35 days) The Company's average creditor payment period at 30 September 2011 was 22 days (2010 25 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

The Group operates in multiple geographical markets so there is a risk that territory and global macro-economic conditions may result in one or more of these markets being adversely affected and the revenues of the business impacted accordingly, however, by virtue of selling in multiple geographical markets the impact of localised economic downturn in one or a number of markets is minimised

The Group operates in multiple service and product segments including

- Life Sciences (Vicon) – Our customers are primarily medical and educational institutions, funded largely but not exclusively by Governments which are subject to national budgetary decisions although in many markets these areas of spend are protected to some extent,
- Engineering (Vicon) – Our customers are largely commercial organisations whose investment decisions are determined by general macro-economic conditions in their markets,
- Defence (2d3) – Our customers are ultimately the UK Ministry of Defence and US Department of Defense, their spending is subject to national budgetary decisions but since we address the intelligence market specifically this area of spend is protected to some extent,
- Entertainment (Vicon/HOM) – Our customers are commercial organisations who produce content for the film, TV and video game market place Spending in this market tends to be erratic and ultimately driven by consumer demand for content which by virtue of this market place cannot always be guaranteed,
- Highways (Yotta) – The majority of our customers are ultimately funded by the UK Government so spending is subject to national budgetary decisions and priorities

Financial

The business has outlined its principal financial risks in note 21 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 subsidiaries in US dollars, together with some overseas territories which purchase in US dollars and Euros Changes in exchange rate 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 21 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 charitable donations of £3,000 (2010 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

30 November 2011

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 UK Corporate Governance Code (2010) 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 72 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	Gains on the exercise of share options £'000	**2011 Total £'000**	**2011 Pension contributions £'000**	2010 Total £'000	2010 Pension contributions £'000
A Simonds-Gooding (Chairman)	40	-	-	**40**	-	32	-
J Reeve (Non Executive Director)	30	-	-	**30**	-	24	-
J Morris (Executive Director)	110	1	-	**111**	**16**	130	14
N Bolton (Chief Executive Officer)	222	1	-	**223**	-	319	-
C Robertson (Secretary and Executive Director)	57	1	211	**269**	**8**	69	7
D Deacon (Chief Finance Officer)	169	2	-	**171**	-	213	-
	628	5	211	**844**	**24**	787	21

Directors' share options

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

	Exercise price	**At 30 September 2011 Number**	At 1 October 2010 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	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	September 2011 to December 2018
D Deacon	23 42p	**900,000**	900,000	March 2011 to March 2019
		2,230,000	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 an 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

The table below shows the gains made by individual directors from the exercise of share options during the year The gains are calculated as at the exercise date, although the shares may have been retained

	2011 £'000	2010 £'000
C Robertson	211	-

The average share price for the year was 32 67 pence (2010 22 95 pence) and the closing share price was 20 25 pence (2010 25 75 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 2011 and at 1 October 2010 according to the register of directors' interests

	Ordinary shares of 0.25p		Percentage of issued share capital	
	2011 Number	2010 Number	2011 %	2010 %
A Simonds-Gooding	454,054	454,054	0 64	0 66
J Reeve	16,475	16,475	0 02	0 02
J Morris	9,459,320	10,459,320	13.26	15 31
C Robertson	1,162,801	578,366	1 62	0 85
N Bolton	357,142	357,142	0.50	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 2011 which comprise the Consolidated Income Statement, the Consolidated and Company Statement of Comprehensive Income, the Consolidated and Company Statement of Financial 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

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 2011 and of the Group's loss for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

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

30 November 2011

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

ACCOUNTS

Consolidated Income Statement for the year ended 30 September 2011

	Note	2011 £'000	2010 £'000
Revenue	4	**26,366**	29,203
Cost of sales		**(12,088)**	(12,878)
Gross profit		**14,278**	16,325
Sales, support and marketing costs		**(4,962)**	(4,427)
Research and development costs		**(1,931)**	(2,213)
Administrative expenses		**(6,956)**	(6,190)
Other income		**293**	168
Operating profit		**722**	3,663
Finance income	9	**4**	11
Finance expense	9	**(5)**	(22)
Profit before taxation	5	**721**	3,652
Taxation	8	**(80)**	(745)
Profit from continuing operations		**641**	2,907
Loss on discontinued operation net of tax	12	**(828)**	(2,585)
(Loss)/profit for the financial year attributable to owners of the parent during the year	25	**(187)**	322
Earnings per share for profit attributable to owners of the parent during the year			
Basic (loss)/earnings per ordinary share (pence)	10	**(0 27)p**	0 47p
Diluted (loss)/earnings per ordinary share (pence)	10	**(0.27)p**	0 45p
Continuing operations			
Basic earnings per ordinary share (pence)	10	**0 92p**	4 26p
Diluted earnings per ordinary share (pence)	10	**0.90p**	4 08p

Consolidated and Company Statement of Comprehensive Income for the year ended 30 September 2011

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Net (loss)/profit for the year	**(187)**	322	**(56)**	169
Other comprehensive income				
Exchange differences on retranslation of overseas subsidiaries	**(59)**	(75)	**52**	-
Tax recognised directly in equity	**(58)**	(14)	**(54)**	(25)
Total other comprehensive income	**(117)**	(89)	**(2)**	(25)
Total comprehensive income for the year attributable to owners of the parent	**(304)**	233	**(58)**	144

The notes on pages 79 to 111 are an integral part of these consolidated financial statements

Consolidated and Company Statement of Financial Position as at 30 September 2011

COMPANY NUMBER 3998880	Note	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Non-current assets					
Goodwill and Intangible assets	13	**11,071**	5,175	**-**	-
Property, plant and equipment	15	**2,137**	2,367	**47**	29
Financial asset - investments	16	**69**	69	**5,743**	5,739
Deferred tax asset	22	**711**	505	**62**	211
		13,988	8,116	**5,852**	5,979
Current assets					
Inventories	17	**1,768**	1,475	**-**	-
Trade and other receivables	18	**8,535**	9,413	**6,793**	5,150
Current tax debtor		**35**	-	**-**	-
Cash and cash equivalents		**2,817**	6,198	**(1,142)**	(207)
		13,155	17,086	**5,651**	4,943
Current liabilities					
Trade and other payables	19	**(4,523)**	(5,651)	**(260)**	(385)
Current tax liabilities		**-**	(783)	**(1)**	(40)
		(4,523)	(6,434)	**(261)**	(425)
Net current assets		**8,632**	10,652	**5,390**	4,518
Total assets less current liabilities		**22,620**	18,768	**11,242**	10,497
Non-current liabilities					
Financial liabilities	20	**(2,028)**	(9)	**-**	-
Deferred tax liability	22	**(1,425)**	(120)	**-**	-
		(3,453)	(129)	**-**	-
Net Assets		**19,167**	18,639	**11,242**	10,497
Capital and reserves attributable to owners of the parent					
Share capital	23	**178**	171	**178**	171
Shares to be issued	25	**65**	-	**65**	-
Share premium account	25	**6,998**	6,773	**6,998**	6,773
Merger reserve	25	**3,546**	2,928	**3,546**	2,928
Retained earnings	25	**8,349**	8,677	**403**	625
Foreign currency translation reserve	25	**31**	90	**52**	-
Total equity shareholders' funds		**19,167**	18,639	**11,242**	10,497

