

Concept Systems Limited

Report and Financial Statements

31 December 2012

SC 22239

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Concept Systems Limited

Directors

A D G Arnot

R B Hanson

D L Roland

D Flynn

Secretary

A D G Arnot

Auditors

Ernst & Young LLP

Ten George Street

Edinburgh EH2 2DZ

Bankers

HSBC Bank Plc

76 Hanover Street

Edinburgh EH2 1HQ

Solicitors

Dickson Minto WS

16 Charlotte Square

Edinburgh EH2 4DF

Registered Office

16 Charlotte Square

Edinburgh EH2 4DF

Directors' report

The directors present their report and financial statements for the year ended 31 December 2012.

Results and dividends

The profit for the year after taxation amounted to £12,444,446 (2011 – £10,338,982). The directors approved a final dividend £14,600,000 (2011 – £47,737,230).

Principal activities and review of the business

The principal activities of the company are the development and manufacture of computer controlled data acquisition and measurement systems for use in the oil and marine industries.

	2012 £000	2011 £000	Change %
Turnover	27,609	24,401	13%
Total operating profit	16,051	13,249	21%
Profit after tax	12,444	10,339	20%
Shareholders' funds	9,958	12,113	-18%
Current assets as % of current liabilities	324%	441%	
Average number of employees	135	121	

2012 saw another record year of trading for Concept. The combination of ION's strengths in equipment and technology systems with Concept's strengths in software and services combined to deliver a unique, high-value added solution that will change the way seismic data is acquired, managed, and processed.

Turnover increased 13% (2011 – 3%) during the year with existing marine products software and hardware sales up, against a background of continued difficult market conditions, whilst operating profit increased by 21% (2011 – decreased of 13%).

Shareholders' funds decreased by 18% (2011 – decreased of 75%) due to dividends.

The company's 'quick ratio' (current assets as a percentage of current liabilities) decreased to 324% from 441%, due to the movement in intercompany receivables.

The total average number of employees increased by 12% (2011 – 11%) during the year.

During the year Concept has also continued to make strategic, commercial and technological advances in the offshore sector, onshore sector and also in geophysical interpretation, this combined with the company's installed base on the world's seismic fleet should give solid financial performance in 2013.

Registered No. SC 82239

Directors' report

Principal risks and uncertainties

Although oil exploration spending has remained fairly buoyant in 2012, uncertainty remains. Oil prices are a major factor in the exploration business and spending and it is well publicised that the high oil prices currently being experienced also bring uncertainty and volatility.

Financial risk management policy

The company's principal financial instruments comprise cash, cash equivalents. Other financial assets and liabilities, such as trade creditors and trade debtors arise directly from the company's operating activities.

The main risks associated with the company's financial assets and liabilities are set below.

Interest rate risk

The company invests surplus cash in a floating rate interest yielding bank deposit account.

Price risk

There is no significant exposure to changes in the carrying value of financial liabilities because all of these bear interest at floating rates.

Credit risk

The company aims to mitigate external credit risk by selling to as large and varied a customer base as possible in different geographical markets and by exercising tight control over intellectual property rights.

Liquidity risk

The company operates as a division within a larger business group and surplus cash generated by its operation is remitted to its parent group or other group companies.

Foreign currency risk

In the course of trading the company sells goods in foreign currencies, mainly US dollars. The level of foreign currency transactions is not material and as such, there is no significant exposure to foreign currency risk. The company utilises a US dollar bank account to receive US dollar revenue.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report.

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company also participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of the company's parent ION Geophysical Corporation to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the ION Geophysical group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of ION Geophysical Corporation, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Registered No. SC 82239

Directors' report

Directors

The directors who served the company during the year were as follows:

D Moffat (resigned 23/01/2013)
A D G Arnot
R B Hanson (appointed 10/10/12)
R Peebler (resigned 09/10/2012)
D L Roland
D Flynn

Qualifying third party indemnity provisions

The company has taken out insurance to indemnify, against third party proceedings, the directors of the company whilst serving on the board of the company and of any subsidiary, associate or joint venture. These indemnity policies subsisted throughout the year and remain in place at the date of this report.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



ADG Arnot
Director

11/7/2013

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 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.

Independent auditors' report

to the members of Concept Systems Limited

We have audited the financial statements of Concept Systems Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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.

