

OMI International plc designs, develops  
and supplies technically advanced  
products and services to industrial and defence related  
markets worldwide.

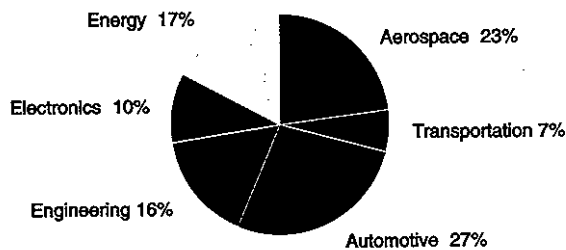


The Group enjoys strong relationships  
with its customers who are leading international companies in  
their chosen fields of technology.

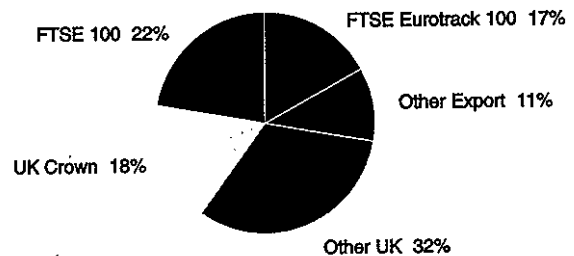
OMI supplies innovative solutions to suit their  
specific requirements.



#### INDUSTRIES SERVED



#### QUALITY CUSTOMER BASE



196902

## Chairman's Statement 1996

These results, our first full year under my control as Chairman, demonstrate that the Group is returning to profitability. The operating loss for the year ending March 1996 was £2.6 million and is the combination of two very different half years. The audited operating loss of £3.1 million for the first six months to 30 September 1995 reflected the exceptional costs of eliminating peripheral businesses and obligations, plus the shedding of surplus staff. The benefits of these actions began to take effect as the second half progressed, resulting in an operating profit of £0.5 million for the six months to 31 March 1996. The full impact of these actions will be felt in the current financial year.

Total Group borrowing decreased in the year by £0.7 million to £6.4 million. Capital expenditure in the year amounted to £1.6 million, while proceeds from disposals were £1.1 million. The reduction of working capital has been a priority and our strategy has achieved significant success, generating a positive cash flow of £1.4 million in the second half of the year. This is part of a continuing trend of debt reduction and, when considered alongside the £11.0 million of new bank facilities, provides the Group with adequate working capital for the foreseeable future.

The new bank facilities came into effect in May 1996 and include £10.5 million of medium-term facilities with an earliest scheduled renewal date in 1999. These facilities are more realistically matched to our asset base

and will provide the necessary finance for the anticipated organic growth of the Group.

Order books at 31 March 1996 stood at £27.5 million being some 38% higher than at the same time last year. Our subsidiaries have focused their attention on maximizing their returns from products that take advantage of the generally favourable market conditions while at the same time eliminating loss-making divisions and products, which have for many years impaired profitability and deflected management attention from the core issues.

Total sales in the twelve months were some £45.4 million, £43.3 million being from continuing operations, which increased by 18% over sales for the same period last year. However, at the current stage of the Group's development, the best measure of future prospects is the improvement in margins. On continuing operations in the second half of the year margins increased to 29% compared with 27% for the year ending March 1995.

A dividend is not declared for this year but the Directors have begun the process of re-classifying the balance sheet reserves which should enable dividends to be declared from future profits.

The Directors have also reviewed the goodwill reserve in the light of recent rationalisation and restructuring. As a result the pre tax loss for the year includes a charge of £10.9 million, which is a transfer from the goodwill reserve to the profit and loss reserve.

In accordance with current accounting standards, this has to be passed through the profit and loss account. It represents goodwill written off directly to reserves on acquisitions made in prior years which no longer form part of the Group's operations. This is not a cash transaction and does not alter either the net assets of the Company or the shareholders' funds.

### Design and Documentation

A welcome indicator of the progress being made was the turnaround in the Design and Documentation Division, the primary reason for the Group's past losses. Significantly, Peters & Zabransky produced profits and a positive cash flow in the year, its first for four years, while Logistics finished the year by recording a small monthly profit.

### Environmental

In January this year the Department of Transport postponed the new MOT exhaust emission test which disrupted sales of the Four Gas Analyser and adversely affected profits at Instrumentation. The Division was also held back by losses at Forward Industries as it withdrew from the unprofitable civil engineering market. However, a £5.2 million contract to supply BNFL with remote handling equipment over the next two years augurs well for the future. Castlet, which under new management has now been fully integrated into the Group, produced profits and cash in line with our expectations and

Chairman's Statement continued

continues to benefit from increasing worldwide demand for its products.

**Optronics**

The Optronics Division had mixed fortunes in the year, with start-up difficulties at the new Thin Films production facility in Plymouth which depressed results. In contrast Electro-Optics continued to more than offset the Thin Films results, with its increasing profitability following the successful second half year launch of its new range of digital scanning lenses.

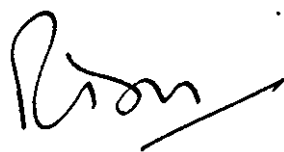
**People**

I am delighted that John Watkins has joined the Board where he assumes responsibility for the Environmental Division. His experience includes Managing Director appointments with GEC plc, Benson plc, FKI Babcock plc and Cummins Engines Ltd, following an MA in Engineering Science from Worcester College, Oxford.

The process of turning around a loss-making Group clearly puts great demands on all our employees and their families. On behalf of the Board I would like to thank everybody for their contribution over the past year.

**Outlook**

The Group has companies which are at the forefront of their chosen areas of technology. We have made progress in the second half year. The Group has made an operational profit by a combination of higher sales and improved margins. Costs are under control but more importantly we are now producing cash. Working capital has been attacked and successfully reduced. The disciplines and new management introduced in the year coupled with strong order books should see further progress being made in 1996/97.



Richard Duggan  
Executive Chairman

27 June 1996

# Finance Report

## OPERATING RESULT

The operating profit for the second half year amounted to £533,000 and followed a first half loss of £3,105,000. The Divisional performance is shown below.

Division	1995/96 1st Half £000's	1995/96 2nd Half £000's	1995/96 Year £000's	1994/95 Year £000's
Design & Documentation	(1,450)	702	(748)	(2,207)
Environmental	(235)	667	432	1,039
Optronics	(53)	171	118	325
Central Costs	(991)	(870)	(1,861)	(1,446)
Continuing Operations	(2,729)	670	(2,059)	(2,289)
Discontinued Operations	(376)	(137)	(513)	(785)
Total	(3,105)	533	(2,572)	(3,074)

## INVESTMENTS AND DISPOSALS

The majority of the £1.6 million capital expenditure in the year related to programmes started in the year to March 1995. This included the final costs of the Thin Films new factory of £485,000.

The sale of redundant assets and loss making divisions produced receipts of £1.3m.

## BANK FACILITIES

The former short-term bank facilities of £7.8 million, which included an unsecured overdraft of £6.0 million, have been replaced by new bank facilities of £11.0 million and bond facilities of £1.1 million. These became operational in May 1996. Of the £11.0

million bank facility, £10.5 million are medium-term and comprise:-

- £7.7 million receivables finance
- £0.8 million three year mortgage
- £2.0 million five year loan repayable in 2001

The accounting presentation of the £7.7 million receivables financing facilities cannot be treated as medium-term due to the revolving nature of the debtor security. It will therefore be treated as short-term borrowings in future balance sheet presentations.

There is an unsecured overdraft facility of £0.5 million.

The interest rates payable for these facilities vary, with the mix expected to average 1.7% over bank base rates.

The nature and level of these facilities, which match the asset profile of the Group, will provide the necessary finance for organic growth within the Group.

## RESTRUCTURING OF BALANCE SHEET RESERVES

The cumulative effect of the Group's past losses and the reduction in the carrying values of subsidiary and associated companies has left the Company with negative profit and loss account reserves in the balance sheet. Consequently the Directors intend to carry out a reclassification of the balance sheet reserves which will not involve the introduction of new capital. This will enable future dividends to be declared out of future profits.

## Review of Operations

### Design and Documentation

THE SUPPLY OF DESIGN SERVICES,  
TECHNICAL DOCUMENTATION, CODIFICATION  
AND SOFTWARE TO THE AUTOMOTIVE,  
TRANSPORTATION AND AEROSPACE INDUSTRIES.

In October we sold our reprographic businesses, thus completing the elimination of peripheral loss-making businesses.

The Documentation Division of Logistics now operates from three main centres at Manchester, Malvern and Southampton, with satellite operations at Weymouth, Cheltenham, Bristol and Fareham. The Software Division is also based at Fareham. The central administration has been downsized and replaced by local accountability which has led to improved financial and contract cost control.