The financial statements on pages 75 to 111 were approved by the Board of Directors and authorised for issue on 30 November 2011 and signed on their behalf by

Nick Bolton
Director

David Deacon
Director

The notes on pages 79 to 111 are an integral part of these consolidated financial statements

Consolidated and Company Statement of Cashflows for the year ended 30 September 2011

	Note	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Cash flows from operating activities – continuing operations					
Operating profit		723	3,663	5	101
Depreciation and amortisation		1,265	1,218	19	19
Impairment of intangibles		36	-	-	-
Loss on disposal of property, plant and equipment		-	(2)	-	(1)
Share-based payments		399	167	370	128
Exchange adjustments		(186)	35	52	-
(Increase) / decrease in inventories		(288)	840	-	-
Decrease / (increase) in receivables		193	(1,415)	(1,027)	(663)
(Decrease) / increase in payables		(1,232)	536	(125)	186
Cash generated from continuing operations		910	5,042	(706)	(230)
Discontinued operations		(157)	29	-	-
Cash generated from operating activities		753	5,071	(706)	-
Tax paid		(332)	(179)	(8)	-
Net cash from operating activities		421	4,892	(714)	(230)
Cash flows from investing activities					
Purchase of property, plant and equipment		(963)	(864)	(37)	(1)
Purchase of intangible assets		(1,843)	(753)	-	-
Proceeds on disposal of property, plant and equipment		419	284	-	8
Interest received		4	11	3	5
Proceeds from disposal of discontinued operation		81	-	-	-
Acquisition of subsidiary undertaking net of cash acquired		(1,306)	-	-	-
Net cash used in investing activities		(3,608)	(1,322)	(34)	12
Cash flows from financing activities					
Payment of finance lease liabilities		(18)	(32)	-	-
Interest element of finance lease repayments		(1)	(4)	-	-
Other interest paid		(7)	(18)	-	-
Issue of ordinary shares		20	-	20	-
Equity dividends paid		(207)	(102)	(207)	(102)
Net cash used in financing activities		(213)	(156)	(187)	(102)
Net (decrease) / increase in cash and cash equivalents		(3,400)	3,414	(935)	(320)
Cash and cash equivalents at beginning of the period		6,198	2,776	(207)	113
Effect of exchange rate changes		19	8	-	-
Cash and cash equivalents at end of the period	28	2,817	6,198	(1,142)	(207)

Major non-cash transactions

Part of the consideration paid during the year for the purchase of Sensing Systems Inc comprised shares Further details of this transaction are set out in note 26

During the year the Group issued ordinary shares in exchange for services received from Bartle Bogle Hegarty Further details of this transaction are set out in note 24

The notes on pages 79 to 111 are an integral part of these consolidated financial statements

Consolidated and Company Statement of changes in Equity for the year ended 30 September 2011

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 2009	171	-	6,773	2,928	8,304	165	18,341
Net profit for the year	-	-	-	-	322	-	322
Exchange differences on retranslation of overseas subsidiaries	-	-	-	-	-	(75)	(75)
Tax recognised directly in equity	-	-	-	-	(14)	-	(14)
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
Net loss for the year	-	-	-	-	(187)	-	(187)
Exchange differences on retranslation of overseas subsidiaries	-	-	-	-	-	(59)	(59)
Tax recognised directly in equity	-	-	-	-	(58)	-	(58)
Transactions with owners							
Dividends	-	-	-	-	(207)	-	(207)
Issue of share capital	7	-	225	618	-	-	850
Shares to be issued	-	65	-	-	-	-	65
Movement in relation to share options	-	-	-	-	124	-	124
Balance as at 30 September 2011	178	65	6,998	3,546	8,349	31	19,167

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 2009	171	-	6,773	2,928	455	-	10,327
Net profit for the year	-	-	-	-	169	-	169
Tax recognised directly in equity	-	-	-	-	(25)	-	(25)
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
Net loss for the year	-	-	-	-	(56)	-	(56)
Exchange differences on retranslation of overseas subsidiaries	-	-	-	-	-	52	52
Tax recognised directly in equity	-	-	-	-	(54)	-	(54)
Transactions with owners							
Dividends	-	-	-	-	(207)	-	(207)
Issue of share capital	7	-	225	618	-	-	850
Shares to be issued	-	65	-	-	-	-	65
Movement in relation to share options	-	-	-	-	95	-	95
Balance as at 30 September 2011	178	65	6,998	3,546	403	52	11,242

The notes on pages 79 to 111 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements for the year ended 30 September 2011

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 9 'Financial Instruments'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IFRS 13 'Fair Value Measurement'
- IAS 24 'Related Party Disclosures' (revised)
- IAS 27 'Separate Financial Statements' (revised)
- IAS 28 'Associates and Joint Ventures' (revised)

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 (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

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 2011 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

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

Notes to the Consolidated Financial Statements continued

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 trade and other receivables as amounts due from customers for contract work Payments in excess of recognised turnover are included within trade and other payables 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 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 For business combinations completed after 1 January 2010, direct costs of acquisition are recognised immediately in the income statement as an expense

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

Intangible assets are recognised on business combinations if they are separable from the acquired entity The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see note 3) The significant intangibles recognised by the Group and their useful economic lives are as follows

• 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,
- 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

Notes to the Consolidated Financial Statements continued

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

Impairment of non-financial assets (excluding inventories and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable Where the carrying value of an asset exceeds its recoverable amount (i e the higher of value in use and fair value less costs to sell), the asset is written down accordingly

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows, (its cash generating unit) Goodwill is allocated on initial recognition to each of the Group's CGU's that are expected to benefit from the synergies of the combination giving rise to the goodwill

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income An impairment loss recognised for goodwill is not reversed

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% or 50%, some demonstration equipment held within the Vicon Group is not depreciated
• 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

Disposal groups

The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale

Discontinued operations are presented in the consolidated income statement as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations

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

Notes to the Consolidated Financial Statements continued

Fair value through profit or loss This category comprises only in-the-money derivatives (see financial liabilities section for out-of-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 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)

Notes to the Consolidated Financial Statements continued

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

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

Notes to the Consolidated Financial Statements continued

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 dividends, 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

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 14) 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 13 and 15