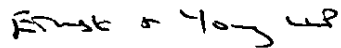
Independent auditors' report

to the members of Concept Systems Limited

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



Walter Campbell (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
11 July 2013

Profit and loss account

for the year ended 31 December 2012

	Notes	2012 £	2011 £
Turnover	2	27,608,684	24,401,248
Cost of sales		(7,098,721)	(6,599,719)
Gross profit		20,509,963	17,801,529
Net operating costs			
Development, distribution and selling costs		(1,868,175)	(1,382,642)
Administrative expenses		(2,591,033)	(3,170,037)
Operating profit	3	16,050,755	13,248,850
Interest receivable and similar income	6	215,377	554,582
Interest payable and similar charges	7	492	—
Profit on ordinary activities before taxation		16,265,640	13,803,432
Tax	8	(3,821,194)	(3,464,450)
Profit for the financial year	14	12,444,446	10,338,982

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2012

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £12,444,446 in the year ended 31 December 2012 (2011 – £10,338,982).

Concept Systems Limited

Registered No. SC 82239

Balance sheet

at 31 December 2012

	Notes	2012 £	2011 £
Fixed assets			
Tangible assets	9	680,198	665,918
Current assets			
Stocks	10	1,090,475	1,080,612
Debtors	11	7,090,282	12,381,973
Cash at bank and in hand		5,247,656	1,340,336
		13,428,413	14,802,921
Creditors: amounts falling due within one year	12	(4,150,765)	(3,355,440)
Net current assets		9,227,647	11,447,481
Total assets less current liabilities		9,957,845	12,113,399
Capital and reserves			
Called up share capital	13	150,000	150,000
Capital redemption reserve	14	270,000	270,000
Profit and loss account	14	9,537,845	11,693,399
Shareholders' funds	15	9,957,845	12,113,399

These financial statements were approved by the board of directors on 11 July 2013 and were signed on its behalf by:



ADG Arnot
Director

Notes to the financial statements

at 31 December 2012

1. Accounting policies

Basis of preparation

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

Statement of cash flows

The company is a wholly owned subsidiary of ION Geophysical Corporation and is included in the publicly available group financial statements of that company. Consequently, the company is exempt under the terms of FRS1 (revised 1996) from publishing a statement of cash flows.

Tangible fixed assets

Provision is made for the depreciation of tangible fixed assets in order to write off the cost or valuation of these assets over their expected useful lives.

Leasehold improvements	– 10% straight line
Plant and machinery	– 25% straight line
Office fixtures and fittings	– 20% straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. The costs incurred in bringing each product to its present condition and location comprises the cost of direct material and labour plus attributable overheads based on the normal level of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the period. All gains and losses are taken to the profit and loss account in the period in which they arise.

Leasing and hire purchase commitments

Assets financed by leasing agreements (finance leases) and similar hire purchase arrangements are capitalised in the balance sheet and are depreciated over the shorter of the lease term or their useful lives. The present value of future rentals is shown as a liability. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Pensions

The company operates a defined contribution pension scheme for the benefit of certain employees and a small self-administered pension scheme for the benefit of its directors. The assets of the schemes are held separately from those of the company in independently administered funds. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Share-based payments

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance related conditions are satisfied.

The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the last balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

Where the terms of equity settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in profit and loss account.

The company has taken advantage of the transitional provisions of FRS 20 in respect of equity settled awards so as to apply FRS 20 only to those equity settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

For awards granted before 7 November 2002, the company recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards.

Development grants are matched with the expenditure to which they relate. Levies payable on sales products developed with the assistance of grant aid are accrued as the sales are made.

Research and development

Expenditure on research and development of new products is charged against profits in the period in which it is incurred.

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Notes to the financial statements

at 31 December 2012

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the directors' report.

An analysis of turnover by geographical market is given below:

	2012 £	2011 £
UK	255,755	322,029
Europe	16,245,436	13,567,484
North America	2,035,077	2,876,849
Asia, Australasia and elsewhere	9,072,415	7,634,886
	<u>27,608,684</u>	<u>24,401,248</u>

3. Operating profit

This is stated after charging/(crediting):

	2012 £	2011 £
Auditors' remuneration	27,000	27,000
Depreciation of owned fixed assets	209,200	182,021
Exchange (gain)/ loss	(450,086)	1,170,421
Operating lease rentals – land and buildings	184,559	265,400
– other	23,155	12,335

4. Directors' remuneration

	2012 £	2011 £
Remuneration	340,935	421,527
Company contributions paid to defined contribution pension schemes	87,469	163,520

Retirement benefits are accruing to two directors under money purchase pension schemes (2011 – one).