The Documentation Division is the

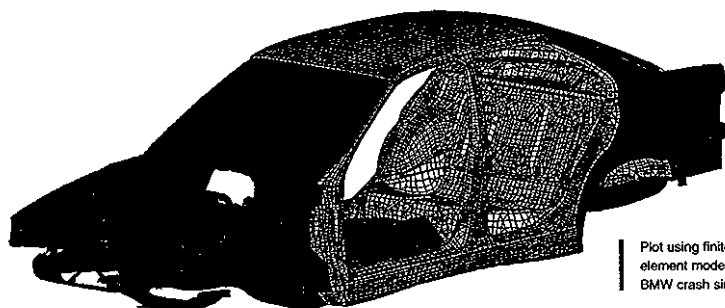
leading supplier of codification services to the MoD and has recently won the documentation contract for the new Heathrow Express rail link. A contract with BAe for Jetstream aircraft documentation continues to be a major source of income.

The Software Division launched its new Omega Product Support package

(Omega PS), in April 1996. Omega PS is a product support package providing maintenance management for any large capital asset. There is now an increasing demand for this product as both commercial and defence sectors realise the need to achieve value for money over the life of major capital investments. Significant orders have already been won for a UK defence project and for McDonnell Douglas in the USA.

We are the leading supplier of Logistics training to the Army, Navy and Airforce and many of Europe's leading defence contractors.

The turnaround at Peters & Zabransky continued in the second half, producing a very consistent performance in terms of both profits and cash. The investment in state-of-the-art information technology for Finite Element and mathematical modelling contributed towards the sales of continuing businesses, increasing by 58% while order books at the end of March 1996 were 51% above the levels of the same time last year.



Plot using finite element modelling for BMW crash simulation

# ΩPS

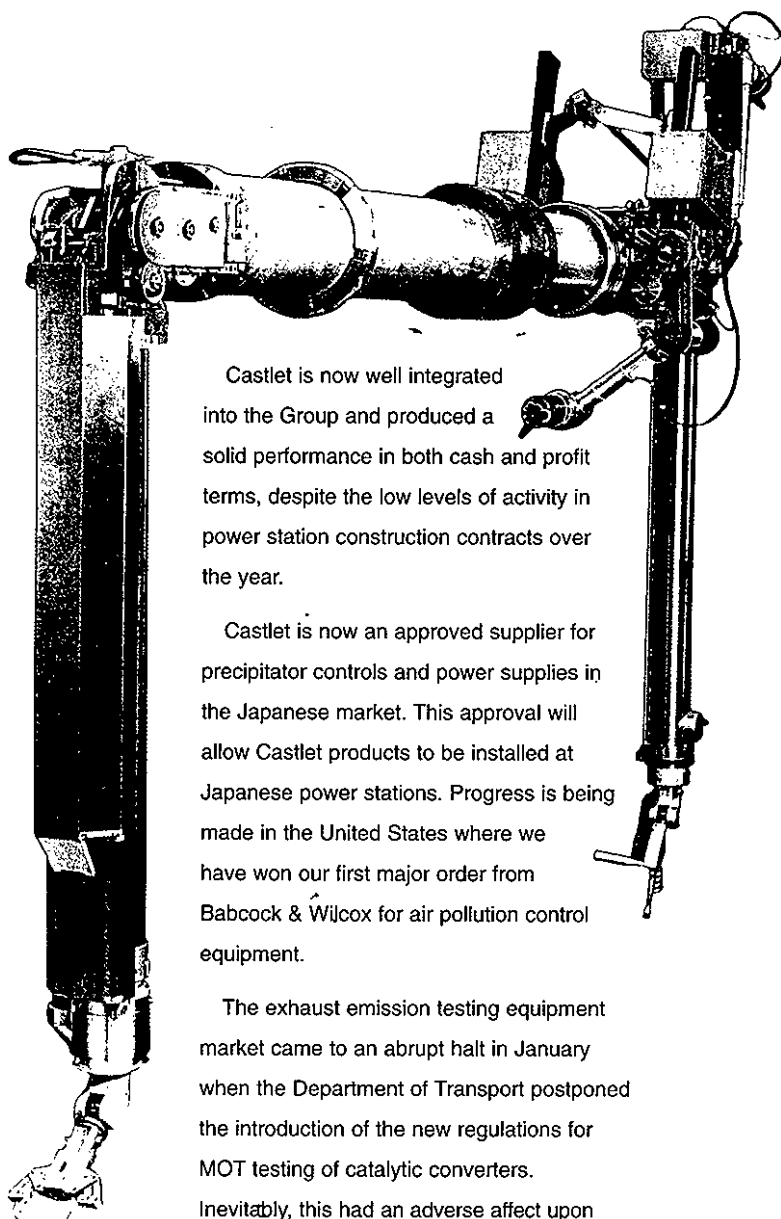


Omega Product Support package

## Review of Operations continued

### Environmental

THE DESIGN AND MANUFACTURE OF AIR POLLUTION CONTROL EQUIPMENT, AUTOMOTIVE DIAGNOSTIC AND MILITARY ELECTRONICS, HYDRAULIC SYSTEMS AND SPECIALIST ENGINEERING FOR THE REPROCESSING OF NUCLEAR FUEL.



Castlet is now well integrated into the Group and produced a solid performance in both cash and profit terms, despite the low levels of activity in power station construction contracts over the year.

Castlet is now an approved supplier for precipitator controls and power supplies in the Japanese market. This approval will allow Castlet products to be installed at Japanese power stations. Progress is being made in the United States where we have won our first major order from Babcock & Wilcox for air pollution control equipment.

The exhaust emission testing equipment market came to an abrupt halt in January when the Department of Transport postponed the introduction of the new regulations for MOT testing of catalytic converters. Inevitably, this had an adverse affect upon profits and stock levels at Instrumentation but should be resolved in the summer of 1996.

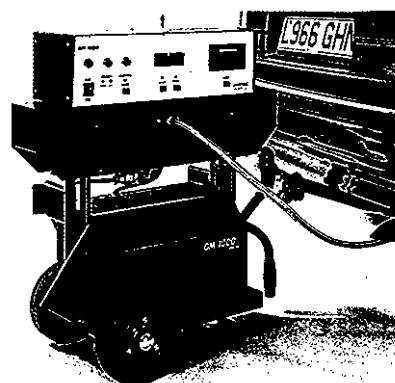
As the year progressed it became apparent at Forward that some civil engineering contracts would not be completed profitably.

Remote handling arm designed and manufactured for nuclear fuel reprocessing



Control cabinet for air pollution equipment

The company is now moving away from this sector and focusing only on contracts requiring either its hydraulic expertise or its nuclear engineering capability. We have won the order to supply remote handling equipment to BNFL which will be worth £5.2 million over the next two years. Prospects for remote handling equipment in Japan are progressing well.



Exhaust emission analysis in progress

Review of Operations continued

## Optronics

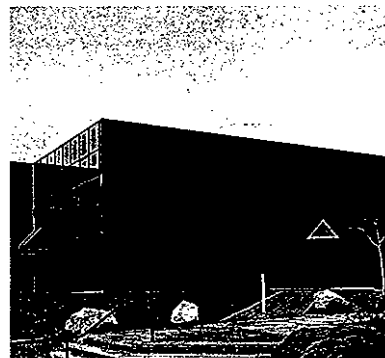
THE DESIGN AND MANUFACTURE OF PRECISION  
OPTICAL ASSEMBLIES AND COATINGS FOR  
AVIONIC AND INDUSTRIAL APPLICATIONS.

During the year significant production contracts were won for head-up display and laser optics, rewarding several years of in-house technology development. The recent launch of digital laser scanning lenses has been followed by a substantial increase in orders with over £1 million being placed in March for delivery in 1996.

