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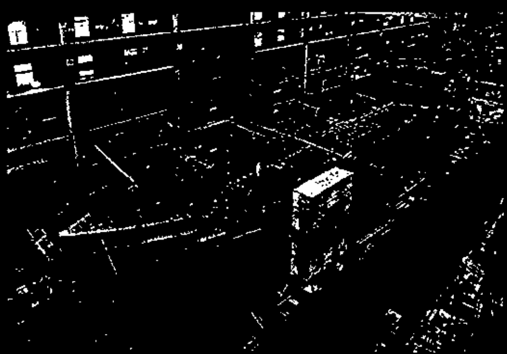
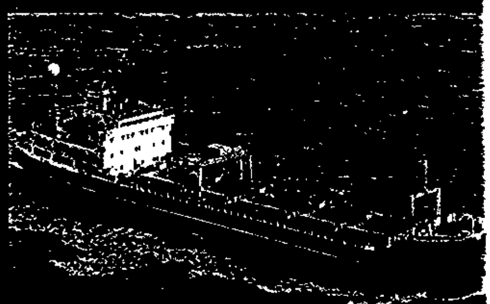
Fisher

Established 1847

James Fisher and Sons PUBLIC LIMITED COMPANY

Annual Report and Accounts 1996

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James Fisher and Sons PUBLIC LIMITED COMPANY

Report and Financial Statements
for the year ended 31st December, 1996

Registered Office and Advisors

Secretary and Registered Office

J. Terence Blyth

James Fisher and Sons
Public Limited Company

Fisher House

P.O. Box 4

Barrow-in-Furness

Cumbria LA14 1HR

Registrars

Independent Registrars Group

Bourne House

34 Beckenham Road

Beckenham

Kent BR3 4TU

Auditors

R.F. Miller & Co.

102 Duke Street

Barrow-in-Furness

Cumbria LA14 1RD

Principal Bankers

Midland Bank plc

27 - 32 Poultry

London EC2P 2BX

Merchant Bankers

HSBC Samuel Montagu

Vintners Place

68 Upper Thames Street

London EC4V 3BJ

Stockbrokers

Panmure Gordon & Co. Limited

New Broad Street House

35 New Broad Street

London EC2M 1NH

Corporate Statement

James Fisher and Sons PUBLIC LIMITED COMPANY is a long established shipowner, operator and manager. Its core business involves the operation of some 36 vessels in a range of specialist markets.

Additional marine activities include the operation of port facilities at Newhaven.

Overall the group is led from headquarters in Barrow-in-Furness, Cumbria by a small team committed to developing the business for the benefit of shareholders, employees, customers and the localities in which it operates.

In 1997, the company celebrates its 150th anniversary.

Directors

	David B. Cobb J.P., C.Eng., FRINA	Executive Chairman
	James H.T. Beazley ACA	Non Executive Director
* #	Sir David W. Hardy FCA, FCIT	Non Executive Director
	Trevor C. Hart BA(Hons), DBA, AICS, AIPM	Executive Director
* #	Sir J. Julian R. Oswald GCB	Non Executive Director
	Michael J. Shields	Finance Director
* #	Sir F. D. David Thomson Bt	Non Executive Director