In respect of the highest paid director:

	2012 £	2011 £
Aggregate remuneration	174,563	203,967
Accrued pension at the year end	50,207	97,182

The highest paid director received and exercised share options during the year.

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Notes to the financial statements

at 31 December 2012

5. Staff costs

	2012 £	2011 £
Wages and salaries	5,198,439	4,452,350
Social security costs	696,922	657,057
Pension costs	568,155	426,353
	<u>6,463,516</u>	<u>5,535,760</u>

Wages and salaries include £184,223 in respect of share based payments (2011 – £159,752).

The average monthly number of employees during the year was made up as follows:

	2012 No.	2011 No.
Administration	8	7
Selling and distribution	4	4
Maintenance and development	118	105
Production	5	5
	<u>135</u>	<u>121</u>

6. Interest receivable and similar income

	2012 £	2011 £
Bank interest receivable	1,940	1,778
Intercompany interest receivable	213,437	552,804
	<u>215,377</u>	<u>554,582</u>

7. Interest payable and similar charges

	2012 £	2011 £
Interest on late payment of corporation tax	492	–

Registered No. SC 82239

Notes to the financial statements

at 31 December 2012

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2012	2011
	£	£
Current tax:		
UK corporation tax on the profit for the year	3,810,774	3,452,399
Adjustment in respect of previous year	10,499	(22,951)
Total current tax (note 8(b))	3,821,273	3,429,448
Total deferred tax (note 8(c))	(79)	35,002
Tax on profit on ordinary activities	<u>3,821,194</u>	<u>3,464,450</u>

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%). The differences are explained below:

	2012	2011
	£	£
Profit on ordinary activities before tax	16,265,640	13,803,432
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%)	3,985,082	3,657,909
Effects of:		
Expenses not deductible for tax purposes		
Non taxable income	(177,144)	(188,822)
Accelerated capital allowances/other timing differences	3,862	(16,688)
Other adjustments	(1,025)	-
Adjustment to tax charge in respect of previous year	10,499	(22,951)
Current tax for the year (note 8(a))	<u>3,821,273</u>	<u>3,429,448</u>

(c) Deferred tax

	£	
At 1 January 2012	29,406	
Charge for the year (note 8(a))	79	
At 31 December 2012	<u>29,485</u>	
	2012	2011
	£	£

The deferred tax asset at the year-end (note 11) consists of:

Accelerated capital allowances	<u>29,485</u>	<u>29,406</u>
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Notes to the financial statements

at 31 December 2012

9. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Plant and machinery</i>	<i>Office fixtures and fittings</i>	<i>Construction in Progress</i>	<i>Total</i>
	£	£	£	£	£
Cost:					
At 1 January 2012	493,529	1,145,223	388,827	-	2,027,579
Additions	3,088	209,047	7,134	6,347	225,617
Reclassification	-	-	-	-	-
Disposals	-	(171,978)	-	-	(171,978)
At 31 December 2012	496,618	1,182,293	395,962	6,347	2,081,219
Depreciation:					
At 1 January 2012	227,330	797,921	336,410	-	1,361,661
Charge for the year	36,819	153,503	18,877	-	209,200
Disposals	-	(169,841)	-	-	(169,841)
At 31 December 2012	264,149	781,583	355,288	-	1,401,021
Net book value:					
At 31 December 2012	232,468	400,709	40,674	6,347	680,198
At 1 January 2012	266,199	347,302	52,417	-	665,918

10. Stocks

	2012	2011
	£	£
Finished goods	1,090,475	1,080,612

11. Debtors

	2012	2011
	£	£
Amounts owed by group undertakings	2,328,163	7,162,601
Related party receivable	195,965	94,592
Trade debtors	4,193,670	4,963,689
Other debtors	66,371	46,342
Prepayments and accrued income	276,628	85,343
Deferred tax asset (note 8(c))	29,485	29,406
	7,090,282	12,381,973

Notes to the financial statements

at 31 December 2012

12. Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	174,576	212,536
Corporation tax	1,488,828	1,627,381
Other taxes and social security costs	288,149	226,301
Accruals and deferred income	2,199,213	1,289,222
	<u>4,150,766</u>	<u>3,355,440</u>