(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 2011 would have improved/declined by an estimated £6,000, 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 24 and include, among others, the expected volatility and expected life of the option More details including carrying values are disclosed in note 24

Where equity instruments are granted to persons other than employees, the consolidated income statement is charged with the fair value of goods and services received

Notes to the Consolidated Financial Statements continued

(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

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted Where the temporary differences are related to losses, the availability of the losses to offset against forecast taxable profits is also considered

(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

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 engineering, entertainment and life science markets,

- Yotta Group This is services for the management of infrastructure and taxation, highway surveying and associated software development,

- 2d3 Group This is the development and sale of computer software for the defence market, and

- OMG Life This is the direct to consumer segment currently engaged in product development

Other unallocated costs represent 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 2011 were £4,024,000 (2010 £4,938,000)

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		Underlying profit before tax*		Non-current assets	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Vicon UK	9,455	9,936	4,591	4,940	4,606	4,962	2,454	1,565
Vicon USA	8,523	8,789	423	(438)	423	(438)	1,364	1,381
House of Moves USA	1,986	4,448	(1,772)	936	(1,772)	936	900	771
Vicon Group	**19,964	**23,173	3,242	5,438	3,257	5,460	4,718	3,717
Yotta UK	3,847	4,791	(1,048)	(747)	(942)	(638)	3,841	3,791
Yotta Group	3,847	4,791	(1,048)	(747)	(942)	(638)	3,841	3,791
2d3 UK	869	610	(235)	(796)	(235)	(796)	164	44
2d3 USA - acquisition	1,072	-	326	-	510	-	4,472	-
2d3 USA - continuing operations	614	629	(632)	113	(632)	113	308	141
2d3 Group	2,555	1,239	(541)	(683)	(357)	(683)	4,944	185
OMG Life	-	-	(940)	(461)	(940)	(461)	299	-
Unallocated	-	-	8	105	103	234	177	309
Continuing operations	26,366	29,203	721	3,652	1,121	3,912	13,979	8,002
Yotta USA – discontinued operation	900	1,976	(828)	(2,698)	(513)	(681)	9	114
OMG Group	27,266	31,179	(107)	954	608	3,231	13,988	8,116

	2011	2010
By origin		
UK	14,171	15,337
USA – continuing operations	12,195	13,866
Continuing operations	26,366	29,203
USA – discontinued operation	900	1,976
OMG Group	27,266	31,179
By destination		
UK	5,851	6,891
Europe	2,934	2,525
North America	12,002	13,279
Asia Pacific	5,018	5,762
Other	561	746
Continuing operations	26,366	29,203
North America – discontinued operation	900	1,976
OMG Group	27,266	31,179

*Underlying profit before tax is detailed in note 6

Notes to the Consolidated Financial Statements continued

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

	2011 £'000	2010 £'000
Revenue by market		
Engineering	**4,111**	3,889
Entertainment	**5,790**	9,213
Life sciences	**10,063**	10,071
Vicon Group	**19,964**	23,173

In the 2010 annual report engineering sales were previously included within the life sciences market

An analysis of adjusted profit before tax net of Group recharges is provided below

	2011			2010		
	Underlying profit before tax £'000	**Group recharges £'000**	**Adjusted profit before tax (net of Group recharges) £'000**	Underlying profit before tax £'000	Group recharges £'000	Adjusted profit before tax (net of Group recharges) £'000
Vicon UK	**4,606**	**(1,180)**	**3,426**	4,962	(1,789)	3,173
Vicon USA	**423**	**1,762**	**2,185**	(438)	2,432	1,994
House of Moves USA	**(1,772)**	**-**	**(1,772)**	936	-	936
Vicon Group	**3,257**	**582**	**3,839**	5,460	643	6,103
Yotta UK	**(942)**	**489**	**(453)**	(638)	539	(99)
Yotta Group	**(942)**	**489**	**(453)**	(638)	539	(99)
2d3 UK	**(235)**	**381**	**146**	(796)	873	77
2d3 USA - acquisition	**510**	**-**	**510**	-	-	-
2d3 USA - continuing operations	**(632)**	**-**	**(632)**	113	(445)	(332)
2d3 Group	**(357)**	**381**	**24**	(683)	428	(255)
OMG Life	**(940)**	**243**	**(697)**	(461)	271	(190)
Unallocated	**103**	**(1,695)**	**(1,592)**	234	(1,881)	(1,647)
Continuing operations	**1,121**	**-**	**1,121**	3,912	-	3,912

Notes to the Consolidated Financial Statements continued

	Additions to non-current assets		Carrying amount of segment assets		Carrying amount of segment liabilities		Segment depreciation and amortisation	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Vicon UK	1,611	900	4,924	7,235	(2,211)	(2,894)	379	370
Vicon USA	71	403	5,777	5,123	(1,475)	(1,293)	129	191
House of Moves USA	154	92	1,282	1,730	(199)	(344)	125	134
Vicon Group	1,836	1,395	11,983	14,088	(3,885)	(4,531)	633	695
Yotta UK	435	169	8,000	7,967	(762)	(1,142)	419	468
Yotta Group	435	169	8,000	7,967	(762)	(1,142)	419	468
2d3 UK	62	23	2,134	1,137	(86)	(53)	29	18
2d3 USA - acquisition	4,435	-	5,304	-	(2,631)	-	150	-
2d3 USA - continuing operations	135	16	835	734	(187)	(99)	18	18
2d3 Group	4,632	39	8,273	1,871	(2,904)	(152)	197	36
OMG Life	274	-	(324)	(93)	(160)	(127)	1	-
Other unallocated	37	-	(868)	198	(260)	(423)	15	20
Continuing operations	7,214	1,603	27,064	24,031	(7,971)	(6,375)	1,265	1,219
Yotta USA - discontinued operation	-	14	79	1,171	(5)	(188)	27	139
OMG Group	7,214	1,617	27,143	25,202	(7,976)	(6,563)	1,292	1,358

5 Profit before taxation

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

	2011 £'000	2010 £'000
Profit on disposal of property, plant and equipment	-	(2)
Depreciation of property, plant and equipment - owned (note 15)	787	825
- under hire purchase/finance lease (note 15)	13	128
Amortisation of customer relationships (note 13)	117	174
Amortisation of intellectual property (note 13)	115	9
Amortisation of brand name (note 13)	-	7
Amortisation of development costs (note 13)	260	215
Impairment of intangible fixed assets (note 13)	36	1,920
Share based payments – equity settled (note 24)	124	167
Operating lease charges – other than plant and machinery	690	638
Foreign exchange	(104)	(33)
Research and development costs	1,931	2,335

Notes to the Consolidated Financial Statements continued

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

	2011 £'000	2010 £'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	46	68
Tax services	22	30
Other services	12	-
	98	116