* Audit Committee

\# Remuneration and Nominations Committee

Financial Highlights

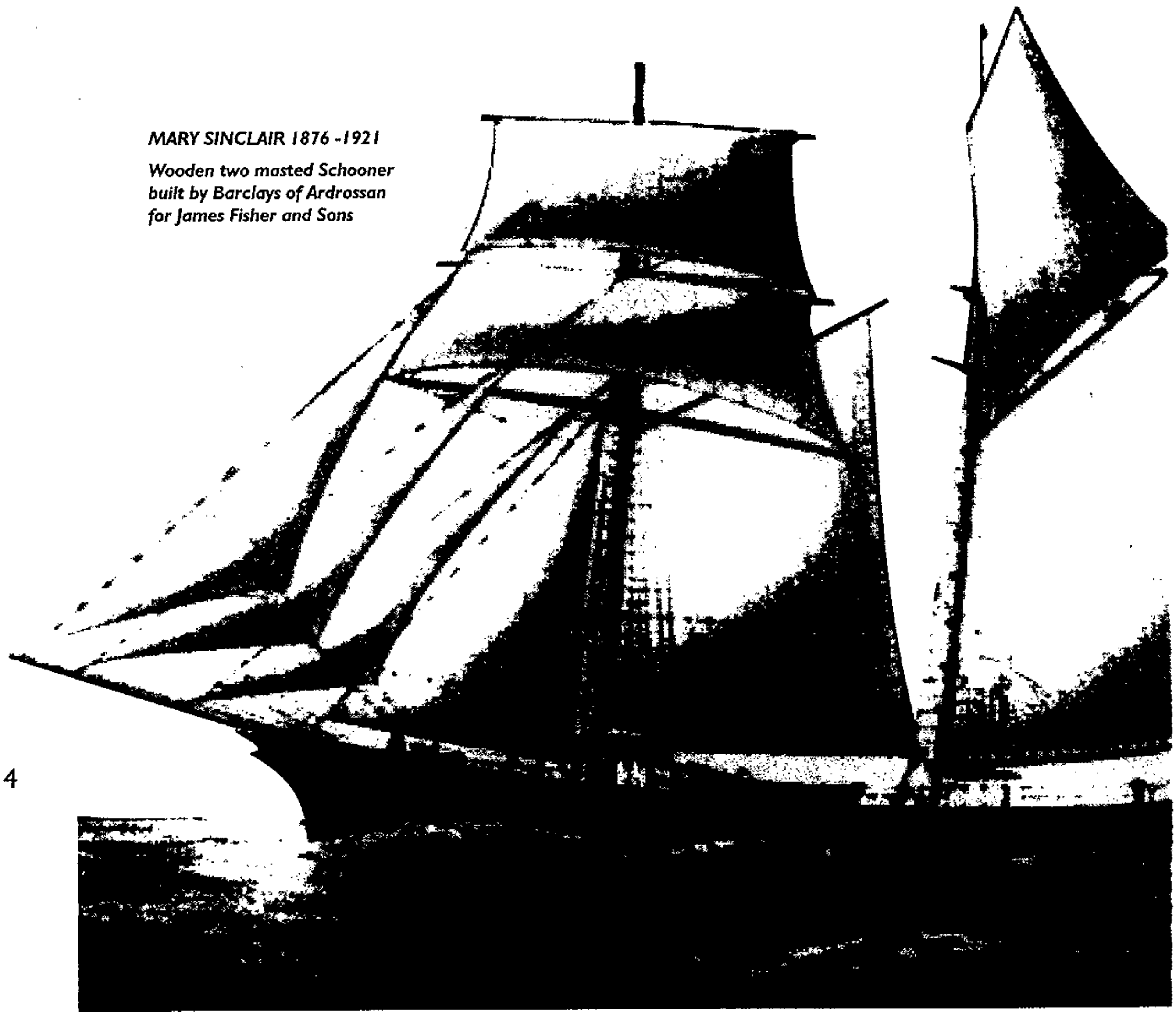
For the year	1996 £000	
Profit excluding exceptional items	4,394	**+73%**
Dividends	1,087	**+124%**

At year end		
Shareholders funds	44,495	**+124%**
Cash and short term deposits	13,450	**+34%**

Per share	Pence	
Earnings adjusted	13.70	**+13%**
Dividends	2.75	**+37%**

MARY SINCLAIR 1876 -1921

Wooden two masted Schooner built by Barclays of Ardrossan for James Fisher and Sons