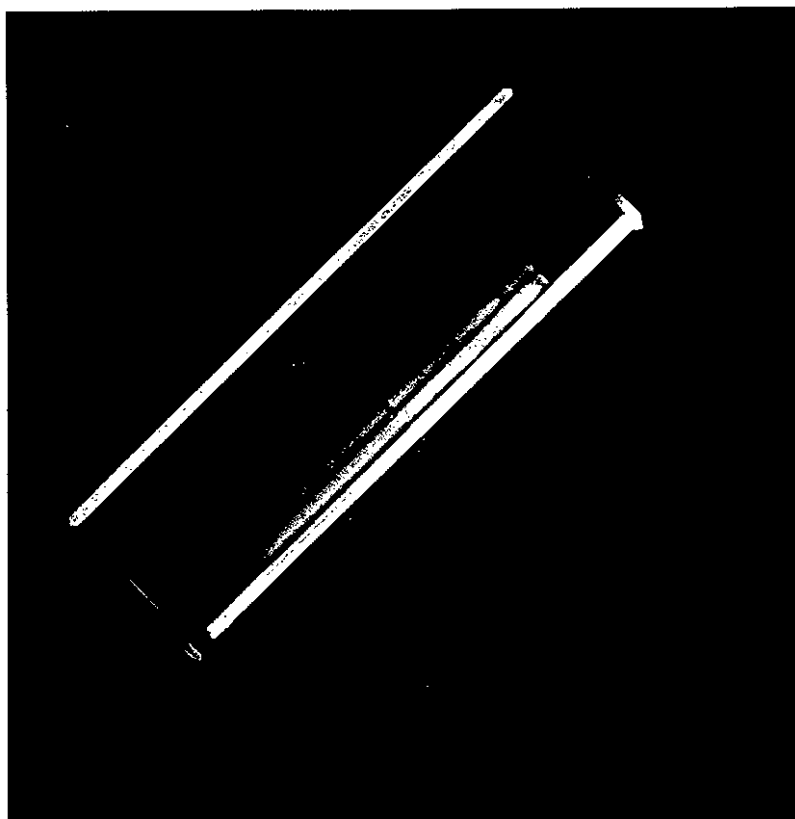
At 31 March 1996 order books for

the Division stood at £10.9 million up some 96% from the same time last year. Over £6 million is scheduled for deliveries this year and the remainder for contracts to the end of the decade.

The investment in plasma assisted technology at our new facility in Plymouth has increased our capacity and capability at the forefront of advanced thin film deposition.



The Thin Films facility  
at Plymouth



A laser beamsplitter for the  
Graphic Arts Industry

Significant orders for complex filters have been won for avionic, video conferencing and fibre optic applications.

The Division is well placed to continue its advance in its chosen market areas.



Colour selective thin film  
combiners are used in  
Head Up Displays for aircraft

## Directors and Advisers

OMI International plc

### DIRECTORS

R W Duggan, Executive Chairman

D N Ablett, Non Executive

A R Diment, Non Executive

G J Eades, Finance

J F Watkins

### SECRETARY

E B Gore

### REGISTERED OFFICE

1-11 Hay Hill

Berkeley Square

London W1X 7LF

### AUDITORS

Deloitte & Touche

1 Little New Street

London EC4A 3TR

### STOCKBROKERS

de Zoete & Bevan Limited

Ebbgate House

2 Swan Lane

London EC4R 3TS

### REGISTRARS

Connaught St Michaels Limited

P O Box 30

CSM House

Victoria Street

Luton

Bedfordshire LU1 2PZ

### REGISTERED NUMBER

196908



# Corporate Governance

## CADBURY COMMITTEE CODE OF BEST PRACTICE

The Board continues to support the principles and practices contained in the Cadbury Committee's Code of Best Practice and complied with its provisions, except for the fact that the Company had two rather than three non-executive Directors throughout the year.

The Board has reviewed the reporting criteria applicable to the Group and its statements on going concern and internal financial control, are set out below.

## BOARD OF DIRECTORS

Details of the Directors appear on page 8 of this Annual Report. The Board currently consists of three executive and two non-executive Directors. The appointment of the non-executive Directors is for a period of two years and follows a process involving the whole Board. Their re-appointment is subject to review and is not automatic. The appointment of a third non-executive Director is kept under review. All Directors except the Executive Chairman are subject to retirement by rotation in accordance with the Articles of Association.

The Board recognises that the roles of Chairman and Chief Executive are combined and will review the separation of roles when it is appropriate. Whilst the roles are combined, the Board believes this is balanced by a strong and independent element on the Board. The employment of each executive Director is regulated by a contract of service terminable by a notice period which in no case exceeds one year. Detailed information concerning Directors' service contracts appears on page 11. A procedure has been adopted for Directors, when appropriate, in furtherance of their duties to take independent advice at the Company's expense.

## OPERATION OF THE BOARD AND COMMITTEES

The Board, which has adopted a formal schedule of matters reserved for its exclusive decision, has delegated certain actions to the Executive Committee, the Audit Committee and the Remuneration Committee.

The Executive Committee is chaired by the Group Chairman and reviews the performance of all Group companies. It has the power to approve expenditure within limits defined by the Board.

The Audit Committee consists of the two non-executive Directors and meets at least three times a year. It is chaired by Mr D N Ablett. The Group Chairman, the Finance Director, internal and external auditors also attend its meetings. The Committee reviews internal control systems and will monitor the recently created internal audit function. The Committee reviews with the external auditors all audit matters, including interim and annual financial statements prior to their publication.

The Remuneration Committee, which consists of the two non-executive Directors, is chaired by Mr A R Diment. The Committee establishes the terms of engagement and employment of the Chairman, other executive Directors of the Company and senior employees, including salaries, bonus schemes, pension, share option and other employee benefits. The Report of the Remuneration Committee appears on page 11.

## INTERNAL FINANCIAL CONTROL

The Directors acknowledge their responsibilities for the Group's system of internal financial control. In fulfilling these responsibilities, the Board has reviewed the effectiveness of the system of internal financial control on the basis of the criteria set out in the Guidance for Directors "Internal Control and Financial Reporting".

The Directors have put in place an organisation structure with clearly defined lines of management responsibility and delegated authority. The Group has established procedures for planning and budgeting and for monitoring the performance of all the divisions. The annual budgets are reviewed by the executive Directors and the Group budget is then approved by the Board of Directors. There are clear procedures for obtaining approval of capital expenditure, acquisitions, disposals, new indebtedness and the granting of guarantees. Group Internal Audit will monitor and report on the systems of internal financial control. The Internal Auditor will report significant matters to, and have direct access to, the Audit Committee.

## GOING CONCERN

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these financial statements.

## Review Report on Corporate Governance Matters

### TO OMI INTERNATIONAL PLC BY DELOITTE & TOUCHE

In addition to and separate from our audit of the financial statements we have reviewed the Directors' statement on page 9 on the Group's compliance with the paragraphs of the Code of Best Practice specified for our review by The London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

### BASIS OF OPINION

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

### OPINION

With respect to the Directors' statement on internal financial control on page 9 and going concern on the same page, in our opinion the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the accounts and notes.

Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 9 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Deloitte & Touche  
Chartered Accountants and  
Registered Auditors  
Hill House  
1 Little New Street  
London EC4A 3TR

2 July 1996

# Report of the Remuneration Committee to Shareholders

Mr A R Diment, as Chairman of the Remuneration Committee, presents this report to shareholders on behalf of the Board.

## DIRECTORS

The Directors of the Company at the date of this report are shown on page 8. Mr R W Duggan (Chairman) held office throughout the year. The service of the other Directors is listed below:

G J Eades	appointed 1 June 1995
J F Watkins	appointed 4 June 1996
D N Ablett	appointed 9 May 1995
A R Diment	appointed 9 May 1995
Maj. Gen. Beardsworth	resigned 3 August 1995
B G Hill	resigned 3 August 1995
D L Jeffries	resigned 1 June 1995

## POLICY ON EXECUTIVE DIRECTORS' REMUNERATION

The Company's policy is to set the levels of salary and other benefits for the Chairman and the other executive Directors on a basis which is reasonable in relation to the duties and responsibilities undertaken by each Director. All elements of the executive Directors' remuneration and benefits are decided by the Remuneration Committee. In making its judgements on these matters, the Committee has taken account of external measures, including those relating to comparator companies and advice obtained from independent remuneration consultants.

## REMUNERATION AND SHARE OPTION INFORMATION

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.

Details of the remuneration of Directors for their periods of office during the year individually and in total are shown below:

	Salary £	Bonus £	Pension £	Benefits £	Fees £	1995/6 Total	1994/5 Total
R W Duggan (Chairman)	126,000	-	18,900	3,669	-	148,569	24,250
G J Eades	74,431	-	11,164	2,954	-	88,549	-
D N Ablett	-	-	-	-	12,500	12,500	-
A R Diment	-	-	-	-	11,000	11,000	-
S J Beardsworth (resigned 3 August 1995)	-	-	-	-	5,175	5,175	15,000
B G Hill (resigned 3 August 1995)	-	-	-	-	5,175	5,175	15,000
D L Jeffries (resigned 1 June 1995)	91,863*	-	1,750	2,501	-	96,114	121,967
Other Directors who did not serve in the current year	-	-	-	-	-	-	295,714
	292,294	-	31,814	9,124	33,850	367,082	471,931

\* includes payment for loss of office of £74,413

In March 1996 a sum of £265,000 was paid into Court, relating to a writ issued by the former Chairman and Chief Executive, Mr Williams, for wrongful dismissal on 28 February 1995. Mr Williams' writ claimed £944,025 under his three year contract, having received no compensation at the time of his dismissal. On 30 April 1996 Mr Williams accepted the sum paid into Court in full and final settlement of his claim.