Audit services include £13,000 in respect of the Company (2010 £13,000)

6. Reconciliation of underlying profit before tax

	Group 2011 £'000	Group 2010 £'000
Profit before tax – continuing operations	721	3,652
Share based payments – equity settled	124	167
Amortisation of intangibles arising on acquisition	232	93
Acquisition costs	44	-
Underlying profit before tax – continuing operations	1,121	3,912
Profit before tax – discontinued operations	(828)	(2,698)
One off expenses	315	-
Amortisation of intangibles arising on acquisition	-	97
Impairment of intangible fixed assets	-	1,920
Underlying profit before tax – discontinued operations	(513)	(681)

Acquisition costs in the year ended 30 September 2011 comprise costs relating to the acquisition of Sensing Systems Inc

One off expenses in the year ended 30 September 2011 comprise redundancy and restructuring costs associated with the disposal of Yotta MVS Inc

7. Directors and employees

Staff costs during the year were as follows

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Wages and salaries	11,775	11,804	790	911
Share-based payments	124	167	95	128
Social security costs	1,110	1,015	119	105
Other pension costs	344	294	32	30
	13,353	13,280	1,036	1,174

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

	2011 Number	2010 Number
Development	42	41
Sales and customer support	46	46
Production and production services	105	111
Management and administration	52	46
	245	244

Notes to the Consolidated Financial Statements continued

The average number of employees of the Company during the year was 10 (2010 10) all of which are classified as management and administration

Details of directors' remuneration are included in the Report on Remuneration For the purposes of IAS 24 'Related Party Disclosures' the directors are considered key management

Exercise of directors' share options

During the year one director (2010 no directors) exercised share options The aggregate of the gains made on these exercises, calculated on the difference between the option price and the mid market price at the time of exercise, was £211,000 Additional details can be obtained from the Report on Remuneration on page 71

8. Taxation

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

	2011 £'000	2010 £'000
United Kingdom corporation tax at 27% (2010 28%)	68	782
Overseas taxation	32	186
Adjustments in respect of prior year	(499)	(100)
Current taxation	(399)	868
Deferred taxation (note 22)	479	(123)
Total taxation expense	80	745

At 30 September 2011, the Group had an undiscounted deferred tax asset of £711,000 (2010 £505,000) 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 25% and 36% in the UK and USA, respectively (2010 27% and 36%, respectively) and are detailed in note 22

The adjustment to current tax in respect of the prior year is as a result of a claim for tax relief on research and development expenditure from prior years

In addition to the changes in rates of corporation tax announced in The Emergency Budget on 22 June 2010, a number of further changes to the UK corporation tax system were announced in the 2011 Budget on 23 March 2011

A reduction in the main rate of corporation tax to 26% from 1 April 2011 was substantively enacted on 29 March 2011 The inclusion of legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was substantively enacted on 5 July 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014

For the purposes of deferred tax, the rate change from 27% to 25% had been substantively enacted before the balance sheet date The other proposed rate changes were not substantively enacted on or before the balance sheet date and it is not yet possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax assets accordingly

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 27% (2010 28%)
The differences are explained as follows

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	721	3,652
Expected tax charge based on the standard rate of corporation tax in the UK of 27% (2010 28%)	195	1,023
Effect of		
Expenses not deductible for tax purposes	127	15
Unrelieved current year losses	493	-
Adjustments to tax charge in respect of prior year current tax	(499)	(100)
Adjustments to tax charge in respect of prior year deferred tax	396	(90)
Higher rates on overseas taxation	(136)	56
Research and development tax credit	(473)	(165)
Effect of rate change	(23)	6
Total tax expense	80	745

9. Finance income and expense

	2011 £'000	2010 £'000
Finance expense - Hire purchase liabilities	(1)	(4)
- Other interest payments	(4)	(18)
	(5)	(22)
Finance income - interest income on short term bank deposits	4	11

10. Loss per share

	2011 Earnings £'000	2011 Weighted average number of shares	2011 Per share amount (pence)	2010 Earnings £'000	2010 Weighted average number of shares	2010 Per share amount (pence)
Continuing operations						
Basic earnings per share						
Earnings attributable to ordinary shareholders	641	69,967,082	0.92	2,907	68,306,306	4 26
Dilutive effect of employee share options	-	1,659,412	(0 02)	-	3,005,229	(0 18)
Diluted earnings per share	641	71,626,494	0 90	2,907	71,311,535	4 08
Total operations						
Basic earnings per share						
Earnings attributable to ordinary shareholders	(187)	69,967,082	(0 27)	322	68,306,306	0 47
Dilutive effect of employee share options	-	1,659,412	-	-	3,005,229	(0 02)
Diluted earnings per share	(187)	71,626,494	(0.27)	322	71,311,535	0 45

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

The loss used in the calculation of loss per share for discontinued operations is £828,000 (note 12)

Notes to the Consolidated Financial Statements continued

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 loss of the Company for the year was £56,000 (2010 profit of £169,000)

12. Discontinued operations

On 30 June 2011 the Group sold those assets relating to the former business segment 'Yotta USA' for a cash consideration of £81,000 In accordance with IFRS 5, the comparatives for 2010 have been restated for income generated and expenses incurred by Yotta USA in 2010 as these are already accounted for to arrive at the loss on discontinued operations

	2011 £'000	2010 £'000
Cash received	81	-
Net assets disposed of		
Property, plant and equipment	55	-
Amounts due from customers for contract work	265	-
	320	-
Pre tax loss on disposal of discontinued operation	(239)	-
Related tax expense	-	-
	(239)	-

The post tax loss on disposal of discontinued operations was determined as follows

	2011 £'000	2010 £'000
Result of discontinued operation		
Revenue	900	1,977
Expenses other than finance costs	(1,486)	(2,642)
Impairment of intangible fixed assets	-	(1,920)
Finance costs	(3)	-
Loss from selling discontinued operations after tax	(239)	-
Loss for the year	(828)	(2,585)
Basic loss per ordinary share (pence)	(1.18)	(3 79)
Diluted loss per ordinary share (pence)	(1.18)	(3 79)

The statement of cash flows includes the following amounts relating to discontinued operations

	2011 £'000	2010 £'000
Operating activities	(157)	29
Investing activities	101	29
Financing activities	(3)	-
Net cash flow from discontinued operations	(59)	58