Financial

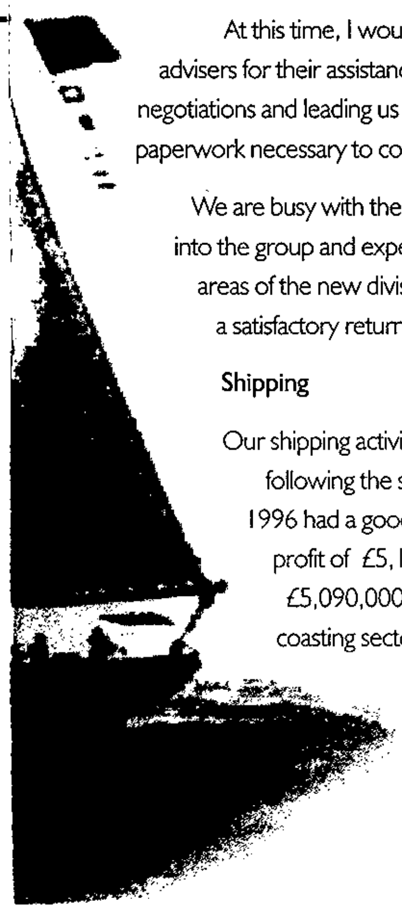
I am pleased to report that the profit on ordinary activities before exceptional items for 1996 was £4,394,000 compared to £2,541,000 in 1995, an increase of 73 per cent. After adjusting for exceptional items of £671,000 (1995 £2,772,000) this gives a pre-tax profit of £5,065,000 (1995 £5,313,000). Adjusted earnings per share of 13.70p have been achieved compared with 12.14p for 1995. All of our operating units improved their results.

Dividend

Your board recommends a final dividend of 1.75p (1995 1.5p) which together with the interim dividend of 1.0p (1995 0.5p) amounts to a total of 2.75p for the year (1995 2.0p). The dividend will be paid on 7th May 1997 to all shareholders on the register at the close of business on 7th April 1997.

Acquisition of P&O Tankships

My colleagues and I are naturally excited and pleased about the acquisition of P&O Tankships which was completed on 30th December 1996. The rights issue at 120p was taken up 94.2% and the balance placed at a premium.



At this time, I would like to thank all of our advisers for their assistance during the acquisition negotiations and leading us through the labyrinth of paperwork necessary to complete the transaction.

We are busy with the integration of Tankships into the group and expect to make savings in all areas of the new division which will make for a satisfactory return on the capital invested.

Shipping

Our shipping activities with a reduced fleet following the sale of ships in 1995 and 1996 had a good year attaining a trading profit of £5,113,000 compared with £5,090,000 in 1995. The dry cargo coasting sector although not exciting, produced a profit in a very difficult market thanks to our time charters and contracts of affreightment which represent 86% of the turnover.

The tankers produced excellent results in a buoyant market with time charters and contracts of affreightment again amounting to 87% of the turnover. The "Oakleaf", our 34,800 deadweight tonnes tanker continues on charter to the Ministry of Defence who have an option to extend the charter for a further 5 years as from September 1997.

The "Nexus" and "New Generation" operated extremely well during the year with no downtime thereby achieving their respective targets. The geotechnical drillship "Whitethorn" which had a good year in 1995 but operated intermittently in 1996, is now in layup and will be offered for sale in 1997.

The Etisalat project which I referred to in my interim report was completed in 180 days; an exceptional achievement producing a satisfactory profit for the company. We sold four vessels in 1996 at levels above book value, making a profit of £671,000.

The demised chartering business, carried on by Onesimus Dorey, was steady but we did repossess one vessel due to the failure of a charterer to pay hire. This vessel is now being operated by our Liverpool based company.

Following a poor trading year in the dry cargo market generally during 1996, it was decided to concentrate on the rest of the group as enlarged by the acquisition of P&O Tankships and to dispose of our 50% interest in Vectis Shipping Limited to our partners, Carisbrooke Shipping plc. This transaction was completed on 30th December 1996, at a level equal to the book value of the investment.

Ports

The operating loss of our ports division was reduced further during the year to £748,000 (1995 £1,987,000). Turnover was proportionally down by £1,840,000 from £3,828,000 in 1995 to £1,988,000.

Heysham terminal continues to be satisfactorily sublet to North Lancashire Stevedores Ltd. At the end of 1996 this arrangement will have operated for 15 months and looks set to complete its three year term during which time North Lancashire has options to acquire our assets and the lease which is subject to the approval of the head lessor, Sea Containers Ltd.

Newhaven terminal continues to make losses albeit at a substantially reduced level. Whilst we are looking at ways to further reduce our costs, we are still in discussions with the Port of Dieppe, Stena and others concerning the development of the port, but these have been put on hold pending the outcome of the possible merger of Stena and P&O's ferry operations which include the Newhaven to Dieppe route. Notwithstanding the foregoing we are also investigating the possibility of sub-letting or disposing of our lease at Newhaven.

