

Report of the Directors



The Directors submit their annual report and audited financial statements for the year ended 31 March 1995.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the Group are the manufacture and supply of mechanical and electrical products and the provision of documentation and software services both in the UK and worldwide.

During the year under review and subsequently the following important events occurred:

On 21 November 1994 the Company offered for subscription 27,775,700 new ordinary shares at 37p per share by means of a fully underwritten 5 for 8 Rights Issue. The Rights Issue raised £9.7 million net of expenses of which £6.7 million was applied on 22 November 1994 to the acquisition by the Company of the entire issued share capital of Castlet Group Limited.

Further information is contained in Note 13 and Note 20.

A detailed review of the Group's activities during the year, of recent events and an outline of likely future developments may be found on pages 2 to 7.

RESULTS AND DIVIDENDS

The results for the year are set out on page 14 and the movements on reserves are set out in Note 21. The loss for the year after taxation amounted to £4,814,000 (1994 profit as restated - £77,000) and accordingly the Directors do not recommend payment of a final dividend. An interim dividend for the year ended 31 March 1995 of 0.75p per share was paid in March 1995.

FIXED ASSETS

The movements in tangible fixed assets during the year are set out in Note 12.

CORPORATE GOVERNANCE

Throughout the year the Company has complied with those sections of the Cadbury Code of Best Practice ("the Code") currently in force. Whilst the roles of Chairman and Chief Executive are combined, this is balanced by a strong and independent element on the Board of the Company, as recommended by the Code.

The Group continues to operate both Audit and Remuneration Committees; these comprise all the Non-Executive Directors and are chaired by Mr Ablett and Mr Diment respectively. The need for a third Non-Executive Director will be kept under review.

GOING CONCERN

After making appropriate enquiries the Directors have formed a judgement at the time of approving the financial statements that there is reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has maintained insurance for its Directors and Officers against liabilities which they may incur in relation to their duties on behalf of the Company.

DIRECTORS AND THEIR INTERESTS

The present Directors are listed on page 11. Mr Hill, Mr Duggan and Major-General Beardsworth were Directors throughout the year. On 23 November 1994 Mr Read resigned as a Director. On 3 March 1995 Mr Williams resigned as a Director and as Chairman and Chief Executive of the Company and Mr Duggan was appointed as the Executive Chairman. Mr Ablett and Mr Diment were appointed to the Board as Non-Executive Directors on 9 May 1995. Mr Eades was appointed as the Finance Director of the Company on 1 June 1995 in place of Mr Jeffries who resigned from the Board on the same date.

The Directors of the Company as at 31 March 1995, and their families, were beneficially interested in the share capital of the Company as follows:

| | 31 March 1995 | | | 1 April 1994 | | |
|-----------------|--------------------|-------------------------------|--------------------------|--------------------|-------------------------------|--------------------------|
| | Ordinary Shares | Executive Share Options | SAYE Share Options | Ordinary Shares | Executive Share Options | SAYE Share Options |
| S J Beardsworth | - | - | - | - | - | - |
| R W Duggan | 81,250 | - | - | 50,000 | - | - |
| B G Hill | 81,250 | - | - | 50,000 | - | - |
| D L Jeffries | 231,397 | *375,622 | *42,370 | 177,622 | 350,000 | 39,473 |

Report of the Directors

Continued

Number of Share Options

| | At 1 April 1994 | Granted in year | At 31 March 1995 | Exercise Price | First Exercise Date | Expiry Date |
|-------------------------|--------------------|--------------------|---------------------|-------------------|------------------------|----------------|
| D L Jeffries | 175,000 | - | *187,854 | *56.36p | 18.2.94 | 30.11.95 |
| | 175,000 | - | *187,768 | *9.32p | 1.06.95 | 30.11.95 |
| Executive Share Options | 350,000 | | 375,622 | | | |
| SAYE Share Options | 39,473 | - | *42,370 | *44.2p | - | 30.11.95 |
| | 389,473 | | 417,992 | | | |

*Adjusted pursuant to Rights Issue.

The market price of the shares at 31 March 1995 was 14p (31 March 1994 – 56p). The shares traded during the year within the range 56p to 14p.

By virtue of his appointment as a Director of OMI Group Share Trust Limited ("OMI Share Trust"), on 3 March 1995 Mr Duggan acquired a non-beneficial interest in the 728,030 ordinary shares of the Company held by OMI Share Trust. Mr Jeffries' non-beneficial interest in such shares ceased on 1 June 1995 as a result of his resignation as a director of OMI Share Trust on that date.

On 24 May 1995 Mr Jeffries cancelled his SAYE share options.

On 7 June 1995 the Company granted to Mr Duggan and Mr Eades options to acquire 500,000 and 250,000 ordinary shares respectively of the Company at a price of 15p per share exercisable in the period from 7 June 1998 to 6 June 2005, subject to the rules of the Company's 1994 Executive Share Option Scheme.

On 7 June 1995 Major-General Beardsworth purchased 7,500 ordinary shares of the Company.

Other than those transactions referred to above there were no changes in the interests of the Directors of the Company as at 31 March 1995 or of Mr Eades in the shares or the share options of the Company held by them between 31 March 1995 and 12 June 1995 (the latest date for which it was practical to obtain this information).

The Directors retiring by rotation at the Annual General Meeting are Major-General Beardsworth and Mr Hill who do not seek re-appointment and they will therefore cease to be Directors at the conclusion of the Annual General Meeting. Mr Ablett and Mr Diment were appointed Non-Executive Directors of the Company on 9 May 1995 and will be seeking re-election at the Annual General Meeting.

Mr Ablett, age 52, gained 18 years banking experience with a major UK clearing bank before joining a merchant bank for 11 years where he advised on mergers, acquisitions, take-overs and flotations. He is an experienced non-executive director involved in a broad range of sectors including engineering, insurance, pharmaceuticals and biotechnology. His current non-executive directorships include Enviromed Plc, Frederick Cooper Plc, the AXA Insurance Company Limited and a number of private manufacturing companies.

Mr Diment, age 50, brings wide experience of technology based companies gained over 25 years. He started his career in the nuclear industry as a design physicist and developed his managerial career in the advanced technology divisions of EMI, Logica and Pergamon Press before moving into the venture capital industry in 1982. At 3i plc he was responsible for investment in the information technology sector in the UK and USA and as executive director of Gresham Trust plc was responsible for a portfolio of 15 companies. He is a non-executive director of Radstone Technology plc.

Report of the Directors

Continued

SUBSTANTIAL SHAREHOLDINGS

As at 12 June 1995 the Directors were aware of the following interests of three percent or more in the issued share capital of the Company:

| | Number of shares | Percentage |
|--|---------------------|------------|
| Mercury Asset Management plc | 8,883,086 | 12.30 |
| Clerical Medical Investment Group | 5,816,250 | 8.05 |
| Thornton Investment Management | 5,737,250 | 7.94 |
| British Gas Pension Funds Management Ltd. | 4,793,750 | 6.64 |
| Nat West Investment Management Ltd. | 4,406,791 | 6.10 |
| London & Manchester Group plc | 4,175,000 | 5.78 |
| Hill Samuel | 3,883,000 | 5.38 |
| British Airways Pension Fund Trustees Ltd. | 3,581,363 | 4.96 |
| Sun Alliance Group plc | 3,546,339 | 4.91 |
| Chatsworth Management Services Ltd. | 3,233,750 | 4.48 |
| BZW Investment Management Ltd. | 2,269,752 | 3.14 |

GROUP RESEARCH AND DEVELOPMENT ACTIVITIES

The Group continued to carry out research and development in areas directly related to current activities during the year. The research and development programmes for the Group's businesses are both customer funded and funded from internal resources.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year under review there were no contributions for charitable purposes and no political donations were made (1994 - £Nil).

EMPLOYEES

The employment policies of the Group offer career opportunities without discrimination. Full and fair consideration is given to the employment and training of disabled persons. The services of any employee who becomes disabled are retained wherever possible. The Group places considerable importance on informing employees on matters of concern to them through information bulletins and periodic meetings. The Group also operates a savings related share option scheme. By these methods the Group aims to achieve a common awareness of the financial and economic factors affecting the Group.