Notes to the Consolidated Financial Statements continued

13. Goodwill and intangible fixed assets

Group	Brand name £'000	Customer relationships £'000	Intellectual property £'000	Development costs £'000	Goodwill £'000	Total £'000
Cost						
At 1 October 2010	69	1,389	208	1,608	4,913	8,187
Additions	-	-	-	1,843	-	1,843
Acquired through business combinations	-	320	935	-	3,137	4,392
Translation difference	-	21	37	5	158	221
At 30 September 2011	**69**	**1,730**	**1,180**	**3,456**	**8,208**	**14,643**
Amortisation						
At 1 October 2010	69	943	208	407	1,385	3,012
Charge for the year	-	117	115	260	-	492
Impairment	-	-	-	36	-	36
Translation difference	-	10	-	-	22	32
At 30 September 2011	69	1,070	323	703	1,407	3,572
Net book value at 30 September 2011	-	660	**857**	2,753	**6,801**	**11,071**
Net book value at 30 September 2010	-	446	-	1,201	3,528	5,175

Group (as restated)	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
Adjustment to consideration	-	-	-	-	(472)	(472)
Translation difference	1	7	2	-	(17)	(7)
At 30 September 2010	**69**	**1,389**	**209**	**1,608**	**4,913**	**8,188**
Amortisation						
At 1 October 2009	10	310	176	192	-	688
Charge for the year	7	174	9	215	-	405
Impairment	52	459	24	-	1,385	1,920
Translation difference	-	-	-	-	-	-
At 30 September 2010	**69**	**943**	**209**	**407**	**1,385**	**3,013**
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

None of the goodwill included in the table above has been internally generated

The prior year table above has been restated to show the correct disclosure of the impairment to goodwill and intangible assets in accordance with IAS 38 'Intangible Assets' The adjustments to consideration and translation differences within the goodwill balance have also been restated These balances were misstated by equal and opposite amounts in the prior year financial statements There is no impact on the primary statements for either of these corrections

Notes to the Consolidated Financial Statements continued

The impairment to goodwill in the prior year relates to Yotta MVS Inc This impairment loss was recognised due to the residential property crash in the USA directly impacting revenues and resulting in Yotta MVS Inc incurring substantial losses in the year ended 30 September 2010

Company	Intellectual Property £'000
Cost	
At 1 October 2010 and 30 September 2011	**164**
Amortisation	
At 1 October 2010 and 30 September 2011	**164**
Net book value at 30 September 2010 and 2011	**-**

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 2010 and 2009	-

14. 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	
	2011 £'000	2010 £'000
Vicon		
Vicon USA cash generating unit (Peak)	**447**	441
House of Moves cash generating unit (HoM)	**643**	635
Yotta		
Yotta UK cash generating unit (DCL)	**2,452**	2,452
2d3		
2d3 USA cash generating unit (Sensing)	**3,259**	-
	6,801	3,528

During the year ended 30 September 2010 there was impairment to goodwill in the Yotta USA cash generating unit of £1,385,000

Notes to the Consolidated Financial Statements continued

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 2011 %	**HoM 2011 %**	**DCL 2011 %**	**MVS 2011 %**
Pre tax discount rate	**18 0**	**18.0**	**18 0**	**18 0**
Average operating margin	**37 0**	**20.0**	**22 0**	**36.0**
Growth rate	**2.0**	**2 0**	**2.0**	**2.0**

	Peak 2010 %	HoM 2010 %	DCL 2010 %	MVS 2010 %
Pre tax 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

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 The discount rate would need to move 4 25% for Sensing goodwill carrying value to be impaired, all other discount rates would have to move substantially in order for the carrying value to be impaired A growth rate of 0% would not result in any of the carrying values being impaired

Notes to the Consolidated Financial Statements continued

15. 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 2010	4,774	622	129	563	875	6,963
Additions	483	35	15	421	9	963
On acquisition	9	7	-	-	-	16
Disposals	(331)	(7)	(2)	(286)	(10)	(636)
Translation differences	29	5	-	2	6	42
At 30 September 2011	**4,964**	**662**	**142**	**700**	**880**	**7,348**
Depreciation						
At 1 October 2010	3,167	570	94	364	401	4,596
Charge for the year	597	30	19	46	108	800
Disposals	(202)	(7)	(2)	(1)	(5)	(217)
Translation differences	20	4	-	-	8	32
At 30 September 2011	**3,582**	**597**	**111**	**409**	**512**	**5,211**
Net book value at 30 September 2011	**1,382**	**65**	**31**	**291**	**368**	**2,137**
Net book value at 30 September 2010	1,607	52	35	199	474	2,367

Included within the net book value of £2,137,000 is £23,000 relating to assets held under hire purchase and finance lease agreements The depreciation charged in the period in respect of these assets amounted to £13,000

Group	Computers and equipment £'000	Furniture and fixtures £'000	Motor vehicles £'000	Demonstration equipment £'000	Leasehold improvements £'000	Total £'000
Cost						
At 1 October 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

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 2010	230	268	8	506
Additions	25	12	-	37
Disposals	-	-	-	-
At 30 September 2011	**255**	**280**	**8**	**543**
Depreciation				
At 1 October 2010	217	256	4	477
Charged for the year	15	3	1	19
Disposals	-	-	-	-
At 30 September 2011	**232**	**259**	**5**	**496**
Net book value at 30 September 2011	**23**	**21**	**3**	**47**
Net book value at 30 September 2010	13	12	4	29

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

16. Investments

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Shares in subsidiary undertakings - cost				
At 1 October	-	-	**5,670**	5,670
Additions	-	-	**1,017**	-
Transferred to subsidiary undertaking	-	-	**(1,013)**	-
At 30 September	-	-	**5,674**	5,670
Other investment - cost				
At 1 October and 30 September	**69**	69	**69**	69
Total financial assets - investments	**69**	69	**5,743**	5,739

During the year the Group incorporated a wholly owned US subsidiary, OMG Inc with an issued and fully paid share capital of 1,000 shares OMG plc transferred its investment in Vicon Motion Systems Inc to OMG Inc during the year

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
Sensing Systems, Inc	Provision of software products and services for aerial platforms	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 2011 or 2010

17. Inventories

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Component parts	1,768	1,470	-	-
Long term contract balances	-	5	-	-
	1,768	1,475	-	-

The cost of inventories recognised as expense and included in cost of sales is £5,171,000 (2010 £5,716,000)

During the year £107,000 of inventories were impaired (2010 £208,000) and included within cost of sale

18. Trade and other receivables

	Group 2011 £'000	Group 2010 (restated) £'000	Company 2011 £'000	Company 2010 £'000
Trade receivables	7,584	6,451	-	-
Provision for impairment of trade receivables	(390)	(67)	-	-
Net trade receivables	7,194	6,384	-	-
Amounts owed by other Group undertakings	-	-	6,692	5,051
Other debtors	21	102	4	7
Prepayments and accrued income	594	945	97	92
Amounts due from customers for contract work	726	1,982	-	-
	8,535	9,413	6,793	5,150

The amount included within prepayments and accrued income in the prior year has been reduced by £342,000 and amounts due from customers for contract work has been increased by £342,000 This amount relates to work completed by Yotta MVS but not yet invoiced and was incorrectly included within prepayments and accrued income in the prior year