New Ships

We now have six clean petroleum product tankers under construction, four each of 3,700 deadweight tonnes at the Qui Xin shipyard in Shanghai and two, each of 4,500 deadweight tonnes at V.S.E.L in Barrow. The ships being built in China are slightly behind the schedule given to us by P&O at the time of the acquisition but we expect to take delivery of the first ship imminently with the three remaining at varying times during the year. This delay will have a minimal effect on our profitability in 1997 since we had planned to dispose of certain older ships in the fleet when the new vessels were operational. The ships being built at V.S.E.L are close to schedule and are the first commercial vessels to be built at the Barrow shipyard for many years. These six additional ships will give us a very modern fleet of tankers with an average age of 11 years.

Auditors

Following the enlargement of the group by the acquisition of P&O Tankships, it has been decided that the time is appropriate to change to a larger firm of auditors who will be able to meet the company's ever increasing demands. Arthur Andersen have indicated their willingness to be appointed as the company's auditors and a resolution for their appointment will be put forward at the Annual General Meeting. I wish to thank R.F. Miller & Co for their work and diligence over the many years that they have been our auditors.

Prospects

Our time charters and contracts of affreightments in our Liverpool and London fleets are now in place for the current year and I expect the integration of the companies to yield the increased profits which were anticipated at the time of our recent acquisition.

Staff

I would like to thank the management and staff of our businesses for their enormous support, particularly during the period of the recent acquisition. I would also like to welcome the staff ashore and at sea who joined us from P&O Tankships. We have plans to develop our group even further and we are looking forward to the delivery of our six new ships.

150th Anniversary

Finally, 1997 is the 150th anniversary of the founding of the company as we know it today. Started in Barrow in 1847 by James Fisher at the age of 25, the company has owned sailing ships, barques, steamships and steam tugs. Under the guidance and drive of Sir John Fisher it was registered as a private limited company in 1926 and became a public company in 1952. Today, we are principally a shipping company and very much a leader in our chosen field. I shall endeavour to maintain the company's position with energy and through expansion into the next century in businesses where our expertise is best suited.

Executive Chairman
18th March, 1997

Operating and Financial Review

Group Trading

The gross profit for 1996 of £6,605,000 shows an increase of £1,763,000 on that reported in 1995. Turnover was £37,963,000 compared to £30,230,000 in 1995 despite a significant loss of income following the sale of Heysham and the sale of a number of vessels in 1995 and 1996.

The increase in shipping operation turnover reflects the contract for the conversion and lengthening of a vessel for Etisalat, the United Arab Emirates telephone company.

An operating profit of £4,293,000 was produced compared to £3,277,000 in 1995. This was prior to crediting £671,000 from profit from sales of ships. Throughout the year the company continued to review each of its operations; this resulted in the sale of the 50% shareholding in Vectis Shipping Limited.

Shipping Review

Shipping operations maintained its level of profitability and produced £5,113,000 compared with £5,090,000 in the previous year. This was achieved despite the reduction in the group's fleet following the sale of a number of vessels in 1995 and 1996. The conversion contract for Etisalat undertaken during the year partly compensated for loss of trading profit from the smaller fleet.

Four of the group's vessels were sold during the year in excess of their book value. In addition, three other vessels were sold on termination of their period charters at their book value. During the year an order was placed with VSEL in Barrow-in-Furness for the construction of two new clean products tankers, which will be delivered during 1997.

Port Review

The trading loss for the year on continuing operations was £778,000, which was a substantial reduction on 1995 when the loss was £1,517,000 before restructuring and closure costs. The reduction reflects the removal of the trading loss at Heysham following the decision to cease our operations in the final quarter of 1995 and to sublet to the former management, and the restructure at Newhaven. A review of all aspects of the port operations at Newhaven is ongoing.

Investment

Following negotiations with P&O Steam Navigation, the company acquired 100% shareholding in P&O Tankships Holdings Limited for a consideration of £19,183,000. The company has been renamed James Fisher Tankships Holdings Limited. The company owns ten clean product tankers, operates four vessels under long term charter arrangements with purchase options and a further three on short term charters. In addition, the company has four new tankers under construction in China, the first of which is due to be delivered shortly and the remaining three due for delivery at varying times during the year. This fleet operates under contracts of affreightment and time charters with most of the major oil companies. This acquisition is seen as a major step in the development of the group.