TAXATION

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

AUDITORS

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Registered Office:
1-11 Hay Hill, London W1X 7LF
29 June 1995

By order of the Board
E B Gore, Secretary

Edward Gore

Directors and Advisors

OMI International plc

DIRECTORS

R W Duggan, Executive Chairman

D N Ablett, Non-Executive

A R Diment, Non-Executive

G J Eades, Finance

S J Beardsworth, Non-Executive

B G Hill, Non-Executive

SECRETARY

E B Gore

REGISTERED OFFICE1-11 Hay Hill
Berkeley Square
London W1X 7LF**AUDITORS**KPMG
8 Salisbury Square
London EC4Y 8BB**BANKERS**

National Westminster Bank Plc

STOCKBROKERSde Zoete & Bevan Limited
Ebbgate House
2 Swan Lane
London EC4R 3TS**REGISTRARS**Connaught St Michael Limited
P O Box 30
CSM House
Victoria Street
Luton
Bedfordshire LU1 2PZ

Directors' Responsibilities Statement

in respect of the preparation of the financial statements

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Auditors

KPMG, to the Members of OMI International plc

We have audited the financial statements on pages 14 to 35.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 12, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 1995 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



London
29 June 1995

KPMG
Chartered Accountants
Registered Auditors

Consolidated Profit and Loss Account

For the year ended 31 March 1995

| | Notes | 1995 £000's | 1994 (as restated) (Note 22) £000's |
|---|------------------|----------------|--|
| Turnover | 1 | | |
| Continuing operations | | 37,803 | 36,580 |
| Acquisitions | | 2,510 | - |
| | | 40,313 | 36,580 |
| Cost of sales* | 6 | | |
| Continuing operations | | (26,998) | (24,678) |
| Acquisitions | | (1,872) | - |
| | | (28,870) | (24,678) |
| Gross profit | | | |
| Continuing operations | | 10,805 | 11,902 |
| Acquisitions | | 638 | - |
| | | 11,443 | 11,902 |
| Net operating expenses* | 3 & 6 | | |
| Continuing operations | | (13,971) | (11,365) |
| Acquisitions | | (546) | - |
| | | (14,517) | (11,365) |
| Operating (loss)/profit | 4 | | |
| Continuing operations | | (3,166) | 537 |
| Acquisitions | | 92 | - |
| | | (3,074) | 537 |
| Share of (loss)/profit in associated undertakings | | (169) | 14 |
| Net losses incurred on disposal of freehold properties | 6 | (256) | (116) |
| Profit on disposal of discontinued operations | 6 | - | 80 |
| (Loss)/profit on ordinary activities before interest | | (3,499) | 515 |
| Net interest payable | 7 | (696) | (588) |
| Loss on ordinary activities before taxation | 1 | (4,195) | (73) |
| Tax on profit on ordinary activities | 8 | (619) | 150 |
| (Loss)/profit for the financial year | | (4,814) | 77 |
| Dividends | 9 | (333) | (778) |
| Retained loss | | (5,147) | (701) |
| <hr/> | | | |
| (Loss)/earnings per share - Net basis | 10 | (8.6)p | 0.2p |
| - Nil basis | | (7.7)p | 0.4p |
| 'Headline' (loss)/earnings per share | | (8.3)p | 0.2p |

*The results of continuing operations above include net exceptional charges of £396,000 (1994 - £700,000) within cost of sales and £1,248,000 (1994 - £263,000) within net operating expenses (Note 6).

The movement on reserves is set out in Note 21.

The Notes on pages 19 to 35 form part of these financial statements.

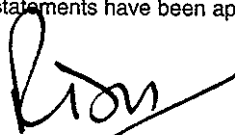
Consolidated Balance Sheet

At 31 March 1995

| | Notes | 1995 £000's | 1994 (as restated) (Note 22) £000's |
|---|-------|----------------|--|
| Fixed assets | | | |
| Intangible assets | 11 | 139 | 71 |
| Tangible assets | 12 | 9,380 | 9,503 |
| Investments | 13 | 235 | 400 |
| | | 9,754 | 9,974 |
| Current assets | | | |
| Stocks and work in progress | 14 | 7,817 | 6,097 |
| Debtors | 15 | 12,679 | 10,027 |
| Cash at bank and in hand | | 211 | 78 |
| | | 20,707 | 16,202 |
| Creditors | | | |
| Amounts falling due within one year | 16 | (14,737) | (10,260) |
| Net current assets | | 5,970 | 5,942 |
| Total assets less current liabilities | | 15,724 | 15,916 |
| Creditors | | | |
| Amounts falling due after more than one year | 17 | (1,856) | (3,093) |
| Provisions for liabilities and charges | 18 | (3,183) | (385) |
| Net assets | | 10,685 | 12,438 |
| Capital and reserves | | | |
| Called-up share capital | 20 | 3,611 | 2,222 |
| Share premium account | 21 | 30,290 | 21,937 |
| Revaluation reserve | 21 | 670 | 1,720 |
| Capital reserve | 21 | 7,088 | 7,088 |
| Special reserve | 21 | - | 18,000 |
| Goodwill | 21 | (25,068) | (19,086) |
| Profit and loss account | 21 | (5,906) | (19,443) |
| Equity shareholders' funds | | 10,685 | 12,438 |

The financial statements have been approved by the Board of Directors on 29 June 1995 and signed on their behalf by:

Director
R W Duggan



The Notes on pages 19 to 35 form part of these financial statements

Consolidated Cash Flow Statement

For the year ended 31 March 1995

| | Notes | 1995 Continuing | 1995 Acquisitions | 1995 Total | 1994 Total (as restated) (Note 22) |
|---|-------|--------------------|----------------------|---------------|---|
| | | £000's | £000's | £000's | £000's |
| Net cash flow from operating activities | 26 | (248) | 478 | 230 | 2,076 |
| Returns on investment and servicing of finance | | | | | |
| Interest paid on finance leases | | (61) | - | (61) | (62) |
| Other interest paid | | (602) | (5) | (607) | (526) |
| Dividends paid | | (778) | - | (778) | (778) |
| | | (1,441) | (5) | (1,446) | (1,366) |
| Taxation | | | | | |
| UK corporation tax paid (including ACT) | | (253) | (381) | (634) | (33) |
| Overseas corporation tax received | | - | - | - | 22 |
| | | (253) | (381) | (634) | (11) |
| Investing activities | | | | | |
| Purchase of investments | | - | - | - | (156) |
| Purchase of tangible fixed assets | | (1,892) | (21) | (1,913) | (1,396) |
| Purchase of intangible fixed assets | | (103) | - | (103) | (71) |
| Proceeds of sale of fixed assets | | 1,653 | 8 | 1,661 | 566 |
| Proceeds on sale of investments | | - | - | - | 311 |
| Purchase of associated undertakings | | (14) | - | (14) | (143) |
| Purchase of subsidiary undertakings | 13 | (6,991) | - | (6,991) | (2,634) |
| Sale of subsidiary undertakings | | - | - | - | (30) |
| | | (7,347) | (13) | (7,360) | (3,553) |
| Net cash outflow before financing | | (9,289) | 79 | (9,210) | (2,854) |
| Financing | | | | | |
| Issue of ordinary share capital | 21 | 10,277 | - | 10,277 | - |
| Share issue costs | 21 | (535) | - | (535) | - |
| Asset purchase by instalments | | (50) | - | (50) | (50) |
| Capital element of finance leases | | (488) | - | (488) | (252) |
| Long term loan financing | | - | - | - | 3,457 |
| Repayment of loans | | (900) | - | (900) | (600) |
| | 27 | 8,304 | - | 8,304 | 2,555 |
| Decrease in cash and cash equivalents | 28 | (985) | 79 | (906) | (299) |

The Notes on pages 19 to 35 form part of these financial statements.