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 2011 trade receivables of £1,286,000 (2010 £1,477,000) 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 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Up to 3 months	993	982	-	-
3 to 6 months	159	193	-	-
Over 6 months	134	302	-	-
	1,286	1,477	-	-

As of 30 September 2011 trade receivables of £390,000 (2010 £67,000) were impaired The amount of the provision was £390,000 as of 30 September 2011 (2010 £67,000) The increase in the bad debt provision largely relates to two specific customers who are experiencing cash flow difficulties The ageing of these receivables is as follows

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Up to 3 months	36	31	-	-
3 to 6 months	-	-	-	-
Over 6 months	354	36	-	-
	390	67	-	-

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

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Sterling	3,486	4,149	4,780	5,150
Euro	545	743	-	-
US Dollar	4,504	4,521	2,013	-
	8,535	9,413	6,793	5,150

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

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
At 1 October	67	65	-	-
Provided during the year	323	2	-	-
At 30 September	390	67	-	-

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

19. Trade and other payables

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Trade payables	1,176	1,563	41	43
Social security and other taxes	175	179	-	-
Other creditors	43	137	-	-
Accruals and deferred income	3,120	3,714	219	342
Payments on account in respect of contract work	-	40	-	-
Hire purchase and finance lease agreements	9	18	-	-
	4,523	5,651	260	385

Amounts payable to Group undertakings are payable on demand and do not carry interest
The amounts disclosed under hire purchase and finance lease agreements are secured against the assets to which they relate

20. Financial liabilities

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Hire purchase and finance lease agreements	-	9	-	-
Contingent consideration (note 26)	2,028	-	-	-
	2,028	9	-	-

The contingent consideration relates to the purchase of Sensing Systems Inc (note 26)
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 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Not later than one year	9	18	-	-
Later than one year but not later than two years	-	9	-	-
	9	27	-	-

21. 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 2011				
UK Sterling	9	9	8.43	0.50
30 September 2010				
UK Sterling	27	27	8 43	1 58

The hire purchase arrangements represent the Group's financial liabilities shown above, the maturity profile is shown in note 20

Notes to the Consolidated Financial Statements continued

As disclosed in note 20 the Group has a financial liability relating to the acquisition of Sensing Systems Inc
The fair value of the contingent consideration has been calculated using a discount factor of 14 81% which is based on the Group's WACC

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 40% (2010 0 22% and 0 32%)

	GBP £'000	Euro £'000	US$ £'000	2011 Total £'000	GBP £'000	Euro £'000	US$ £'000	2010 Total £'000
Group cash at bank and in hand	1,352	63	1,402	2,817	4,528	74	1,596	6,198

	GBP £'000	Euro £'000	US$ £'000	2011 Total £'000	GBP £'000	Euro £'000	US$ £'000	2010 Total £'000
Company cash at bank and in hand	(1,144)	-	2	(1,142)	(207)	-	-	(207)

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 2011 would decrease/increase by £22,000 (2010 decrease/increase by £22,000) There would be no impact on other equity reserves

As disclosed in note 16 the Group has an equity investment of £69,000 (2010 £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 2011 the Group's cash and short term deposits amounted to £2,817,000 (2010 £6,198,000) The Group had no financial borrowing obligations
All financial liabilities are short term
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 18
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 9 4% (2010 11 4%) If Sterling had strengthened against the dollar at the year end by 10% it would have decreased Group profit by £465,000 (2010 £271,000) If Sterling had weakened against the dollar at the year end by 10% it would have increased Group profit by £568,000 (2010 £331,000)

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

Functional currency of operation		2011				2010		
	Sterling £'000	US$ £'000	Euro £'000	Total £'000	Sterling £'000	US$ £'000	Euro £'000	Total £'000
Sterling	-	7,846	587	8,433	-	5,065	828	5,893
US Dollar	(938)	-	-	(938)	(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 2011 £'000	Group 2010 (restated) £'000	Company 2011 £'000	Company 2010 £'000
Loans and receivables				
Trade receivables	**7,194**	6,384	**-**	-
Other debtors	**21**	102	**4**	7
Prepayments and accrued income	**594**	945	**97**	92
Amounts due from customers for contract work	**726**	1,982	**-**	-
Investments in subsidiaries	**-**	-	**5,674**	5,670
Cash and cash equivalents	**2,817**	6,198	**(1,142)**	(207)
Assets held for sale				
Equity investment	**69**	69	**69**	69
At 30 September	**11,421**	15,680	**4,702**	5,631

Financial liabilities	Group 2011 £'000	Group 2010 (restated) £'000	Company 2011 £'000	Company 2010 £'000
Other financial liabilities				
Trade payables	**1,176**	1,563	**41**	43
Social security and other taxes	**175**	179	**-**	-
Other creditors	**43**	137	**-**	-
Accruals and deferred income	**3,120**	3,714	**219**	342
Payments on account in respect of contract work	**-**	40	**-**	-
Contingent consideration	**2,028**	-	**-**	-
Hire purchase and finance lease agreements	**9**	27	**-**	-
At 30 September	**6,551**	5,660	**260**	385

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

22. 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 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**	**-**
Credited to the income statement (note 8)	351	(783)	(12)	-
Arising on acquisition of subsidiary	-	(452)	-	-
Charged directly to equity	(117)	(51)	(121)	-
Effect of deferred tax rate change	(28)	(19)	(16)	-
At 30 September 2011	**711**	**(1,425)**	**62**	**-**

The following table summarises the provided tax asset and liability

Recognised - asset	**Group 2011 £'000**	Group 2010 £'000	**Company 2011 £'000**	Company 2010 £'000
Capital allowances in excess of depreciation	**105**	86	**17**	19
Tax relief on unexercised employee share options	**46**	202	**45**	192
Short term timing differences	**244**	-	**-**	-
Losses	**316**	217	**-**	-
Deferred tax asset	**711**	505	**62**	211
Recognised - liability				
Recognition of intangible asset	**(752)**	(120)	**-**	-
Depreciation in excess of capital allowances	**(673)**	-	**-**	-
Deferred tax liability	**(1,425)**	(120)	**-**	-

Deferred tax assets and liabilities have been measured on an undiscounted basis at an effective tax rate of 25% and 36% (30 September 2010 27% and 36%) in the UK and USA, respectively The Group has no unprovided deferred tax assets (2010 none)

23. Share capital

	2011 £'000	2010 £'000
Authorised		
100,000,000 ordinary shares of 0 25p	**250**	250
Allotted, called up and fully paid		
71,348,399 shares of 0 25p (2010 68,306,306 ordinary shares of 0 25p)	**178**	171