## INCENTIVE BONUS SCHEME

An Incentive Bonus Scheme has been created for 1996/97 for executive Directors and is subject to annual renewal. Payments can be made against a pre-defined improvement in Group profitability and cash flow. The maximum payable under this Scheme is 50% of annual basic salary.

## DIRECTORS' SERVICE CONTRACTS

The executive Directors have service contracts with a notice period of one year. The non-executive Directors were both appointed for a two year term which is due to be reviewed in May 1997.

## Report of the Directors

The Directors submit their annual report and financial statements for the year ended 31 March 1996

### ACTIVITIES

The principal activities of the Group are the design, development and supply of technically advanced products and services to industrial and defence related markets world-wide.

During the year the following significant events occurred:

On 20 October 1995 OMI Logistics Limited, a subsidiary company sold its Print & Reprographics business for £450,000.

Omitec Holding GmbH (an OMI International plc subsidiary company) and its subsidiary Peters & Zabransky GmbH merged on 31st March 1996 and continue to trade as Peters & Zabransky GmbH.

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 5 to 7.

### RESULTS AND DIVIDENDS

The results for the year are set out on page 17 and the movements in reserves are set out in Note 21. The Directors do not recommend the payment of a dividend for the year ended 31 March 1996. (1995 - 0.75p per share.)

### SHARE CAPITAL

The movements in share capital during the year are set out in Note 20.

### FIXED ASSETS

The movements in tangible fixed assets during the year are set out in Notes 11, 12 and 13.

### 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 Directors who served during the year are listed on page 11.

On 4 June 1996 Mr J F Watkins was appointed to the Board.

Mr Ablett, age 53, 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 Frederick Cooper Plc, the AXA Insurance Company Limited and a number of private manufacturing companies.

Mr Diment, age 51, 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.

Mr Ablett retires by rotation and will be seeking re-election at the Annual General Meeting.

## Report of the Directors continued

**DIRECTORS AND THEIR INTERESTS continued**

The Directors of the Company as at 31 March 1996, and their families, were beneficially interested in the share capital of the Company as follows:

	31 March 1996		1 April 1995 (or date of appointment)	
	Ordinary Shares	Executive Share Options	Ordinary Shares	Executive Share Options
D N Ablett	75,000	-	-	-
A R Diment	17,600	-	-	-
R W Duggan	501,250	500,000	81,250	-
G J Eades	67,504	250,000	-	-

Subsequent to the year end Mr R W Duggan purchased 19,525 shares, Mr G J Eades purchased 39,810 shares, Mr A R Diment purchased 35,000 shares and Mr J F Watkins purchased 16,375 shares in the Company. As at 27 June 1996 there were no other changes to Directors' share interests or options.

The executive share options are to acquire ordinary shares 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 1994 Executive Share Option Scheme.

The market price of the shares at 31 March 1996 was 16p (31 March 1995 - 14p). The shares traded during the year within the range 12p to 16 1/2p.

During the year Mr Duggan held a non-beneficial interest in the 728,030 ordinary shares of the Company held by OMI Group Share Trust Limited by virtue of his appointment as a Director of that Company.

**SUBSTANTIAL SHAREHOLDINGS**

As at 12 June 1996 the Directors were aware of the following interests of three per cent or more in the issued share capital of the Company:

	Number of Shares	Percentage
Nat West Investment Management Ltd.	6,231,597	8.60
Clerical Medical Investment Group	5,575,000	7.69
British Gas Pension Funds Management Ltd.	4,793,750	6.62
Hill Samuel	4,800,000	6.62
London & Manchester Group plc	4,635,000	6.40
British Airways Pension Fund Trustees Ltd.	3,581,363	4.94
Sun Alliance Group plc	3,546,339	4.89
Thornton Investment Management	3,463,750	4.78
Chatsworth Management Services Ltd.	3,233,750	4.46
BZW Investment Management Ltd.	2,594,752	3.58

**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 our businesses are both customer funded and funded from internal resources.

## Report of the Directors continued

### CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year under review there were no contributions for charitable purposes and no political donations were made (1995 - £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 and encourage involvement in the Group's performance.

### PAYMENT TO SUPPLIERS

Subsidiary companies are responsible for agreeing payment terms and conditions with their suppliers according to local laws and generally accepted trading terms within their businesses and geographic region. It is the Group's general policy to pay suppliers according to the agreed terms and conditions provided that the supplier meets the terms and conditions.

### TAXATION

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

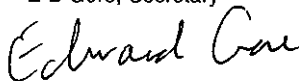
### AUDITORS

KPMG resigned as auditors during the year and Touche Ross & Co. were appointed. On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name.

A resolution for the re-appointment of Deloitte & Touche as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Registered Office:  
1-11 Hay Hill  
London W1X 7LF

By order of the Board  
E B Gore, Secretary



27 June 1996

## Statement of Directors' Responsibilities

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 as at the end of the financial year and of the profit or loss of the Group 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;
- 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 Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act. 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

Deloitte & Touche, to the Members of OMI International plc

We have audited the financial statements on pages 17 to 39 which have been prepared under the accounting policies set out on pages 22 and 23 and the detailed information disclosed in respect of any Directors' remuneration, share options and long-term incentive schemes set out in the report to shareholders by the Remuneration Committee on page 11.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 15, 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.

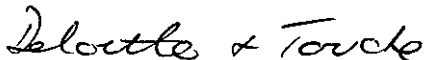
### BASIS OF OPINION

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 circumstances of the Company and the Group, 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 1996 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche  
Chartered Accountants and  
Registered Auditors  
Hill House  
1 Little New Street  
London EC4A 3TR

2 July 1996



# Consolidated Profit and Loss Account

For the year ended 31 March 1996

	Notes	1996 £000's	1995 £000's
<b>Turnover</b>	1		
Continuing operations		43,300	36,674
Discontinued operations		2,125	3,639
		<b>45,425</b>	<b>40,313</b>
<b>Cost of sales</b>	6		
Continuing operations		(31,180)	(26,957)
Discontinued operations		(1,203)	(1,913)
		<b>(32,383)</b>	<b>(28,870)</b>
<b>Gross profit</b>			
Continuing operations		12,120	9,717
Discontinued operations		922	1,726
		<b>13,042</b>	<b>11,443</b>
<b>Net operating expenses</b>	2 & 6		
Continuing operations		(14,179)	(12,006)
Discontinued operations		(1,435)	(2,511)
		<b>(15,614)</b>	<b>(14,517)</b>
<b>Operating loss</b>	3		
Continuing operations		(2,059)	(2,289)
Discontinued operations		(513)	(785)
		<b>(2,572)</b>	<b>(3,074)</b>
Share of loss in associated undertakings		-	(169)
Net losses incurred on disposal of freehold properties		-	(256)
Loss on sale and termination of discontinued operations (includes goodwill transfer of £10,914,000)	6	(10,731)	-
<b>Loss on ordinary activities before interest</b>		<b>(13,303)</b>	<b>(3,499)</b>
Interest payable	7	(702)	(696)
<b>Loss on ordinary activities before taxation</b>		<b>(14,005)</b>	<b>(4,195)</b>
Tax on loss on ordinary activities	8	-	(619)
<b>Loss for the financial year</b>		<b>(14,005)</b>	<b>(4,814)</b>
Equity dividends	9	-	(333)
<b>Retained loss transferred from reserves</b>		<b>(14,005)</b>	<b>(5,147)</b>
<b>Loss per share</b>	10	<b>(19.4)p</b>	<b>(8.6)p</b>
<b>'Headline' loss per share</b>		<b>(4.5)p</b>	<b>(8.3)p</b>

The movement on reserves is set out in Note 21.

The Notes on pages 22 to 39 form part of these financial statements.