Statement of Total Recognised Gains and Losses

For the year ended 31 March 1995

| | 1995 | 1994 (as restated) (Note 22) |
|---|----------------|------------------------------------|
| | £000's | £000's |
| (Loss)/profit for the financial year | (4,814) | 77 |
| Exchange adjustments on foreign currency investments | 18 | (42) |
| Unrealised loss on revaluation of properties | (384) | - |
| Total recognised gains and losses for the financial year | (5,180) | 35 |

Note of Historical Cost Profits and Losses

For the year ended 31 March 1995

| | 1995 | 1994 (as restated) (Note 22) |
|--|----------------|------------------------------------|
| | £000's | £000's |
| Loss on ordinary activities before taxation | (4,195) | (73) |
| Realisation of property revaluation gains of previous years (Note 21) | 666 | - |
| Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | 23 | 36 |
| Historical cost loss on ordinary activities before taxation | (3,506) | (37) |
| Historical cost loss for the year retained after taxation and dividends | (4,458) | (665) |

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 March 1995

| | 1995 | 1994 (as restated) (Note 22) |
|--|----------------|------------------------------------|
| | £000's | £000's |
| (Loss)/profit for the financial year | (4,814) | 77 |
| Dividends | (333) | (778) |
| Exchange adjustments on foreign currency investments | 18 | (42) |
| Goodwill written off in the year | (5,982) | (934) |
| Increase in share capital and premium following the Rights Issue | 10,277 | - |
| Share issue costs | (535) | - |
| Unrealised loss on revaluation of properties | (384) | - |
| Net reduction in shareholders' funds | (1,753) | (1,677) |
| Shareholders' funds at 1 April | 12,438 | 14,115 |
| Shareholders' funds at 31 March | 10,685 | 12,438 |

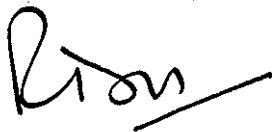
Company Balance Sheet

At 31 March 1995

| | Notes | 1995 £000's | 1994 £000's |
|--|-------|----------------|----------------|
| Fixed assets | | | |
| Tangible assets | 12 | 127 | 148 |
| Investments | 13 | 21,294 | 33,597 |
| | | 21,421 | 33,745 |
| Current assets | | | |
| Debtors | 15 | 10,482 | 12,692 |
| Cash at bank and in hand | | - | 11 |
| | | 10,482 | 12,703 |
| Creditors | | | |
| Amounts falling due within one year | 16 | (9,341) | (9,550) |
| Net current assets | | 1,141 | 3,153 |
| Total assets less current liabilities | | 22,562 | 36,898 |
| Creditors | | | |
| Amounts falling due after more than one year | 17 | (1,237) | (2,857) |
| Provision for liabilities and charges | 18 | (992) | - |
| Net assets | | 20,333 | 34,041 |
| Capital and reserves | | | |
| Called-up share capital | 20 | 3,611 | 2,222 |
| Share premium account | 21 | 30,290 | 21,937 |
| Capital reserve | 21 | 1,673 | 7,088 |
| Special reserve | 21 | - | 18,000 |
| Profit and loss account | 21 | (15,241) | (15,206) |
| Equity shareholders' funds | | 20,333 | 34,041 |

The balance sheet of the Company has been approved by the Board of Directors 29 June 1995 and signed on their behalf by:

Director
R W Duggan



The Notes on pages 19 to 35 form part of these financial statements.

Accounting Policies

(a) Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards and using the historical cost convention, with the exception of freehold and long leasehold properties which are stated at professional valuation.

(b) Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and all of its subsidiary undertakings.

(c) Subsidiary undertakings

The trading results of subsidiary undertakings acquired or sold in the year are included in the consolidated profit and loss account from or until the effective date of acquisition or disposal respectively. Adjustments are made to bring the accounting policies of businesses acquired into line with those of the Group. The costs of acquisition, including fair value adjustments, are allocated to net tangible assets and, where appropriate, to goodwill and other intangibles.

(d) Associated undertakings

Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings.

The Group results include the appropriate proportion of the profit or loss of such associated undertakings. In the consolidated balance sheet the investment in associated undertakings is shown as the Group's share of underlying net assets or liabilities.

(e) Goodwill

Goodwill arising where the cost of acquisition exceeds the values attributable to the relevant net assets of subsidiary and associated undertakings is written off directly to reserves. When the investment in these undertakings or part of these undertakings is subsequently sold the original goodwill is shown as part of the profit or loss arising on the disposal.

(f) Research and development expenditure

Research and development expenditure is written off as it is incurred, except that development expenditure incurred on individual projects is carried forward in those cases where future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project over a period not exceeding two years.

(g) Tangible fixed assets

Tangible fixed assets are stated at historical cost or, in the case of freehold and long leasehold properties, at professional valuation less, in each case, depreciation.

Depreciation is provided on all assets, except freehold land, using the straight-line method, at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

| | |
|----------------------------|------------------------------|
| Freehold buildings | - 2% per annum |
| Long leasehold properties | - 2% per annum |
| Short leasehold properties | - over the life of the lease |
| Plant and equipment | - 10% to 33% per annum |
| Motor vehicles | - 20% to 25% per annum |

(h) Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the first-in first-out method or the weighted average method is used. For work in progress and for finished goods manufactured by a Group company, cost is taken as production cost including an appropriate proportion of attributable overheads.

(i) Taxation

The credit/(charge) for taxation is based on the result for the year. Provisions are made or assets recognised for taxation deferred where there are material timing differences between the treatment of certain items for tax and accounting purposes. Provision is made for deferred taxation only to the extent that it is probable that an actual liability will crystallise. Deferred tax assets are only recognised where there is reasonable certainty that the asset will be recoverable.

Accounting Policies

Continued

(j) Turnover

Group turnover represents the invoiced value of sales, excluding VAT, of goods and services supplied.

(k) Leases

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of an asset have passed to the Group, are capitalised in the balance sheet and are depreciated over their estimated useful lives or the term of the lease, whichever is the shorter. The interest element of 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. The capital element of rental obligations is included in liabilities.

All other leases are treated as operating leases and the annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

(l) Pensions

The Group operates the OMI Group Pension Scheme, which is a contributory scheme with both money purchase and defined benefits sections. The defined benefit sections are closed to new entrants. The assets of the scheme are held separately from those of the Group in independently administered funds. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. For the defined benefit sections, the regular cost is attributed to individual years using the projected unit method. Variations in pension cost identified as a result of actuarial valuations are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet. No deferred tax is provided in respect of pension credits.

(m) Foreign currency translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling using the rates of exchange ruling at the balance sheet date and any gains or losses on translation are included in the profit and loss account.

The balance sheets of subsidiary undertakings expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Trading results of these subsidiaries are translated at an average rate of exchange for the year. Exchange gains and losses arising from translation of the financial statements of foreign subsidiaries are taken directly to reserves. Other exchange differences are dealt with through the profit and loss account.

(n) Government grants

Government grants in respect of capital expenditure are credited to a deferred income account. Capital grants are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Revenue grants are released to profit over the life of the project to which they relate.

(o) Employee Benefit Trust

In accordance with FRS 5, the transactions of the OMI International plc Employee Benefit Trust (EBT) have been treated as if they are, in substance, transactions of the Group. Accordingly the assets, liabilities and results of the EBT have been consolidated in the group financial statements.

Notes to the Financial Statements

1. SEGMENTAL ANALYSIS

(a) Business segment analysis of turnover and (loss)/profit before taxation

| | Turnover | | (Loss)/profit on ordinary activities before taxation | |
|--|----------|--------|--|--|
| | 1995 | 1994 | 1995 | 1994 (as restated) (Note 22) £000's |
| | £000's | £000's | £000's | £000's |
| Manufacturing | 16,389 | 15,868 | 1,279 | 2,142 |
| Logistics and Support | 15,224 | 15,428 | (1,573) | 662 |
| Design businesses | 6,190 | 5,284 | (1,426) | (1,344) |
| Service | 21,414 | 20,712 | (2,999) | (682) |
| Central costs | - | - | (1,446) | (923) |
| Continuing operations | 37,803 | 36,580 | (3,166) | 537 |
| Acquisitions | 2,510 | - | 92 | - |
| Total | 40,313 | 36,580 | (3,074) | 537 |
| Share of (loss)/profit in associated undertakings | | | (169) | 14 |
| Net losses incurred on disposal of freeholds (1995 Design businesses; 1994 Central) | | | (256) | (116) |
| Profit on disposal of discontinued operations (Design businesses) | | | - | 80 |
| (Loss)/profit on ordinary activities before interest | | | (3,499) | 515 |
| Net interest payable | | | (696) | (588) |
| Loss on ordinary activities before taxation | | | (4,195) | (73) |

The segmental analysis for the year ended 31 March 1994 has been restated to include the income and expenditure of the OMI International plc Employee Benefit Trust in central costs (Note 22).