During the year 1,568,964 shares were issued as consideration for the purchase of Sensing Systems Inc by 2d3 Inc (note 26) In addition 769,795 shares were issued to Bartle Bogle Hegarty as remuneration for services received (note 24)

Notes to the Consolidated Financial Statements continued

At 30 September 2011 options were outstanding over 5,450,598 ordinary shares of 0 25p each (2010 8,188,304) including those held by directors as follows

Number of shares over which options granted	Exercise price	Exercise period
127,668	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 2011 was 20 25p (2010 25 75p) and the range during the year was 20 25p to 44 00p (2010 18 00p to 30 00p) Shares to be issued are detailed in note 25

24. Share based payments

During the year the Group issued 769,795 ordinary shares in exchange for services received from Bartle Bogle Hegarty The fair value of these services, measured at market price, was £210,000 Shares to be issued of £65,000 have also been recognised at 30 September 2011 in respect of contractual obligations to issue ordinary shares in exchange for services received from Bartle Bogle Hegarty The total expense recognised in the income statement in respect of these transactions was £275,000

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 2011 is shown below

	2011		2010	
	Number '000	Weighted average exercise price (pence)	Number '000	Weighted average exercise price (pence)
Outstanding at 1 October	8,188	16.52	8,188	16 52
Granted	-	-	-	-
Exercised	703	2.64	-	-
Forfeited	2,034	0.37	-	-
Outstanding at 30 September	5,451	24.33	8,188	16 52
Exercisable at 30 September	4,222	23.98	3,775	19 07

The weighted average share price at the date of exercise for options exercised during the year ended 30 September 2011 was 37 95 pence No options were exercised during the year ended 30 September 2010

Notes to the Consolidated Financial Statements continued

Share options outstanding at the year end

Range of exercise prices (pence)	2011 Weighted average exercise price (pence)	2011 Number of shares ('000)	2011 Weighted average contractual remaining life (years)	2010 Weighted average exercise price (pence)	2010 Number of shares ('000)	2010 Weighted average contractual remaining life (years)
0 25	-	-	-	0 25	1,994	8
2.60	-	-	-	2 60	695	-
6.50-12 53	11 95	1,328	4	11 75	1,376	4
19.75-23.42	23 03	1,900	7	23 03	1,900	8
23.66	23 66	560	4	23 66	560	5
25 13	25 13	398	7	25 13	398	8
29.50	29 50	800	5	29 50	800	6
55 94	55 94	65	6	55 94	65	7
56.30	56 30	400	6	56 30	400	7

The total charge for the year relatıng to employee share based payment plans was £124,000 (2010 £167,000), all of whıch related to equıty-settled share based payment transactıons After tax, the total charge was £92,000 (2010 £120,000)

In lıne wıth IFRS 2, optıons whıch were granted before 7 November 2002 and that had vested at 1 October 2006 have been ıgnored for the purposes of estımatıng the charge for share based payments

There were no share optıons granted durıng the current or prıor year

25. 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 2010	6,773	2,928	8,677	-	90	18,468
Retained profit for the year	-	-	(187)	-	-	(187)
Currency translation differences on foreign currency net investment	-	-	-	-	(59)	(59)
Tax recognised directly in equity	-	-	(58)	-	-	(58)
Premium on issue of shares	225	618	-	-	-	843
Shares to be issued (note 24)	-	-	-	65	-	65
Dividend paid (note 34)	-	-	(207)	-	-	(207)
Share-based payments	-	-	124	-	-	124
At 30 September 2011	**6,998**	**3,546**	**8,349**	**65**	**31**	**18,989**

Notes to the Consolidated Financial Statements continued

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)
Tax recognised directly in equity	-	-	(14)	-	-	(14)
Shares issued	-	-	-	-	-	-
Premium on issue of shares	-	-	-	-	-	-
Dividend paid (note 34)	-	-	(102)	-	-	(102)
Share-based payments	-	-	167	-	-	167
At 30 September 2010	**6,773**	**2,928**	**8,677**	**-**	**90**	**18,468**

Company	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 2010	6,773	2,928	625	-	-	10,326
Retained loss for the year	-	-	(56)	-	-	(56)
Currency translation differences on foreign currency net investment	-	-	-	-	52	52
Tax recognised directly in equity	-	-	(54)	-	-	(54)
Premium on issue of shares	225	618	-	-	-	843
Shares to be issued (note 24)	-	-	-	65	-	65
Dividend paid (note 34)	-	-	(207)	-	-	(207)
Share-based payments	-	-	95	-	-	95
At 30 September 2011	**6,998**	**3,546**	**403**	**65**	**52**	**10,064**

Company	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	455	-	-	10,156
Retained profit for the year	-	-	169	-	-	169
Tax recognised directly in equity	-	-	(25)	-	-	(25)
Shares issued	-	-	-	-	-	-
Premium on issue of shares	-	-	-	-	-	-
Dividend paid (note 34)	-	-	(102)	-	-	(102)
Share-based payments	-	-	128	-	-	128
At 30 September 2010	**6,773**	**2,928**	**625**	**-**	**-**	**10,326**

Notes to the Consolidated Financial Statements continued

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
Shares to be issued	Shares to be issued to Bartle Bogle Hegarty in the year ending 30 September 2012 in exchange for services received
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 and for the acquisition made in the year to 30 September 2011 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

26. Business combinations

On 21 February 2011 the Group purchased 100% of the share capital of Sensing Systems Inc , a company whose principal activity is the provision of software products and services for aerial platforms, for a total consideration with a provisional fair value of up to £3,913,000 This includes deferred consideration of up to £1,952,000 subject to certain performance conditions The purchase has been accounted for as an acquisition

All intangible assets were recognised at their respective fair values The residual excess over the net assets acquired, including intangible assets, is recognised as goodwill in the financial statements

The total provisional goodwill arising on acquisition was £3,137,000 which is subject to an annual impairment review

The fair value of the business assets acquired was as follows

	Book value £'000	Alignment of accounting policy £'000	Fair valuation £'000	**Fair value £'000**
Intangible assets	-	-	1,255	**1,255**
Property, plant and equipment	3	12	-	**15**
Accounts receivable	127	8	-	**135**
Cash	34	-	-	**34**
Accruals	(159)	(53)	-	**(212)**
Deferred tax liability	-	-	(451)	**(451)**
Net business assets acquired	5	(33)	804	**776**

Consideration	**£'000**
Cash	**1,340**
Share consideration	**621**
Deferred contingent consideration	**1,952**
Total provisional consideration	**3,913**
Provisional goodwill arising	**3,137**

Notes to the Consolidated Financial Statements continued

The intangible assets acquired as part of the business combination significantly relate to intellectual property and existing customer relationships

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as the assembled workforce of the acquired entity, that do not qualify for separate recognition and synergistic cost savings that result in the Group being prepared to pay a premium