## Consolidated Balance Sheet

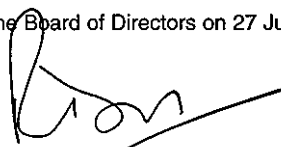
At 31 March 1996

	Notes	1996 £000's	1995 £000's
<b>Fixed assets</b>			
Intangible assets	11	421	139
Tangible assets	12	8,246	9,380
Investments	13	355	235
		<b>9,022</b>	<b>9,754</b>
<b>Current assets</b>			
Stocks and work in progress	14	6,188	7,817
Debtors	15	10,083	12,679
Cash at bank and in hand		384	211
		<b>16,655</b>	<b>20,707</b>
<b>Creditors:</b>			
Amounts falling due within one year	16	(15,577)	(14,737)
<b>Net current assets</b>		<b>1,078</b>	<b>5,970</b>
<b>Total assets less current liabilities</b>		<b>10,100</b>	<b>15,724</b>
<b>Creditors:</b>			
Amounts falling due after more than one year	17	(536)	(1,856)
<b>Provisions for liabilities and charges</b>	18	(1,930)	(3,183)
<b>Net assets</b>		<b>7,634</b>	<b>10,685</b>
<b>Capital and reserves</b>			
Called-up share capital	20	3,620	3,611
Share premium account	21	30,299	30,290
Revaluation reserve	21	631	670
Capital reserve	21	7,088	7,088
Goodwill	21	(14,142)	(25,068)
Profit and loss account	21	(19,862)	(5,906)
<b>Total equity shareholders' funds</b>		<b>7,634</b>	<b>10,685</b>

The financial statements have been approved by the Board of Directors on 27 June 1996 and signed on their behalf by:

Director  
R W Duggan

Director  
G J Eades



The Notes on pages 22 to 39 form part of these financial statements.



# Consolidated Cash Flow Statement

For the year ended 31 March 1996

	Notes	1996 £000's	1995 £000's
<b>Net cash inflow from operating activities</b>	26	2,420	230
<b>Returns on investment and servicing of finance</b>			
Interest paid on finance leases		(94)	(61)
Other interest paid		(608)	(607)
Dividends paid		-	(778)
		(702)	(1,446)
<b>Taxation</b>			
UK Corporation tax received/(paid) (including ACT)		39	(634)
<b>Investing activities</b>			
Purchase of tangible fixed assets		(1,556)	(1,913)
Purchase of intangible fixed assets		(324)	(103)
Proceeds of sale of fixed assets		834	1,661
Proceeds of sale of discontinued businesses		450	-
Deferred consideration on purchase of associated undertakings		(314)	(14)
Purchase of subsidiary undertakings		-	(6,991)
		(910)	(7,360)
<b>Net cash inflow/(outflow) before financing</b>		847	(9,210)
<b>Financing</b>			
Issue of ordinary share capital		18	10,277
Share issue costs		-	(535)
Asset purchase by instalments		-	(50)
Capital element of finance leases		(322)	(488)
Repayment of loans		(614)	(900)
	27	(918)	8,304
<b>Decrease in cash and cash equivalents</b>	28	(71)	(906)

The Notes on pages 22 to 39 form part of these financial statements.

# Statement of Total Recognised Gains and Losses

For the year ended 31 March 1996

	1996 £000's	1995 £000's
Loss for the financial year	(14,005)	(4,814)
Exchange adjustments on foreign currency investments	10	18
Unrealised loss on revaluation of properties	-	(384)
<b>Total recognised gains and losses for the financial year</b>	<b>(13,995)</b>	<b>(5,180)</b>

## Note of Historical Cost Profits and Losses

For the year ended 31 March 1996

	1996 £000's	1995 £000's
Loss on ordinary activities before taxation	(14,005)	(4,195)
Realisation of property revaluation gains of previous years (Note 21)	11	666
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	28	23
<b>Historical cost loss on ordinary activities before taxation</b>	<b>(13,966)</b>	<b>(3,506)</b>
<b>Historical cost loss for the year retained after taxation and dividends</b>	<b>(13,966)</b>	<b>(4,458)</b>

## Reconciliation of Movements in Shareholders' Funds

For the year ended 31 March 1996

	1996 £000's	1995 £000's
Loss for the financial year	(14,005)	(4,814)
Realisation of goodwill reserve	10,914	-
	(3,091)	(4,814)
Dividends	-	(333)
Exchange adjustments on foreign currency investments	10	18
Goodwill adjustment	12	(5,982)
Increase in share capital and premium	18	10,277
Share issue costs	-	(535)
Unrealised loss on revaluation of properties	-	(384)
<b>Net reduction in shareholders' funds</b>	<b>(3,051)</b>	<b>(1,753)</b>
<b>Shareholders' funds at 1 April</b>	<b>10,685</b>	<b>12,438</b>
<b>Shareholders' funds at 31 March</b>	<b>7,634</b>	<b>10,685</b>

## Company Balance Sheet

For the year ended 31 March 1996

	Notes	1996 £000's	1995 £000's
<b>Fixed assets</b>			
Tangible assets	12	376	127
Investments	13	10,629	21,294
		<b>11,005</b>	<b>21,421</b>
<b>Current assets</b>			
Debtors	15	7,178	10,482
		<b>7,178</b>	<b>10,482</b>
<b>Creditors:</b>			
Amounts falling due within one year	16	(11,861)	(9,341)
<b>Net current (liabilities)/assets</b>		<b>(4,683)</b>	<b>1,141</b>
<b>Total assets less current liabilities</b>		<b>6,322</b>	<b>22,562</b>
<b>Creditors:</b>			
Amounts falling due after more than one year	17	-	(1,237)
<b>Provisions for liabilities and charges</b>	18	<b>(668)</b>	<b>(992)</b>
<b>Net assets</b>		<b>5,654</b>	<b>20,333</b>
<b>Capital and reserves</b>			
Called-up share capital	20	3,620	3,611
Share premium account	21	30,299	30,290
Capital reserve	21	1,673	1,673
Profit and loss account	21	(29,938)	(15,241)
<b>Total equity shareholders' funds</b>		<b>5,654</b>	<b>20,333</b>

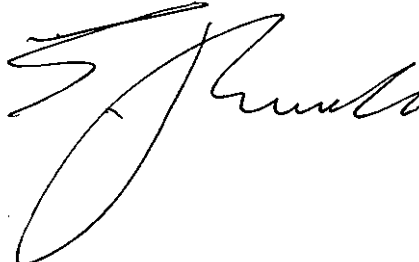
The balance sheet of the Company has been approved by the Board of Directors 27 June 1996 and signed on their behalf by:

Director  
R W Duggan

Director  
G J Eades



The Notes on pages 22 to 39 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 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 includes, except in the case of associates with negative net assets resulting from losses that the Group has no responsibility nor intention to support, an appropriate proportion of the profit or loss of such associated undertakings together with the Group's share of underlying net assets within the financial statements.

### (e) Goodwill

Goodwill arising where the cost of acquisition exceeds the values attributable to the separable net assets of subsidiary and associated undertakings acquired 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

General research and development expenditure is written off as it is incurred. Specific 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 property, 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.

## Accounting Policies continued

**(i) Taxation**

The charge for taxation is based on the result for the year. Provisions are made or assets recognised for deferred taxation 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.

**(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 schemes, 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 rates of exchange ruling at the dates of the transactions. 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 the average rates 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**

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 *continued*

For the year ended 31 March 1996

**1. SEGMENTAL ANALYSIS****(a) Business segment analysis of turnover and loss before taxation**

	Turnover		(Loss)/profit on ordinary activities before taxation	
	1996 £000's	1995 £000's	1996 £000's	1995 £000's
Design and Documentation	19,054	17,654	(748)	(2,207)
Environmental	17,872	13,525	432	1,039
Optronics	6,374	5,495	118	325
Central costs	-	-	(1,861)	(1,446)
Continuing operations	43,300	36,674	(2,059)	(2,289)
Discontinued operations	2,125	3,639	(513)	(785)
<b>Total</b>	<b>45,425</b>	<b>40,313</b>	<b>(2,572)</b>	<b>(3,074)</b>
Share of loss in associated undertakings			-	(169)
Net losses incurred on disposal of freehold properties			-	(256)
Loss on sale and termination of discontinued operations (includes goodwill transfer of £10,914,000)			(10,731)	-
<b>Loss on ordinary activities before interest</b>			<b>(13,303)</b>	<b>(3,499)</b>
Interest payable			(702)	(696)
<b>Loss on ordinary activities before taxation</b>			<b>(14,005)</b>	<b>(4,195)</b>

The operational structure of the Group has been revised from Service and Manufacturing to form three distinct divisions as follows:

<b>Design and Documentation</b>	Logistics Peters & Zabransky
<b>Environmental</b>	Castlet Forward Instrumentation
<b>Optronics</b>	Electro-Optics Thin Films

Continuing operations include the operations of Castlet previously classified as acquisitions in the financial statements for the year ended 31 March 1995. Discontinued operations represent the operations of the Print & Reprographics business of OMI Logistics Limited for which contracts of sale were exchanged on 20 October 1995. The Environmental business segment includes the results of the 1994/95 acquisitions. The comparatives have been restated accordingly.

Inter segment sales are not material.