Acquisitions represent the post acquisition trading results after management charges of Castlet Group Limited which was acquired by OMI International plc on 22 November 1994 and will be categorised within manufacturing businesses in future years.

Inter segment sales are not material.

(b) Geographical analysis of turnover and operating profit/(loss)

| | Turnover by destination 1995 | Turnover by destination 1994 | Turnover by origin 1995 | Turnover by origin 1994 | Profit/(loss) by origin 1995 | Profit/(loss) by origin 1994 (as restated) (Note 22) £000's |
|--------------------|---------------------------------|---------------------------------|----------------------------|----------------------------|---------------------------------|---|
| | £000's | £000's | £000's | £000's | £000's | £000's |
| UK | 28,877 | 28,360 | 31,150 | 31,062 | (2,005) | 932 |
| Germany | 6,779 | 4,547 | 6,037 | 4,156 | (857) | (438) |
| Other Europe | 1,733 | 2,735 | 616 | 1,362 | (304) | 43 |
| Rest of World | 414 | 938 | - | - | - | - |
| Total continuing | 37,803 | 36,580 | 37,803 | 36,580 | (3,166) | 537 |
| UK | 1,355 | - | 2,422 | - | 92 | - |
| Germany | 636 | - | - | - | - | - |
| Other Europe | 170 | - | - | - | - | - |
| Rest of World | 349 | - | 88 | - | - | - |
| Total acquisitions | 2,510 | - | 2,510 | - | 92 | - |
| Total | 40,313 | 36,580 | 40,313 | 36,580 | (3,074) | 537 |

Inter segment sales are not material.

Notes to the Financial Statements

Continued

1. SEGMENTAL ANALYSIS (CONTINUED)**(c) Net assets by business segment**

| | 1995 | 1994 (as restated) (Note 22) |
|--------------------------------|---------|------------------------------------|
| | £000's | £000's |
| Manufacturing | 8,348 | 6,494 |
| Logistics and Support | 4,827 | 7,458 |
| Design businesses | 2,270 | 4,603 |
| Service | 7,097 | 12,061 |
| Continuing operations | 15,445 | 18,555 |
| Acquisitions | 1,453 | - |
| | 16,898 | 18,555 |
| Cash at bank and in hand | 211 | 78 |
| Bank borrowings and overdrafts | (6,424) | (6,195) |
| Total net assets | 10,685 | 12,438 |

(d) Geographical analysis of net assets

| | 1995 | 1994 (as restated) (Note 22) |
|--------------------------------|---------|------------------------------------|
| | £000's | £000's |
| UK | 15,990 | 17,265 |
| Germany | 761 | 751 |
| Other Europe | 79 | 539 |
| Rest of World | 68 | - |
| | 16,898 | 18,555 |
| Cash at bank and in hand | 211 | 78 |
| Bank borrowings and overdrafts | (6,424) | (6,195) |
| Total net assets | 10,685 | 12,438 |

2. HOLDING COMPANY PROFIT AND LOSS ACCOUNT

The Company has taken advantage of the exemption in Section 230 of the Companies Act 1985 not to present its own profit and loss account.

The Company's loss before dividends amounted to £23,117,000 (1994 - £1,015,000) after provisions against investments of £20,063,000 (1994 - £1,086,000) and provisions against Group balances of £2,486,000 (1994 - £275,000).

3. NET OPERATING EXPENSES

| | 1995 Continuing £000's | 1995 Acquisitions £000's | 1995 Total £000's | 1994 Total £000's |
|--|------------------------------|--------------------------------|-------------------------|-------------------------|
| Selling, marketing and distribution expenses | 1,821 | 46 | 1,867 | 1,686 |
| Administrative expenses | 12,468 | 509 | 12,977 | 10,053 |
| Other operating income | (318) | (9) | (327) | (374) |
| Total for continuing operations | 13,971 | 546 | 14,517 | 11,365 |

Notes to the Financial Statements

Continued

4. OPERATING (LOSS)/PROFIT

| | 1995 £000's | 1994 £000's |
|--|----------------|----------------|
| This is stated after charging/(crediting): | | |
| Gross research and development expenditure | 1,009 | 982 |
| Less: customer funding | (595) | (541) |
| Net research and development expenditure | 414 | 441 |
| Amortisation of deferred development expenditure | 35 | - |
| Depreciation of owned assets | 1,621 | 1,715 |
| Depreciation of assets held under finance leases and hire purchase contracts | 260 | 203 |
| Auditor's remuneration: | | |
| - audit fees | 146 | 138 |
| - other | 66 | 49 |
| Operating lease rentals: | | |
| - property | 1,424 | 1,505 |
| - hire of plant and equipment | 782 | 777 |
| Rent receivable | (319) | (374) |
| Government grants | (134) | (70) |

5. STAFF COSTS**(a) Staff costs (including Directors) comprise:**

| | 1995 Continuing £000's | 1995 Acquisitions £000's | 1995 Total £000's | 1994 Total £000's |
|--|------------------------------|--------------------------------|-------------------------|-------------------------|
| Wages and salaries | 15,376 | 495 | 15,871 | 15,516 |
| Social security costs | 1,573 | 50 | 1,623 | 1,621 |
| Other pension costs | 371 | 7 | 378 | 217 |
| Total for continuing operations | 17,320 | 552 | 17,872 | 17,354 |

The average number of persons employed by Group companies was as follows:

| | 1995 Continuing Number | 1995 Acquisitions Number | 1995 Total Number | 1994 Total Number |
|--|------------------------------|--------------------------------|-------------------------|-------------------------|
| Production | 759 | 97 | 856 | 773 |
| Selling, marketing and distribution | 65 | 8 | 73 | 67 |
| Administration | 127 | 11 | 138 | 122 |
| Total for continuing operations | 951 | 116 | 1,067 | 962 |

(b) Directors

The Directors of the Company earned the following emoluments including pension contributions of £46,000 (1994 - £50,937) and the estimated value of benefits in kind:

| | 1995 £000's | 1994 £000's |
|------------------|----------------|----------------|
| Fees | 44 | 46 |
| Other emoluments | 428 | 442 |
| | 472 | 488 |

Notes to the Financial Statements

Continued

5. STAFF COSTS (CONTINUED)**(b) Directors (Continued)**

The Directors' emoluments shown above included:

| | 1995 £000's | 1995 £000's | 1994 £000's |
|---|----------------|----------------|----------------|
| Chairman (who was also the highest paid Director) | from 3.3.95 | to 3.3.95 | |
| Emoluments | 10 | 159 | 173 |
| Benefits in kind | - | 8 | 8 |
| Pension contributions | - | 26 | 26 |
| | 10 | 193 | 207 |

Directors' emoluments, excluding pension contributions, were as follows:

| | Number | Number |
|---------------------|--------|--------|
| £0,001 - £5,000 | - | 1 |
| £10,001 - £15,000 | 2 | 3 |
| £20,001 - £25,000 | 1 | - |
| £90,001 - £95,000 | 1 | - |
| £95,001 - £100,000 | - | 1 |
| £110,001 - £115,000 | 1 | 1 |
| £165,001 - £170,000 | 1 | - |
| £180,001 - £185,000 | - | 1 |
| | 6 | 7 |

On 25 May 1995, a writ was issued against the Company by Mr Williams, the former Chairman, claiming £944,000 for wrongful dismissal. The Company is defending this claim.

Details of share options held by the Directors can be found under Directors' Interests in the Directors' Report.