The contingent consideration is denominated in US dollars and is dependent upon certain revenue milestones being achieved in the period commencing from the date of acquisition and ending on 21 February 2015 The contingent consideration is payable 90 days after achievement of the revenue milestone If the revenue milestones are achieved the undiscounted value of possible outcomes is between £466,000 and £3,106,000 If the performance conditions are not met the conditional portion is not payable

The acquired business contributed revenues of £1,072,000 and net profit of £326,000 to the Group for the period from 21 February 2011 to 30 September 2011 If the acquisition had occurred on 1 October 2010, Group revenue would have been £27,587,000 and net loss would have been £521,000 These amounts have been calculated using the Group's accounting policies

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

	Group 2011 £'000	Group 2010 £'000	**Company 2011 £'000**	Company 2010 £'000
Increase / (decrease) in cash in the year	**(3,400)**	3,414	**(935)**	(320)
Currency movements	**19**	8	**-**	-
Payment of capital element of hire purchase arrangements	**18**	32	**-**	-
Movement in net funds in the year	**(3,363)**	3,454	**(935)**	(320)
Net funds at 1 October	**6,171**	2,717	**(207)**	113
Net funds at 30 September	**2,808**	6,171	**(1,142)**	(207)

28. Analysis of changes in net funds

	At 1 October 2010 £'000	Cash flows £'000	Exchange movements £'000	Other movements £'000	**At 30 September 2011 £'000**
Cash at bank and short term deposits	6,198	(3,400)	19	-	**2,817**
Finance lease due within one year	(18)	9	-	-	**(9)**
Finance lease due after one year	(9)	9	-	-	**-**
	6,171	(3,382)	19	-	**2,808**

29. Capital commitments

At 30 September 2011 the Group had no capital commitments contracted but not provided for (2010 £nil)

30. Contingent liabilities

There are no material contingent liabilities requiring disclosure at 30 September 2011 (2010 none)

31. 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 £259,000 (2010 £231,000)

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 £85,000 (2010 £62,000)

Notes to the Consolidated Financial Statements continued

32. Government grants

Dunng the year £248,000 (2010 £161,000) of Government grants were recognised in the income statement These grants significantly relate to funding for research projects

There are no unfulfilled conditions or other contingencies attached to the Government grants recognised in the current or prior periods

33. Commitments under operating leases

At 30 September 2011 the Group had the following gross minimum lease payments under non cancellable operating leases

	Land and Buildings	
	2011 £'000	2010 £'000
Not later than one year	701	551
Later than one year and not later than five years	2,179	1,043
Later than five years	204	379
	3,084	1,973

At 30 September 2011 the total future minimum sublease payments expected to be received under non cancellable subleases was £60,000 (2010 £23,000)

34. Dividend

Equity - ordinary	2011 £'000	2010 £'000
Final 2009 paid in 2010 (0 15 pence per share)	-	102
Final 2010 paid in 2011 (0 30 pence per share)	207	-

The directors are proposing a final dividend in respect of the financial year ended 30 September 2011 of 0 3 pence per share (2010 0 3 pence per share) which will absorb an estimated £214,000 of shareholders' funds This dividend will be paid on 12 March 2012 to shareholders who are on the register of members at close of business on 16 December 2011 subject to approval at the AGM This dividend has not been accrued in these financial statements

35. Related party transactions

The key management personnel are deemed to be the directors During the year short term employee benefits of £657,000 (2010 £808,000) were paid to the directors In addition share based payments of £68,000 (2010 £84,000) 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	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Vicon Motion Systems Limited	(2,513)	155	(2,668)	(411)
2d3 Limited	1,475	909	566	99
Yotta Limited	4,822	3,528	1,294	1,106
OMG Springboard Limited	899	459	440	256
2d3, Inc	2,012	-	2,012	-
OMG, Inc	(3)	-	(3)	-
Yotta MVS, Inc	-	-	-	(399)
	6,692	5,051	1,641	651

Notes to the Consolidated Financial Statements continued

The transactions in the year include head office recharges to subsidiaries of £1,694,000 (2010 £1,881,000) 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 (2010 £750,000) and the amount recognised as an expense in the year in respect of doubtful debts from related parties was £nil (2010 £nil)

During the year Braverman Gooding Limited, owned by the Chairman's son, invoiced OMG Springboard Limited £98,000 (2010 £33,000) for marketing consultancy services At the year end the balance outstanding was £16,000 (2010 £8,000)

Also during the year, Mole+Mole, owned by the Chairman's daughter in law, invoiced OMG Springboard Limited £7,000 (2010 £nil) for creative consultancy services At the year end the balance outstanding was £7,000 (2010 £nil)

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 24th February 2012 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 Limited (Proxies), PO Box 25, Beckenham, Kent, BR3 4BR 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

Notice is hereby given that the 2012 annual general meeting of OMG plc (the "Company") will be held at 14 Minns Business Park, West Way, Oxford, OX2 0JB on 24th February 2012 at 4pm for the following purposes

Ordinary business
1. To receive and adopt the financial statements of the Company for the financial year ended 30th September 2011 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 30th September 2011

4. To re-elect Nicholas Bolton, 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 David Deacon, 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 and 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 £89,185

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 23rd February 2017, 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 £44,593

This power shall (unless previously renewed, varied or revoked by the Company in general meeting) expire on 23rd February 2017, 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 7,134,840,

(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

1st December 2011
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 Limited (Proxies), PO Box 25, Beckenham, Kent, BR3 4BR, 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 22nd February 2012 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 22nd February 2012 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 30am – 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 16th December 2011 If approved, the date of payment of the final dividend will be 12th March 2012

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, Nicholas Bolton and David Deacon 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 10th February 2016 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 £89,185 There is no present intention of exercising this general authority

As at 1st December 2011, the Company did not hold any shares in treasury

If the resolution is passed, the authority will expire on 23rd February 2017 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 17,837,100 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 23rd February 2017

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 2013 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 117, 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 117 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 24th February 2012 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 24th February 2012 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 30th September 2011	☐	☐	☐	☐
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 Nicholas Bolton as a director	☐	☐	☐	☐
5 To re-elect David Deacon 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	☐	☐	☐	☐

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Signature(s) Date 2012 Signature(s) Date 2012

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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) David Deacon (Finance Director) Catherine Robertson (Executive Director)
Secretary	Catherine Robertson
Bankers	National Westminster Bank plc 121 High Street Oxford OX1 4DD
Solicitors	Taylor Wessing Carmelite 50 Victoria Embankment London EC4Y 0DX
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	Hunts - www hunts co uk

OMG

OMG PLC, 14 MINNS BUSINESS PARK, WEST WAY, OXFORD OX2 0JB, UK
T +44 1865 261800 F +44.1865 240527 WWW OMGPLC COM