## Notes to the Financial Statements continued

**1. SEGMENTAL ANALYSIS (CONTINUED)****(b) Geographical analysis of turnover and operating loss**

	Turnover by Destination 1996 £000's	Turnover by Destination 1995 £000's	Turnover by Origin 1996 £000's	Turnover by Origin 1995 £000's	Profit/(loss) by Origin 1996 £000's	Profit/(loss) by Origin 1995 £000's
UK	29,531	26,593	34,411	29,933	(2,788)	(1,128)
Europe	12,160	9,318	8,731	6,653	739	(1,161)
Rest of World	1,609	763	158	88	(10)	-
<b>Total continuing</b>	<b>43,300</b>	<b>36,674</b>	<b>43,300</b>	<b>36,674</b>	<b>(2,059)</b>	<b>(2,289)</b>
<b>Discontinued operations (all UK)</b>	<b>2,125</b>	<b>3,639</b>	<b>2,125</b>	<b>3,639</b>	<b>(513)</b>	<b>(785)</b>
<b>Total</b>	<b>45,425</b>	<b>40,313</b>	<b>45,425</b>	<b>40,313</b>	<b>(2,572)</b>	<b>(3,074)</b>

Inter segment sales are not material

**(c) Net assets by business segment**

	1996 £000's	1995 £000's
Design and Documentation	3,478	6,918
Environmental	5,088	6,171
Optronics	5,233	4,938
Central	(507)	(1,938)
<b>Continuing operations</b>	<b>13,292</b>	<b>16,089</b>
<b>Discontinued operations</b>	<b>-</b>	<b>809</b>
	<b>13,292</b>	<b>16,898</b>
Cash at bank and in hand	384	211
Bank borrowings and overdrafts	(6,042)	(6,424)
<b>Total net assets</b>	<b>7,634</b>	<b>10,685</b>

**(d) Geographical analysis of net assets**

	1996 £000's	1995 £000's
UK	12,331	15,990
Europe	944	840
Rest of World	17	68
	<b>13,292</b>	<b>16,898</b>
Cash at bank and in hand	384	211
Bank borrowings and overdrafts	(6,042)	(6,424)
<b>Total net assets</b>	<b>7,634</b>	<b>10,685</b>

**2. NET OPERATING EXPENSES**

	Year ended 31 March 1996			Year ended 31 March 1995		
	Continuing £000's	Discontinued £000's	Total £000's	Continuing £000's	Discontinued £000's	Total £000's
Selling, marketing and distribution expenses	1,294	73	1,367	1,867	-	1,867
Administrative expenses	13,170	1,362	14,532	10,466	2,511	12,977
Other operating income	(285)	-	(285)	(327)	-	(327)
<b>Total continuing operations</b>	<b>14,179</b>	<b>1,435</b>	<b>15,614</b>	<b>12,006</b>	<b>2,511</b>	<b>14,517</b>

Notes to the Financial Statements continued**3. OPERATING LOSS**

	1996 £000's	1995 £000's
This is stated after charging/(crediting):		
Gross research and development expenditure	709	1,009
Less: customer funding	(301)	(595)
Net research and development expenditure	408	414
Amortisation of deferred development expenditure	128	35
Depreciation of owned assets	1,500	1,621
Depreciation of assets held under finance leases and hire purchase contracts	274	260
Profit on disposal of fixed assets	(26)	-
Auditors' remuneration:		
- audit fees	128	146
- interim audit fees	85	-
- other	149	66
Operating lease rentals:		
- property	1,244	1,424
- hire of plant and equipment	1,325	782
Rent receivable	(285)	(319)
Government grants	(50)	(134)

**4. 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 £14,697,000 (1995 loss - £23,117,000) after provisions against investments of £10,653,000 (1995 - £20,063,000) and provisions against Group balances of £3,623,000 (1995 - £2,486,000).

**5. STAFF COSTS**

(a) Staff costs (including Directors) comprise:

	1996 £000's	1995 £000's
Wages and salaries	15,455	15,871
Social security costs	1,487	1,623
Other pension costs	518	378
<b>Total</b>	<b>17,460</b>	<b>17,872</b>

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

	1996 Total Number	1995 Total Number
Production	785	856
Selling, marketing and distribution	43	73
Administration	135	138
<b>Total</b>	<b>963</b>	<b>1,067</b>

## Notes to the Financial Statements continued

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

	Salary £	Bonus £	Pension £	Benefits £	Fees £	1995/6 Total	1994/5 Total
R W Duggan (Chairman)	126,000	-	18,900	3,669	-	148,569	24,250
G J Eades	74,431	-	11,164	2,954	-	88,549	-
D N Ablett	-	-	-	-	12,500	12,500	-
A R Diment	-	-	-	-	11,000	11,000	-
S J Beardsworth (resigned 3 August 1995)	-	-	-	-	5,175	5,175	15,000
B G Hill (resigned 3 August 1995)	-	-	-	-	5,175	5,175	15,000
D L Jeffries (resigned 1 June 1995)	91,863*	-	1,750	2,501	-	96,114	121,967
Other Directors who did not serve in the current year	-	-	-	-	-	-	295,714
	292,294	-	31,814	9,124	33,850	367,082	471,931

\* includes payment for loss of office of £74,413

On 14 March 1996 a sum of £265,000 was paid into Court, relating to a writ issued by the former Chairman and Chief Executive, Mr Williams, for wrongful dismissal on 28 February 1995. Mr Williams' writ claimed £944,025 under his three year contract, having received no compensation at the time of his dismissal. On 30 April 1996 Mr Williams accepted the sum paid into Court in full and final settlement of his claim. Mr Williams as Chairman and highest paid Director in 1995 had a total remuneration for his eleven months in office of £203,000.

Directors' emoluments, excluding pensions, were as follows:

		1996 Number	1995 Number
£5,001	- £10,000	2	-
£10,001	- £15,000	2	2
£15,001	- £20,000	1	-
£20,001	- £25,000	-	1
£75,001	- £80,000	1	-
£90,001	- £95,000	-	1
£110,001	- £115,000	-	1
£125,001	- £130,000	1	-
£165,001	- £170,000~	-	1
		7	6

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

Notes to the Financial Statements continued**6. EXCEPTIONAL ITEMS**

	1996 £000's	1995 £000's
<b>Total exceptional items charged in arriving at operating loss</b>	-	1,644

Exceptional items in respect of the year ended 31 March 1995 represent provisions for losses on contracts of £300,000 and provisions and costs incurred in Group restructuring of £1,340,000.

Net losses incurred on disposal of freehold properties	-	256
Loss on sale and termination of discontinued operations (includes goodwill transfer of £10,914,000)	10,731	-
<b>Total exceptional items charged in arriving at loss on ordinary activities</b>	<b>10,731</b>	<b>1,900</b>

The loss on sale and termination of discontinued operations consists of the following:

Omega Logistics International Inc.:

Release of accumulated net deficit (Note 13)	120	-
Goodwill previously written off	(1,369)	-
	<b>(1,249)</b>	-
Sale of discontinued operations:		
Proceeds less book value of assets sold	63	-
Goodwill previously written off	(1,246)	-
	<b>(1,183)</b>	-
Goodwill previously written off on prior year acquisitions (see below)	(8,299)	-
<b>Loss on sale and termination of discontinued operations</b>	<b>(10,731)</b>	-

The Directors have reviewed the goodwill reserve in the light of the recent rationalisation and restructuring of the Group's operations and subsidiaries and have identified goodwill written off directly to reserves on acquisitions made in prior years which no longer form part of the Group's operations. In accordance with current accounting standards this goodwill is charged to the profit and loss account.

**7. INTEREST PAYABLE**

	1996 £000's	1995 £000's
Interest payable on bank loans, overdrafts and other loans repayable within five years	608	635
Interest payable on finance leases	94	61
<b>Interest payable</b>	<b>702</b>	<b>696</b>

Notes to the Financial Statements continued**12. TANGIBLE FIXED ASSETS****(a) Group**

	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
<b>Cost or valuation</b>						
Beginning of year	2,298	830	451	373	16,211	20,163
Exchange adjustment	-	-	-	-	(20)	(20)
Additions	-	-	46	-	1,650	1,696
Reclassifications	-	-	134	-	(134)	-
Disposals	(718)	-	(6)	(240)	(2,000)	(2,964)
<b>End of year</b>	<b>1,580</b>	<b>830</b>	<b>625</b>	<b>133</b>	<b>15,707</b>	<b>18,875</b>
<b>Depreciation</b>						
Beginning of year	45	79	33	232	10,394	10,783
Exchange adjustment	-	-	-	-	(26)	(26)
Charge for year	39	17	41	39	1,638	1,774
Reclassifications	-	-	73	-	(73)	-
Disposals	(57)	-	(2)	(152)	(1,691)	(1,902)
<b>End of year</b>	<b>27</b>	<b>96</b>	<b>145</b>	<b>119</b>	<b>10,242</b>	<b>10,629</b>
<b>Net book value</b>						
<b>End of year</b>	<b>1,553</b>	<b>734</b>	<b>480</b>	<b>14</b>	<b>5,465</b>	<b>8,246</b>
<b>Beginning of year</b>	<b>2,253</b>	<b>751</b>	<b>418</b>	<b>141</b>	<b>5,817</b>	<b>9,380</b>

The net book value of fixed assets includes an amount of £1,438,000 (1995 - £1,446,000) in plant and equipment and £4,000 (1995 - £13,000) in motor vehicles in respect of assets held under finance leases. Depreciation for the year on these assets was £249,000 (1995 - £247,000) and £9,000 (1995 - £13,000) for plant and equipment and motor vehicles respectively.