6. EXCEPTIONAL ITEMS

| | 1995 £000's | 1994 £000's |
|--|----------------|----------------|
| Charged in arriving at operating (loss)/profit: | | |
| Provision for losses on contracts in the process engineering business as the activity is wound down: | | |
| Included in cost of sales | 200 | 615 |
| Included in operating expenses | 100 | 190 |
| | 300 | 805 |
| Provisions and costs incurred in Group restructuring: | | |
| Included in cost of sales | 196 | 85 |
| Included in operating expenses | 1,148 | 190 |
| | 1,344 | 275 |
| Release of pension fund provision due to significant reduction in Scheme membership - included in operating expenses | - | (117) |
| Total exceptional items charged in arriving at operating (loss)/profit | 1,644 | 963 |
| Net losses incurred on disposal of freehold properties (in 1994 £151,000 related to discontinued operations) | 256 | 116 |
| Profit on disposal of discontinued operations | - | (80) |
| Total exceptional items charged in arriving at loss on ordinary activities | 1,900 | 999 |

Notes to the Financial Statements

Continued

7. NET INTEREST PAYABLE

| | 1995 £000's | 1994 £000's |
|--|----------------|----------------|
| Interest payable on bank loans, overdrafts and other loans repayable within five years | 635 | 526 |
| Interest payable on finance leases | 61 | 62 |
| Net interest payable | 696 | 588 |

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

| | 1995 £000's | 1994 £000's |
|--|----------------|----------------|
| UK Corporation tax (credit)/charge based on results for year at 33% (1994 - 33%) | (31) | 7 |
| Provision for irrecoverable ACT | 510 | 120 |
| Adjustment in respect of prior years | - | 148 |
| Deferred taxation | 140 | (425) |
| Net taxation charge/(credit) | 619 | (150) |

The tax charge for 1995 has been affected by the provision for irrecoverable ACT and the reversal of deferred tax assets which were recognised in 1994.

9. DIVIDENDS

| | 1995 £000's | 1994 £000's |
|---|----------------|----------------|
| Interim dividend paid 0.75p per ordinary share (1994 - 0.75p) | 333 | 333 |
| Final dividend proposed nil pence per ordinary share (1994 - 1.00p) | - | 445 |
| | 333 | 778 |

10. (LOSS)/EARNINGS PER SHARE

| | 1995 pence | 1994 pence |
|--|---------------|---------------|
| (Loss)/earnings per share (net basis) | (8.6) | 0.2 |
| Net losses incurred on disposal of freehold properties | 0.3 | 0.2 |
| Profit on disposal of discontinued operations | - | (0.2) |
| 'Headline' (loss)/earnings per share | (8.3) | 0.2 |

The comparative earnings per share are shown after adjusting the published figures for 1994 to reflect the bonus element in the Rights Issue of 22 November 1994.

The SSAP 3 earnings per share calculation is based on loss after tax of £4,814,000 (1994 profit - £77,000) and the weighted average number of shares in issue of 56,249,503 (1994 - 47,521,121 as adjusted).

The 'Headline' (loss)/earnings per share has been calculated in accordance with Institute of Investment Management and Research (IIMR) recommendations.

Notes to the Financial Statements

Continued

11. INTANGIBLE FIXED ASSETS

Development expenditure

| | 1995 £000's | Group 1994 £000's |
|-----------------------------|----------------|-------------------------|
| Cost | | |
| Beginning of year | 71 | - |
| Expenditure during the year | 103 | 71 |
| End of year | 174 | 71 |
| Amortisation | | |
| Beginning of year | - | - |
| Charge for year | (35) | - |
| End of year | (35) | - |
| Net book value | | |
| End of year | 139 | 71 |
| Beginning of year | 71 | - |

12. TANGIBLE FIXED ASSETS

| | Freehold properties £000's | Long leasehold properties £000's | Short leasehold properties £000's | Motor vehicles £000's | Plant & equipment £000's | Total £000's |
|--------------------------|----------------------------------|---|--|-----------------------------|--------------------------------|-----------------|
| (a) Group | | | | | | |
| Cost or valuation | | | | | | |
| Beginning of year | 4,729 | - | 80 | 872 | 13,239 | 18,920 |
| Exchange adjustment | - | - | - | 1 | 219 | 220 |
| Additions | 67 | - | 371 | 49 | 2,713 | 3,200 |
| Subsidiaries acquired | 363 | 830 | - | 73 | 605 | 1,871 |
| Disposals | (2,346) | - | - | (622) | (565) | (3,533) |
| Revaluations | (515) | - | - | - | - | (515) |
| End of year | 2,298 | 830 | 451 | 373 | 16,211 | 20,163 |
| Depreciation | | | | | | |
| Beginning of year | 250 | - | 28 | 537 | 8,602 | 9,417 |
| Exchange adjustment | - | - | - | 2 | 187 | 189 |
| Charge for year | 77 | 6 | 5 | 110 | 1,683 | 1,881 |
| Subsidiaries acquired | 12 | 73 | - | 55 | 425 | 565 |
| Disposals | (163) | - | - | (472) | (503) | (1,138) |
| Revaluations | (131) | - | - | - | - | (131) |
| End of year | 45 | 79 | 33 | 232 | 10,394 | 10,783 |
| Net book value | | | | | | |
| End of year | 2,253 | 751 | 418 | 141 | 5,817 | 9,380 |
| Beginning of year | 4,479 | - | 52 | 335 | 4,637 | 9,503 |

During the year the Group disposed of its freehold interest in Chadsworth House, Handforth for £1,377,000 net of expenses and was granted a 20 year leaseback of this property. The Group's adjoining freehold property Rushworth House, Handforth was also sold during the year for £550,000 net of expenses, subject to a 20 year leaseback. The Group has taken steps to dispose of its freehold properties in Malvern and Totnes. Following the recent restructuring of the Logistics operations, the Malvern property is surplus to the Group's requirements. The Totnes property is also surplus to requirements as a result of the relocation of the Thin Films division to the new site at Plymouth.

On 15 February 1995 the Group's freehold and long leasehold properties were professionally valued by A.N.Hertz, FRICS, on an open market value and existing use basis as at 31 December 1994. This valuation resulted in a deficit of £384,000 compared to the previous valuation in 1990. This deficit has been taken to revaluation reserves and set against previous revaluation surpluses arising on those properties.

Notes to the Financial Statements

Continued

12. TANGIBLE FIXED ASSETS (CONTINUED)

The net book value of fixed assets includes an amount of £1,446,000 (1994 - £745,000) in plant and equipment and £13,000 (1994 - £34,000) in motor vehicles in respect of assets held under finance leases. Depreciation for the year on these assets was £247,000 (1994 - £184,000) and £13,000 (1994 - £19,000) for plant and equipment and motor vehicles respectively.

Plant and equipment at cost includes £879,000 (1994 - £Nil) and short leasehold properties includes £311,000 (1994 - £Nil) of additions which were not depreciated during the year since these assets were not in commercial use until after the year end. The freeholds include land of £575,000 which is not depreciated (1994 - £1,483,000). If freehold and long leasehold properties had been stated on an historical cost basis at 31 March 1995 they would have been included as follows:

| | 1995 £000's | 1994 £000's |
|-----------------------|----------------|----------------|
| Cost | 2,294 | 2,885 |
| Depreciation | (442) | (358) |
| Net book value | 1,852 | 2,527 |

The depreciation charge for the year in respect of freehold and long leasehold properties, calculated on an historical cost basis, would have been £106,000 (1994 - £16,000)

(b) Company

| | Motor vehicles £000's | Plant & equipment £000's | Total £000's |
|--------------------------|-----------------------------|--------------------------------|-----------------|
| Cost | | | |
| Beginning of year | 146 | 232 | 378 |
| Additions | 40 | 3 | 43 |
| Disposals | (65) | - | (65) |
| End of year | 121 | 235 | 356 |
| Depreciation | | | |
| Beginning of year | 53 | 177 | 230 |
| Charge for the year | 31 | 21 | 52 |
| Disposals | (53) | - | (53) |
| End of year | 31 | 198 | 229 |
| Net book value | | | |
| End of year | 90 | 37 | 127 |
| Beginning of year | 93 | 55 | 148 |

13. FIXED ASSET INVESTMENTS**(a) Group**

| | 1995 £000's | 1994 £000's |
|---|----------------|----------------|
| Share of tangible net assets at beginning of the year | 45 | 88 |
| Fair value adjustment to assets previously acquired | - | (57) |
| Share of (losses)/profits in associated undertakings for the year | (169) | 14 |
| Exchange adjustments | 4 | - |
| Share of tangible net (liabilities)/assets at end of year | (120) | 45 |
| Own shares held | 355 | 355 |
| End of year | 235 | 400 |

Own shares relates to shares held by the OMI International plc Employee Benefit Trust (being 728,030 ordinary shares of 5p each stated at original cost). The market price of the shares at 31 March 1995 was 14p (1994 - 56p).