13. Issued share capital

	No.	2012 £	No.	2011 £
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	150,000	<u>150,000</u>	150,000	<u>150,000</u>

14. Movements on reserves

	Capital redemption reserve £	Profit and loss £
At 1 January 2012	270,000	11,693,399
Profit for the year	-	12,444,446
Dividends paid	-	(14,600,000)
At 31 December 2012	<u>270,000</u>	<u>9,537,845</u>

15. Reconciliation of shareholders' funds

	2012 £	2011 £
Opening shareholders' funds	12,113,399	49,511,647
Profit for the year	12,444,446	10,338,982
Dividends paid	(14,600,000)	(47,737,230)
Closing shareholders' funds	<u>9,957,845</u>	<u>12,113,399</u>

Notes to the financial statements

at 31 December 2012

16. Other financial commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below:

	2012		2011	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
Operating leases which expire:				
Within two years	49,042	18,369	–	–
In two to five years	244,650	7,211	298,150	27,868
	<u>293,692</u>	<u>25,580</u>	<u>298,150</u>	<u>27,868</u>

17. Share based payments

Employee share option plan

Employees may receive a grant of options at the discretion of the compensation committee. The options will vest over a 4 year period, pro-rata annually on the anniversary date, if the employee remains in service during the period of four years from the date of grant. The exercise of the options shall not be less than 100% of the fair market value of the shares on the date of grant. The exercise price of the options shall not be less than 100% of the fair market value of the shares on the date of the grant. The contractual life of the options is ten years and there are no cash settlement alternatives.

Employee restricted stock plan

Employees may receive a grant of restricted stock at the discretion of the compensation committee. The restricted stock will vest over a 3 year period, pro-rata annually on the anniversary date, if the employee remains in service during the period of three years from the date of grant. The contractual life of the options is ten years and there are no cash settlement alternatives.

The expense recognised for share-based payments in respect of employee services during the year to 31 December 2012 is £184,223 (2011 – £159,752), all of which arise from equity-settled share based payment transactions.

The following table illustrates the number and weighted average exercise price (WAEP) of, and movement in, share options during the year.

	2012 No.	2012 WAEP \$	2011 No.	2011 WAEP \$
Outstanding as at 1 January	355,750	8	315,000	9
Granted during the year	106,000	6	97,500	6
Exercised	10,375	3	42,000	5
Expired during the year	–	–	14,750	13
Outstanding at 31 December	<u>451,375</u>	<u>8</u>	<u>355,750</u>	<u>8</u>
Exercisable at 31 December	<u>236,000</u>	<u>9</u>	<u>187,576</u>	<u>10</u>

Notes to the financial statements

at 31 December 2012

17. Share based payments (continued)

There were 79,726 restricted stock grants outstanding at 31 December 2012 (2011 – 55,820)

For the share options outstanding as at 31 December 2012, the weighted average remaining contractual life is 6.4 years (2011 – 6.8 years).

The weighted average fair value of options granted during the year was \$5.96 (2011 – \$5.81). The range of exercise prices for options outstanding at the end of the year was \$3.00 to \$15.43 (2011 – \$3.00 to \$15.43).

The fair value of equity-settled share options granted is estimated as at the date of the grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years 31 December 2012 and 31 December 2011.

	2012	2011
Dividend yield	–	–
Expected share price volatility (%)	67	80
Risk-free interest rate (%)	1	1
Expected life of options (years)	5	5
Weighted average share price (\$)	8	8

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value.

18. Related party transactions

The company has taken advantage of the exemptions available under FRS 8 'Related Party Disclosures' and has not disclosed transactions with companies that are part of the ION Geophysical Corporation group of companies. The company entered into transactions in the ordinary course of business, with Inova Geophysical (UK) Limited. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

	2012 £	2011 £
Amounts owed from Inova Geophysical (UK)	(195,965)	(94,592)
Costs recharged to Inova Geophysical (UK)	1,058,482	1,225,617

19. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Concept Systems Holdings Limited, a company registered in Scotland. Copies of the financial statements of the company are available from Companies House, 4th Floor Edinburgh Quay 2, Edinburgh.

The largest group in which the results of the company are consolidated is that headed by ION Geophysical Corporation registered in the United States of America whose group financial statements can be obtained at the following address: ION Geophysical Corporation 2105 CityWest Blvd, Suite 400, Houston, Texas, USA.