Freehold properties include land of £490,000 which is not depreciated (1995 - £575,000). The Group's freehold and long leasehold properties were professionally valued in 1995 at £2.2 million. If the freehold properties had been stated on an historical cost basis at 31 March 1996 they would have been included as follows:

	1996 £000's	1995 £000's
Cost	1,109	1,767
Depreciation	(187)	(228)
<b>Net book value</b>	<b>922</b>	<b>1,539</b>

The depreciation charge for the year in respect of freehold properties, calculated on an historical cost basis, would have been £11,000 (1995 - £31,000).

## Notes to the Financial Statements continued

**8. TAX LOSS ON ORDINARY ACTIVITIES**

	1996 £000's	1995 £000's
UK Corporation tax credit based on results for year at 33% (1995 - 33%)	-	-
Provision for irrecoverable ACT	-	(31)
Adjustment in respect of prior years	-	510
Deferred taxation	-	140
<b>Net tax charge</b>	<b>-</b>	<b>619</b>

The Group has made tax losses for the year for which neither a current year credit nor a deferred tax asset has been recognised.

**9. EQUITY DIVIDENDS**

	1996 £000's	1995 £000's
Dividends paid and proposed nil pence per ordinary share (1995 - 0.75p)	-	333

**10. LOSS PER SHARE**

	1996 pence	1995 pence
Loss per share	(19.4)	(8.6)
Net losses incurred on disposal of freehold properties	-	0.3
Loss on sale and termination of discontinued operations	14.9	-
<b>"Headline" loss per share</b>	<b>(4.5)</b>	<b>(8.3)</b>

The loss per share calculation is based on loss after tax of £14,005,000 (1995 loss - £4,814,000) and the weighted average number of shares in issue of 72,357,647 (1995 - 56,249,503).

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

**11. INTANGIBLE FIXED ASSETS****Development expenditure**

	1996 £000's	Group 1995 £000's
<b>Cost</b>		
Beginning of year	174	71
Additions during the year	410	103
<b>End of year</b>	<b>584</b>	<b>174</b>
<b>Amortisation</b>		
Beginning of year	35	-
Charge for year	128	35
<b>End of year</b>	<b>163</b>	<b>35</b>
<b>Net book value at end of year</b>	<b>421</b>	<b>139</b>
<b>Net book value at beginning of year</b>	<b>139</b>	<b>71</b>

## Notes to the Financial Statements continued

**12. TANGIBLE FIXED ASSETS (CONTINUED)****(b) Company**

	Freehold properties £000's	Motor vehicles £000's	Plant & equipment £000's	Total £000's
<b>Cost</b>				
Beginning of year	-	121	235	356
Additions	342	-	22	364
Disposals	-	(121)	(128)	(249)
<b>End of year</b>	<b>342</b>	<b>-</b>	<b>129</b>	<b>471</b>
<b>Depreciation</b>				
Beginning of year	-	31	198	229
Charge for the year	2	11	22	35
Disposals	-	(42)	(127)	(169)
<b>End of year</b>	<b>2</b>	<b>-</b>	<b>93</b>	<b>95</b>
<b>Net book value end of year</b>	<b>340</b>	<b>-</b>	<b>36</b>	<b>376</b>
<b>Beginning of year</b>	<b>-</b>	<b>90</b>	<b>37</b>	<b>127</b>

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

	1996 £000's	1995 £000's
<b>Investment in associated undertaking:</b>		
Beginning of year	(120)	45
Share of losses in year	-	(169)
Release of accumulated net deficit in year (Note 6)	120	-
Foreign exchange adjustments	-	4
<b>End of year</b>	<b>-</b>	<b>(120)</b>
<b>Own shares held:</b>		
At beginning and end of year	355	355
<b>Total fixed asset investments</b>	<b>355</b>	<b>235</b>

The Group has no responsibility or intention to continue to support Omega Logistics International Inc. and therefore the accumulated net deficit of £120,000 recorded in the financial statements as at 31 March 1995 in relation to Omega Logistics International Inc. has been released in the year. The goodwill relating to the purchase of this investment, which had previously been written off against reserves, has been transferred to the profit and loss account. (See Note 6.)

Own shares held relate to shares held by the Employee Benefit Trust, being 728,030 shares stated at original cost. The market value of the shares at 31 March 1996 was 16p per share (1995 - 14p).

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.

	Subsidiary Undertakings 1996 £000's	Associated Undertakings 1996 £000's	Total 1996 £000's	Total 1995 £000's
<b>Cost</b>				
Beginning of year	59,594	1,437	61,031	53,271
Acquisitions in year	-	-	-	7,132
Adjustment for consideration payable in respect of existing acquisitions	(12)	-	(12)	628
<b>End of year</b>	<b>59,582</b>	<b>1,437</b>	<b>61,019</b>	<b>61,031</b>
<b>Provision for diminution in the carrying value of investments</b>				
Beginning of year	38,300	1,437	39,737	19,674
Provision made during the year	10,653	-	10,653	20,063
<b>End of year</b>	<b>48,953</b>	<b>1,437</b>	<b>50,390</b>	<b>39,737</b>
<b>Net book value</b>				
End of year	10,629	-	10,629	21,294
Beginning of year	21,294	-	21,294	33,597

**14. STOCKS AND WORK IN PROGRESS**

	Group	
	1996 £000's	1995 £000's
Raw materials and consumables	1,779	2,002
Work in progress	4,098	5,530
Finished goods	311	285
	<b>6,188</b>	<b>7,817</b>

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

**15. DEBTORS**

	Group		Company	
	1996 £000's	1995 £000's	1996 £000's	1995 £000's
Trade debtors	8,835	10,418	25	-
Amounts owed by subsidiary undertakings	-	-	6,528	10,022
Corporation tax recoverable	-	142	-	40
ACT recoverable	87	86	48	48
Other debtors	633	1,196	576	314
Prepayments	528	837	1	58
	<b>10,083</b>	<b>12,679</b>	<b>7,178</b>	<b>10,482</b>



## Notes to the Financial Statements continued

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	1996 £000's	1995 £000's	1996 £000's	1995 £000's
Bank borrowings and overdrafts (secured - see Note 17)	6,042	5,187	2,338	1,128
Obligations under finance leases (Note 23)	198	302	-	-
Payments received on account	746	1,033	-	-
Trade creditors	4,752	4,747	267	110
Amounts owed to subsidiary undertakings	-	-	8,695	7,592
Corporation tax (including ACT payable)	139	224	348	182
Other taxes and social security	1,287	1,267	44	224
Other creditors	1,057	1,010	119	-
Accruals and deferred income	1,356	967	50	105
	<b>15,577</b>	<b>14,737</b>	<b>11,861</b>	<b>9,341</b>

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

	Group		Company	
	1996 £000's	1995 £000's	1996 £000's	1995 £000's
Bank borrowings	-	1,237	-	1,237
Obligations under finance leases (Note 23)	512	590	-	-
Deferred income (government grants)	24	29	-	-
	<b>536</b>	<b>1,856</b>	<b>-</b>	<b>1,237</b>

All amounts are wholly repayable within five years.

	Group		Company	
	1996 £000's	1995 £000's	1996 £000's	1995 £000's
<b>Analysis of bank repayments:</b>				
Repayable between one and two years	-	450	-	450
Repayable between two and five years	-	787	-	787
	<b>-</b>	<b>1,237</b>	<b>-</b>	<b>1,237</b>

Certain of the bank borrowings were secured by a fixed charge on the Group's freehold interests and a fixed and floating charge over the assets of Forward Industries Limited and were renewable on 1 February 1996. Notice of termination of these facilities was given by the Group in April 1996. New facilities became operational in May 96 as detailed on page 4.