The cumulative goodwill written off on acquisition of associated undertakings was £1,369,000 (1994 - £741,000).

Notes to the Financial Statements

Continued

13. FIXED ASSET INVESTMENTS (CONTINUED)**(b) Company**

Fixed asset investments relate to shares in subsidiary and associated undertakings stated at cost less provisions for diminution in value.

| | 1995 Subsidiary undertakings £000's | 1995 Associated undertakings £000's | 1995 Total £000's | 1994 Total £000's |
|---|--|--|-------------------------|-------------------------|
| Cost | | | | |
| Beginning of year | 52,462 | 809 | 53,271 | 52,139 |
| Acquisitions in year | 7,132 | - | 7,132 | 1,020 |
| Additional consideration payable in respect of existing acquisitions | - | 628 | 628 | 112 |
| End of year | 59,594 | 1,437 | 61,031 | 53,271 |
| Provision for diminution in the carrying value of investments | | | | |
| Beginning of year | 19,674 | - | 19,674 | 18,588 |
| Provision made during the year | 18,626 | 1,437 | 20,063 | 1,086 |
| End of year | 38,300 | 1,437 | 39,737 | 19,674 |
| Written down value | | | | |
| End of year | 21,294 | - | 21,294 | 33,597 |
| Beginning of year | 32,788 | 809 | 33,597 | 33,551 |

The Company's principal operating subsidiary and associated undertakings are set out in Note 29.

On 22 November 1994 the Company acquired the entire ordinary share capital of Castlet Group Limited for a net cash consideration of £6,737,000.

Analysis of the acquisition of Castlet Group Limited:

| | Book Value £000's | Group adjustments £000's | Fair Value £000's |
|----------------------------|----------------------|--------------------------------|----------------------|
| Net assets acquired | | | |
| Intangible fixed assets | 44 | (44) | - |
| Tangible fixed assets | 1,552 | (246) | 1,306 |
| Stock and work in progress | 1,460 | (221) | 1,239 |
| Debtors | 1,864 | (79) | 1,785 |
| Cash | 141 | - | 141 |
| Creditors | (2,403) | 108 | (2,295) |
| Provisions | (221) | (177) | (398) |
| | 2,437 | (659) | 1,778 |
| Goodwill on acquisition | - | - | 5,354 |
| Total consideration | | | 7,132 |

Analysis of the net cash flow in respect of the acquisition:

| | |
|---|--------------|
| Cash consideration | 6,737 |
| Acquisition costs | 395 |
| Total cash outflow on acquisition | 7,132 |
| Castlet cash balances | (141) |
| Net outflow of cash and cash equivalents | 6,991 |

Notes to the Financial Statements

Continued

14. STOCKS AND WORK IN PROGRESS

| | 1995 £000's | Group 1994 £000's |
|-------------------------------|----------------|-------------------------|
| Raw materials and consumables | 2,002 | 1,295 |
| Work In Progress | 5,530 | 4,596 |
| Finished goods | 285 | 206 |
| | 7,817 | 6,097 |

The replacement cost of stocks is not materially different from their historic cost.

15. DEBTORS

| | 1995 £000's | Group 1994 (as restated) £000's | Company 1995 £000's | Company 1994 £000's |
|---|----------------|--|---------------------------|---------------------------|
| Trade debtors | 10,418 | 8,248 | - | 49 |
| Amounts owed by subsidiary undertakings | - | - | 10,022 | 12,010 |
| Corporation tax recoverable | 142 | 133 | 40 | 146 |
| ACT recoverable | 86 | 474 | 48 | 364 |
| Deferred tax (Note 19) | - | 36 | - | - |
| Other debtors | 1,196 | 468 | 314 | 39 |
| Prepayments | 837 | 668 | 58 | 84 |
| | 12,679 | 10,027 | 10,482 | 12,692 |

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 1995 £000's | 1994 (as restated) £000's | 1995 £000's | 1994 £000's |
|--|----------------|---------------------------------|----------------|----------------|
| Bank borrowings and overdrafts | 5,187 | 3,338 | 1,128 | 1,764 |
| Obligations under finance leases (Note 23) | 302 | 205 | - | - |
| Payments received on account | 1,033 | 335 | - | - |
| Trade creditors | 4,747 | 2,817 | 110 | 225 |
| Amounts owed to subsidiary undertakings | - | - | 7,592 | 6,492 |
| Amounts owed to associated undertakings | - | 36 | - | - |
| Corporation tax (including ACT payable) | 224 | 250 | 182 | 375 |
| Other taxes and social security | 1,267 | 1,095 | 224 | 144 |
| Other creditors | 1,010 | 914 | - | 25 |
| Accruals | 967 | 825 | 105 | 80 |
| Proposed dividends | - | 445 | - | 445 |
| | 14,737 | 10,260 | 9,341 | 9,550 |

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 1995 £000's | 1994 £000's | 1995 £000's | 1994 £000's |
|--|----------------|----------------|----------------|----------------|
| Bank borrowings | 1,237 | 2,857 | 1,237 | 2,857 |
| Obligations under finance leases (Note 23) | 590 | 176 | - | - |
| Deferred income (government grants) | 29 | 35 | - | - |
| Other creditors | - | 25 | - | - |
| | 1,856 | 3,093 | 1,237 | 2,857 |

All amounts are wholly repayable within five years.

Notes to the Financial Statements

Continued

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

| | Group | | Company | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 1995 £000's | 1994 £000's | 1995 £000's | 1994 £000's |
| Analysis of bank repayments | | | | |
| Repayable between one and two years | 450 | 600 | 450 | 600 |
| Repayable between two and five years | 787 | 2,257 | 787 | 2,257 |
| | 1,237 | 2,857 | 1,237 | 2,857 |

The bank borrowings are denominated in both sterling and US dollars and are secured by a fixed charge on the Group's freehold interests and a fixed and floating charge over the assets of Forward Industries Limited. The overdrafts are unsecured. Bank borrowings are repayable by facility reduction or capital repayments at six monthly intervals until October 1997. Interest is payable at UK or US bank base rates plus 1.5% per annum.

18. PROVISIONS FOR LIABILITIES AND CHARGES**(a) Group**

| | Deferred taxation (Note 19) £000's | Future property costs £000's | Restructuring closures and disposals £000's | Other £000's | Total £000's |
|-------------------|---|---------------------------------------|--|-----------------|-----------------|
| Beginning of year | | | | | |
| provisions | - | 150 | 101 | 134 | 385 |
| assets (Note 15) | (36) | - | - | - | (36) |
| | (36) | 150 | 101 | 134 | 349 |
| On acquisition | 66 | - | 192 | 140 | 398 |
| Created in year | 140 | 50 | 1,404 | 1,299 | 2,893 |
| Utilised in year | - | - | (250) | (207) | (457) |
| End of year | 170 | 200 | 1,447 | 1,366 | 3,183 |

(b) Company

| | Deferred taxation £000's | Future property costs £000's | Restructuring closures and disposals £000's | Other £000's | Total £000's |
|-------------------|--------------------------------|---------------------------------------|--|-----------------|-----------------|
| Beginning of year | - | - | - | - | - |
| Created in year | - | - | 400 | 614 | 1,014 |
| Utilised in year | - | - | (22) | - | (22) |
| End of year | - | - | 378 | 614 | 992 |

19. DEFERRED TAXATION

| | Group | |
|--|----------------|----------------|
| | 1995 £000's | 1994 £000's |
| The analysis of the deferred taxation provision is as follows: | | |
| Accelerated capital allowances | 170 | 146 |
| Provisions and other items | - | (182) |
| Net provision/(asset) | 170 | (36) |

The full potential amount of deferred taxation on all timing differences is as follows:

| | | |
|--------------------------------------|-----|------|
| Accelerated capital allowances | 486 | 414 |
| Provisions and other long term items | 254 | - |
| Short-term timing differences | - | (12) |
| End of year | 740 | 402 |

Notes to the Financial Statements

Continued

20. CALLED-UP SHARE CAPITAL

Ordinary shares of 5p each

| | 1995 Number | 1995 £000's | 1994 Number | 1994 £000's |
|--------------------------|----------------|----------------|----------------|----------------|
| Authorised: | 100,000,000 | 5,000 | 58,000,000 | 2,900 |
| Allotted and fully paid: | 72,216,821 | 3,611 | 44,441,121 | 2,222 |

The increase in the allotted share capital is due to a 5 for 8 Rights Issue on 22 November 1994. This share issue was primarily to finance the acquisition of Castlet Group Limited (Note 13).

Share options

The number of ordinary shares in respect of which, pursuant to the Senior Executive Share Option Scheme, options to subscribe have been granted totals 2,046,369. All options are normally exercisable between three and ten years from the date of grant at prices between 9.32p and 129.96p (as restated pursuant to the Rights Issue). The options are exercisable at various dates up to 6 June 2005.

21. RESERVES

The movements on reserves during the year were as follows:

(a) Group

| | Share premium account £000's | Revaluation reserve £000's | Capital reserve £000's | Special reserve £000's | Goodwill £000's | Profit & loss account £000's | Total £000's |
|--|---------------------------------------|----------------------------------|------------------------------|------------------------------|--------------------|---------------------------------------|-----------------|
| Beginning of year | 21,937 | 1,720 | 7,088 | 18,000 | (19,086) | (19,443) | 10,216 |
| Transfer to distributable reserves | - | - | - | (18,000) | - | 18,000 | - |
| Retained loss for the year | - | - | - | - | - | (5,147) | (5,147) |
| Deficit on revaluation of properties | - | (384) | - | - | - | - | (384) |
| Realised revaluation surplus on sale of properties | - | (666) | - | - | - | 666 | - |
| Goodwill written off on acquisition | - | - | - | - | (5,982) | - | (5,982) |
| Share issue | 8,888 | - | - | - | - | - | 8,888 |
| Share issue costs | (535) | - | - | - | - | - | (535) |
| Exchange movement | - | - | - | - | - | 18 | 18 |
| End of year | 30,290 | 670 | 7,088 | - | (25,068) | (5,906) | 7,074 |

Further to the reorganisation of the Company's reserves announced in the Chairman's statement which accompanied the Acquisition and Rights Issue Prospectus issued on 28 October 1994 the special reserve has been reclassified as a realised profit. Accordingly £18 million has been transferred from the special reserve to the profit and loss account in the year.

Notes to the Financial Statements

Continued

21. RESERVES (CONTINUED)**(b) Company**

| | Non-Distributable | | | Distributable | | | Total |
|-------------------------------------|---------------------------------|---------------------------|---------------------|---------------------------|---------------------------------|---------------------|---------------|
| | Share premium account £000's | Capital reserve £000's | Sub-total £000's | Special reserve £000's | Profit & loss account £000's | Sub-total £000's | £000's |
| Beginning of year | 21,937 | 7,088 | 29,025 | 18,000 | (15,206) | 2,794 | 31,819 |
| Transfer to profit and loss account | - | (5,415) | (5,415) | (18,000) | 23,415 | 5,415 | - |
| Retained loss for the year | - | - | - | - | (23,450) | (23,450) | (23,450) |
| Share issue | 8,888 | - | 8,888 | - | - | - | 8,888 |
| Share issue costs | (535) | - | (535) | - | - | - | (535) |
| End of year | 30,290 | 1,673 | 31,963 | - | (15,241) | (15,241) | 16,722 |

£5,415,000 of the capital reserve has been realised and reclassified as distributable since the investments to which it related have been provided against in the year.

| | 1995 £000's | 1994 £000's |
|---|----------------|----------------|
| Net cash inflow from share issue | | |
| Nominal value of share capital | 1,389 | - |
| Share premium | 8,888 | - |
| | 10,277 | - |
| Issue costs | (535) | - |
| | 9,742 | - |

22. EMPLOYEE BENEFIT TRUST

Following the publication of FRS 5 (reporting the substance of transactions) by the Accounting Standards Board in April 1994 and subsequent clarification by the Urgent Issues Task Force in February 1995, the assets, liabilities, income and expenditure of the OMI International plc Employee Benefit Trust (EBT) have now been incorporated into the consolidated financial statements.

The retained loss for the year relating to the EBT which has been included in the consolidated profit and loss account was £28,000 (1994 profit - £20,000) after net interest expense of £28,000 (1994 - £38,000).

EBT bank borrowings of £381,000 (1994 - £336,000) have been included in creditors falling due within one year and the interest in the OMI shares of £356,000 (1994 - £356,000) which the Group has treated as owing for accounting purposes, is included in investments. The EBT bank borrowings are guaranteed by OMI International plc.

The consolidated net assets at 1 April 1993 have been restated to include the EBT as follows:

| | £000's |
|-----------------------------|---------------|
| Net assets at 1 April 1993: | |
| As previously reported | 14,140 |
| Net liabilities of EBT | (25) |
| As restated | 14,115 |

Notes to the Financial Statements

Continued

23. COMMITMENTS**(a) Capital commitments**

At the end of the year capital commitments were:

| | 1995 £000's | Group 1994 £000's |
|-----------------------------------|----------------|-------------------------|
| Contracted for | 383 | 625 |
| Authorised but not contracted for | - | 129 |
| | 383 | 754 |

(b) Lease commitments

| | 1995 £000's | Group 1994 £000's |
|---------------------------|----------------|-------------------------|
| Finance lease commitments | | |
| Amounts payable within: | | |
| one year | 302 | 205 |
| two to five years | 590 | 176 |
| | 892 | 381 |

At the end of the year Group companies had the following annual commitments under non cancellable operating leases:

| | 1995 | | 1994 | |
|----------------------------|----------------------|-----------------|----------------------|-----------------|
| | Properties £000's | Other £000's | Properties £000's | Other £000's |
| On leases which expire in: | | | | |
| one year | 125 | 121 | 194 | 262 |
| two to five years | 204 | 455 | 352 | 567 |
| over five years | 1,035 | 28 | 938 | 34 |
| | 1,364 | 604 | 1,484 | 863 |

At the end of the year the Company had the following annual commitments under non cancellable operating leases:

| | 1995 | | 1994 | |
|----------------------------|----------------------|-----------------|----------------------|-----------------|
| | Properties £000's | Other £000's | Properties £000's | Other £000's |
| On leases which expire in: | | | | |
| one year | - | - | 8 | - |
| two to five years | 114 | 7 | - | 7 |
| over five years | - | - | 115 | - |
| | 114 | 7 | 123 | 7 |

Notes to the Financial Statements

Continued

24. PENSION SCHEMES

The OMI Group Pension Scheme (OMI Scheme) was set up in June 1992 and previously comprised both a money purchase section and a defined benefit (Lontec) section. The Group also operated the GED Pension Scheme (GED Scheme) which was a defined benefit scheme. With effect from 1 July 1994 the GED Scheme has been merged with the OMI Scheme. Defined benefit sections have been closed to new entrants since August 1992. Scheme assets are held in separate trustee-administered funds and the Scheme is subject to periodic valuations by independent actuaries. The latest valuations were carried out as at 1 April 1994, prior to merger, using the projected unit method with a control period of five years. The principal actuarial assumptions applied were 9% per annum investment returns for both the OMI Scheme and the GED Scheme, 7% per annum salary growth for the OMI Scheme and 5.5% per annum salary growth for the GED Scheme.

At this actuarial valuation date, the market value of the assets of the OMI Scheme were £4,287,000 and those of the GED Scheme were £1,579,000. The calculated asset value for the Lontec section of the OMI Scheme represented 127% of the benefits that had accrued to members after allowing for expected future increases in earnings and for the calculated asset value of the GED Scheme the cover was 95%.

Prior to the scheme merger on 1 July 1994 part of the surplus identified in the Lontec section of the OMI Scheme was allocated to the benefit of the membership of that Scheme. In order to remove the deficit on the GED Scheme the Group made additional contributions to that scheme prior to the merger.

The pension charge for the year was £53,000 (1994 credit - £44,000) in respect of the two defined benefit sections and a charge of £172,000 (1994 - £137,000) in respect of the money purchase section. In addition the Group made contributions of £150,000 (1994 - £124,000) to certain employees' private pension Schemes.