**18. PROVISIONS FOR LIABILITIES AND CHARGES**

(a) Group	Deferred Taxation (Note 19) £000's	Future Property Costs £000's	Restructuring and other £000's	Total £000's
Beginning of year	170	200	2,813	3,183
Created/(released) in year	-	619	81	700
Utilised in year	-	(200)	(1,753)	(1,953)
<b>End of year</b>	<b>170</b>	<b>619</b>	<b>1,141</b>	<b>1,930</b>

## Notes to the Financial Statements continued

### 18. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

#### (b) Company

	Deferred Taxation (Note 19) £000's	Future Property Costs £000's	Restructuring and other £000's	Total £000's
Beginning of year	-	-	992	992
Created/(released) in year	-	-	160	160
Utilised in year	-	-	(484)	(484)
<b>End of year</b>	<b>-</b>	<b>-</b>	<b>668</b>	<b>668</b>

#### Company

Restructuring and other provisions principally comprise the following:

(i) A writ claiming £944,025 for wrongful dismissal was issued by the former Chairman of the Group as more fully disclosed on page 11 of the report of the Remuneration Committee.

On 30 April 1996 Mr Williams accepted an amount that had been paid into court by the Company of £265,000 in full and final settlement of this claim.

(ii) Certain bank borrowings of Omega Logistics International Inc. ("OLI") were guaranteed by the Company. As part of a negotiated settlement of all claims relating to OLI, the Bank released the Company from all its obligations under this Guarantee in consideration of the payment by the Company on 31 May 1996 of £353,000.

#### Group

In addition to the above, the Group restructuring and other provisions represent the remaining balance of the provision for the Group reorganisation of £191,000 and for contract losses and claims of £282,000.

### 19. DEFERRED TAXATION

	1996 £000's	1995 £000's
The analysis of the deferred taxation provision is as follows:		
Provision related to accelerated capital allowances	170	170
The full potential amount of deferred taxation on all timing differences is as follows:		
Accelerated capital allowances	330	486
Provisions and other long term items	-	254
<b>End of year</b>	<b>330</b>	<b>740</b>

## Notes to the Financial Statements continued

**20. CALLED-UP SHARE CAPITAL****Ordinary shares of 5p each**

	1996 Number	1996 £000's	1995 Number	1995 £000's
Authorised:	100,000,000	5,000	100,000,000	5,000
Allotted and fully paid:	72,404,589	3,620	72,216,821	3,611

A former Director exercised his option to buy 187,768 ordinary shares at 9.32 pence per share during the year leading to the increase in the allotted share capital above.

**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 1,369,458. All options are normally exercisable between three and ten years from the date of grant at prices between 15p and 104.34p. 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	Goodwill £000's	Profit & loss account £000's	Total £000's
Beginning of year	30,290	670	7,088	(25,068)	(5,906)	7,074
Retained loss for the year	-	-	-	-	(14,005)	(14,005)
Realised revaluation surplus on sale of properties	-	(11)	-	-	11	-
Realised revaluation surplus on depreciation	-	(28)	-	-	28	-
Goodwill adjustment on previous acquisitions	-	-	-	12	-	12
Transfer of goodwill on sale and termination of businesses	-	-	-	10,914	-	10,914
Share issue	9	-	-	-	-	9
Exchange movement	-	-	-	-	10	10
<b>End of year</b>	<b>30,299</b>	<b>631</b>	<b>7,088</b>	<b>(14,142)</b>	<b>(19,862)</b>	<b>4,014</b>

**(b) Company**

	Share premium account £000's	Non-Distributable Capital reserve £000's	Sub-total £000's	Distributable Profit & loss account £000's	Total £000's
Beginning of year	30,290	1,673	31,963	(15,241)	16,722
Retained loss for the year	-	-	-	(14,697)	(14,697)
Share issue	9	-	9	-	9
<b>End of year</b>	<b>30,299</b>	<b>1,673</b>	<b>31,972</b>	<b>(29,938)</b>	<b>2,034</b>

Notes to the Financial Statements continued**21. RESERVES (CONTINUED)**

	1996 £000's	1995 £000's
Net cash inflow from share issue		
Nominal value of share capital	9	1,389
Share premium	9	8,888
	18	10,277
Issue costs	-	(535)
	18	9,742

**22. EMPLOYEE BENEFIT TRUST**

The retained loss for the period relating to the OMI International plc Employee Benefit Trust (EBT) which has been included in the consolidated Profit and Loss was £37,000 (1995 loss - £28,000) after net interest expense of £34,000 (1995 - £28,000). EBT bank borrowings of £417,000 (1995 - £381,000) have been included in creditors falling due within one year and the interest in the OMI shares of £355,000 (1995 - £355,000) which the Group is treating as owning for accounting purposes, is included in investments.

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

At the end of the year capital commitments were:

	1996 £000's	Group 1995 £000's
Contracted for	7	383
Authorised but not contracted for	13	-
	20	383

**(b) Finance Lease Commitments**

	1996 £000's	Group 1995 £000's
Amounts payable within:		
one year	198	302
two to five years	512	590
	710	892

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

	1996		1995	
	Properties £000's	Other £000's	Properties £000's	Other £000's
On leases which expire in:				
one year	39	40	125	121
two to five years	183	242	204	455
over five years	1,231	-	1,035	28
	1,453	282	1,364	604

Notes to the Financial Statements continued**23. COMMITMENTS (CONTINUED)**

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

	1996		1995	
	Properties £000's	Other £000's	Properties £000's	Other £000's
On leases which expire in:				
one year	-	-	-	-
two to five years	-	7	114	7
over five years	117	-	-	-
	117	7	114	7

**24. PENSION SCHEMES**

The OMI Group Pension Scheme was established 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 which was a defined benefit scheme. This scheme was merged with the OMI Group Pension Scheme with effect from 1 July 1994. All defined benefit schemes have been closed to new entrants since August 1992. The assets of all the schemes are held in separate trustee-administered funds. The schemes are subject to periodic valuations by independent actuaries. The latest valuations were carried out as at 1 April 1994, 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 schemes, 7% per annum salary growth for the OMI Group Pension Scheme and 5.5% per annum salary growth for the GED Pension Scheme.

At the actuarial valuation date, the market value of the assets of the OMI Group Pension Scheme were £4,287,000 and those of the GED Pension 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 Pension 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 Group Pension Scheme was allocated to the benefit of the membership of that scheme. In order to remove the deficit on the GED Pension Scheme the Group made additional contributions to that scheme prior to the merger.

The pension charge for the year was £441,000 (1995 - £225,000) in respect of the pension scheme. In addition the Group continued to make contributions £77,000 (1995 - £150,000) to certain employees' private pension schemes.

**25. CONTINGENT LIABILITIES**

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.

Notes to the Financial Statements continued**26. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1996 £000's	1995 £000's
Operating loss on continuing operations	(2,572)	(3,074)
Exceptional items included in operating loss	-	1,644
Operating loss before exceptional items	(2,572)	(1,430)
Exceptional items paid	-	(263)
Depreciation and amortisation	1,902	1,916
Deferred Government grants released	-	(6)
Profit on sale of fixed assets	(26)	(72)
Decrease/(increase) in stocks	1,333	(681)
Decrease/(increase) in debtors	2,415	(787)
Increase in creditors	307	1,027
Net (decrease)/increase in provisions	(939)	526
Net cash inflow from operating activities	2,420	230

**27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	Share capital and premium 1996 £000's	Loans and finance lease obligations 1996 £000's	Total 1996 £000's	Share capital and premium 1995 £000's	Loans and finance lease obligations 1995 £000's	Total 1995 £000's
Balance at the start of the year	33,901	2,874	36,775	24,159	3,313	27,472
New finance leases and assets acquired by instalments	-	101	101	-	999	999
Net cash inflow/(outflow) from financing	18	(936)	(918)	9,742	(1,438)	8,304
Balance at the end of the year	33,919	2,039	35,958	33,901	2,874	36,775

**28. CASH AND CASH EQUIVALENTS****(a) Analysis of changes during the year:**

	1996 £000's	1995 £000's
Balance at beginning of the year	(4,270)	(3,260)
Net cash outflow before adjustments for the effects of foreign exchange	(71)	(906)
Effect of exchange rate changes	12	(104)
Balance at end of the year	(4,329)	(4,270)

**(b) Analysis of the balances shown in the Consolidated Balance Sheet:**

	1996 £000's	1995 £000's	Change in the Year £000's
Cash at bank and in hand	384	211	173
Bank borrowings and overdrafts (excludes balances repayable after 3 months at inception of £1,329,000 (1995 - £1,943,000))	(4,713)	(4,481)	(232)
	(4,329)	(4,270)	(59)