The increase in the charge relating to defined benefit sections in 1995 is as a result of the exceptional credit recognised in 1994 (Note 6).

25. CONTINGENT LIABILITIES

OMI International plc has guaranteed continuing financial support in respect of the normal trading of certain subsidiary undertakings. A cross guarantee structure is in force in respect of the banking arrangements of the UK companies by which the borrowings of any UK Group company is guaranteed by all the other UK Group companies.

OMI International plc has guaranteed the borrowings of Omitec Holdings GmbH. As at 31 March 1995 these borrowings were £199,000 (1994 - £175,000).

The Group has assigned property leases in the normal course of business. Should the assignees fail to fulfil any obligation in respect of those leases, the Group may be liable for those defaults. The Directors are not aware of any instances where such defaults have taken place.

OMI International plc has guaranteed up to \$1 million of borrowings for Omega Logistics International Inc for the purposes of financing working capital. As at 31 March 1995 these borrowings were \$801,000 (1994 - \$407,000).

In respect of Omega Logistics International Inc, a further \$0.6 million of deferred consideration may be payable over the next year, dependent on performance. As such deferred consideration becomes payable there is a dollar for dollar reduction in the OMI International plc obligation to guarantee the borrowings of Omega Logistics International Inc noted above.

26. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

| | 1995 Continuing | 1995 Acquisitions | 1995 Total | 1994 Total (as restated) (Note 22) £000's |
|--|--------------------|----------------------|---------------|---|
| | £000's | £000's | £000's | £000's |
| Operating (loss)/profit on continuing operations | (3,166) | 92 | (3,074) | 537 |
| Exceptional items included in operating (loss)/profit | 1,644 | - | 1,644 | 963 |
| Operating (loss)/profit before exceptional items | (1,522) | 92 | (1,430) | 1,500 |
| Exceptional items paid | (263) | - | (263) | (1,130) |
| Depreciation | 1,880 | 36 | 1,916 | 1,918 |
| Deferred Government grants released | (6) | - | (6) | (5) |
| Profit on sale of fixed assets | (69) | (3) | (72) | (38) |
| Profit on sale of investments | - | - | - | (49) |
| Increase in stocks | (1,058) | 377 | (681) | (1,191) |
| (Increase)/decrease in debtors | (1,020) | 233 | (787) | 1,887 |
| Increase/(decrease) in creditors due in less than 1 year | 1,299 | (272) | 1,027 | (239) |
| Increase/(decrease) in provisions | 511 | 15 | 526 | (570) |
| Decrease in creditors due in more than 1 year | - | - | - | (7) |
| Net cash inflow | (248) | 478 | 230 | 2,076 |

Notes to the Financial Statements

Continued

27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

| | 1995 Share capital and premium £000's | 1995 Loans and finance lease obligations £000's | 1994 Share capital and premium £000's | 1994 Loans and finance lease obligations £000's |
|---|---|---|--|---|
| Beginning of year | 24,159 | 3,313 | 24,159 | 139 |
| New finance leases and assets acquired by instalments | - | 999 | - | 619 |
| Net cash in/(out) flow from financing | 9,742 | (1,438) | - | 2,555 |
| End of year | 33,901 | 2,874 | 24,159 | 3,313 |

28. CASH AND CASH EQUIVALENTS

(a) Analysis of changes during the year

| | 1995 £000's | 1994 £000's |
|---|----------------|----------------|
| Beginning of year | (3,260) | (2,968) |
| Net cash outflow before adjustments for the effects of foreign exchange | (906) | (299) |
| Effect of exchange rate changes | (104) | 7 |
| End of year | (4,270) | (3,260) |

(b) Analysis of the balances shown in the Group balance sheet

| | 1995 £000's | 1994 £000's |
|--------------------------------|----------------|----------------|
| Cash at bank and in hand | 211 | 78 |
| Bank borrowings and overdrafts | (4,481) | (3,338) |
| | (4,270) | (3,260) |

29. PRINCIPAL OPERATING SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

| Subsidiary/ Associated undertaking | Principal Activities | Country of Incorporation and operation | Proportion of ordinary shares held by the Company | Proportion of ordinary shares held by subsidiary undertaking |
|--|---|--|---|--|
| Omitec Electro-Optics Limited | Mounted optic assemblies for industrial and avionic applications. | UK | 100% | - |
| Omitec Thin Films Limited | High precision thin film coatings for optical assemblies. | UK | 100% | - |
| Omitec Instrumentation Limited | Automotive diagnostics and emission analysis products. | UK | 100% | - |
| Forward Industries Limited | Electro-hydraulic products for industrial applications. Energy and environmental products for power generation and medical applications. Process plant design and project management. | UK | 100% | - |
| Castlet Group Limited | Design and manufacture of control equipment for electro-static precipitators and other electrical and electronic devices. | UK | 100% | - |
| OMI Logistics Limited | Products, services and tools for through-life logistics management of major capital assets. Reliability software products. | UK | 100% | - |
| OMI Design Technology Limited | Print & reprographics services to industry and the Government sector. | UK | - | 100% |
| Omega Logistics International Incorporated | Integrated Logistics Support. | USA | 20% | - |
| Peters & Zabransky GmbH | Advanced designs and project management services for the automotive industry. | Germany | - | 100% |

All of the Companies incorporated in the UK are registered in England and Wales.

OMI International plc registered number: 196908

Notice of Meeting

Notice is hereby given that the seventy-first Annual General Meeting of the Company will be held at 1-11 Hay Hill, Berkeley Square, London W1X 7LF at 10am on 3 August 1995 for the following purposes:

As ordinary business to consider and, if thought fit, pass the following Ordinary Resolutions:

1. To receive and adopt the financial statements for the year ended 31 March 1995, together with the reports of the Directors and Auditors thereon.
2. To re-elect Mr D Ablett as a Director who, having been appointed to the Board since the last Annual General Meeting, retires and, being eligible, offers himself for re-election.
3. To re-elect Mr A Diment as a Director who, having been appointed to the Board since the last Annual General Meeting, retires and, being eligible, offers himself for re-election.
4. To re-elect Mr G Eades as a Director who, having been appointed to the Board since the last Annual General Meeting, retires and, being eligible, offers himself for re-election.
5. To re-appoint KPMG as auditors to the Company and to authorise the Directors to fix their remuneration.

As special business to consider and, if thought fit, pass the following resolutions as Special Resolutions:

6. (a) That the Directors be and they are hereby empowered, pursuant to Section 95 of the Companies Act 1985 ("the Act"), to allot equity securities pursuant to the authority given in accordance with Section 80 of the Act by a Resolution passed at a General Meeting of the Company held on 21 November 1994 as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

- (i) in connection with an offer of securities, open for acceptance for a period fixed by the Directors, by way of rights to holders of Ordinary Shares in proportion (as nearly as may be) to their holdings on a record date fixed by the Directors (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with problems under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in connection with fractional entitlements or otherwise howsoever);

- (ii) pursuant to the terms of any share scheme for employees approved by the members in General Meeting; and

- (iii) (otherwise than pursuant to sub-paragraphs (i) and (ii) above) up to an aggregate nominal amount of £180,542 (equal to 5 per cent of the nominal amount of the Company's issued equity share capital as shown in its financial statements for the year ended 31 March 1995) and so that this sub-paragraph (iii) shall extend to equity securities which by their terms do not require to be paid up whether on issue thereof or at any time;

and shall expire at the conclusion of the Annual General Meeting of the Company in 1996, but so that this power shall enable the Company to make offers or agreements prior to the expiry of this power which would or might require equity securities to be allotted after the expiry of this power.

- (b) Words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this Resolution.

E B Gore
Secretary
10 July 1995

Notes:

1. A member entitled to attend and vote at the Meeting may appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy for your use is enclosed. To be effective, the form of proxy must be lodged with the Registrar of the Company not less than 48 hours before the time appointed for the holding of the Meeting.
2. The return of the form of proxy will not prevent a member from attending the Meeting and voting in person.
3. Copies of the Directors' service contracts will be available for inspection during the normal business hours at the registered office of the Company from the date of this notice until the date of the Annual General Meeting and at the place of the Meeting for at least 15 minutes prior to the Meeting until its conclusion.