Finance

Net Assets have increased from £19,853,000 to £44,495,000 reflecting the acquisition of P&O Tankships Holdings Limited.

The acquisition was financed by a fully underwritten rights issue of 24,080,650 new ordinary shares at a price of 120p per share; together with loans from Midland Bank plc for the balance. A bridging loan of £26,000,000 was arranged to fund the acquisition prior to the receipt of the proceeds from the rights issue in January 1997.

At 31st December 1996 the group's borrowings were £32,999,000 which includes £16,960,000 of borrowing in connection with the acquisition of P & O Tankships.

Facilities are available from Midland Bank plc totalling £15,360,000 at 1% above LIBOR to finance the outstanding payments on the Chinese newbuildings. Loan finance for the two new ships being built by VSEL totalling £2,082,000 is available with Ship Mortgage Finance Corporation and Midland Bank plc at a fixed interest rate of 7.5% to meet the outstanding instalments.

The group's existing loan facilities have been further reduced by £4,320,000 to £6,225,000 during 1996.

Cash and short term disposals increased by £3,407,000 to £13,450,000.

Profit Forecast

The results for the year were in accordance with the profit forecast as stated in the prospectus issued on 4th December, 1996 except for a prior year deferred tax adjustment which increased the profit after taxation by £309,000.

Taxation

The results show a tax charge of £1,341,000 being a current year charge of £1,650,000 less a previous year deferred tax credit of £309,000. Corporation tax payable on the profit for the year has been reduced by capital allowances to £278,000.

Going Concern Presumption

After making enquiries the directors have reasonable expectations that the company 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 the accounts.

Report of the Directors

The directors present their report and the group financial statements of James Fisher and Sons Public Limited Company for the financial year ended 31st December, 1996.

1. Activities

The principal activities of the group are shipowning, ship operating, ship management, marine technical advisory and consultancy services and port operations.

A review of the activities and future prospects of the group is included in the chairman's statement and the operational and financial review.

2. Changes in Group and Associated Undertakings

On 2nd January, 1996 the dormant company, Fisher and Duforest (Shipping) Limited changed its name to James Fisher and Sons (Seafloor Dynamex) Limited which was registered on 17th January, 1996. The company then recommenced trading as underwater excavation equipment designers and contractors.

On 30th December, 1996 the company disposed of the 50% shareholding in Vectis Shipping Limited.

On 30th December, 1996 the company acquired the whole of the issued share capital of P & O Tankships Holdings Limited which on that date changed its name to James Fisher Tankships Holdings Limited. The change was registered on 20th January, 1997.

3. Post Balance Sheet Events

There were no significant post balance sheet events.

4. Results and Dividends

The group profit for the financial year after taxation amounted to £3,724,000, after which a preference dividend of £4,000 and an interim dividend of £240,000 was paid during the year. The directors recommend a final dividend of 1.75p per share which will absorb £843,000 leaving £2,637,000 to transfer to reserves.

5. Fixed Assets

An independent professional valuation of the group's ships was undertaken in November, 1996 which resulted in a surplus of £20.3 million on net book value. If the ships were sold at their valuations, estimated additional taxation amounting to £6.7 million would arise. Neither the surplus nor the taxation liability is reflected in the accounts.

The movement of fixed assets during the financial year is set out in note 12 to the accounts on page 22.

6. Shares

On 27th December, 1996 an Extraordinary General Meeting was held at which a special resolution was passed by the shareholders to increase the authorised share capital to £16,680,000 divided into 100,000 3.5 per cent cumulative preference shares of £1 each and 66,320,000 ordinary shares of 25p each.

On 27th December, 1996 the company offered by way of rights 24,080,650 new ordinary shares at 120p per share increasing the issued ordinary share capital by £6,020,163 to £12,040,325. The rights issue was fully underwritten.

7. Directors

The Current members of the board of directors are listed on page 3. Mr. Michael J. Shields was appointed finance director on 3rd June, 1996. Mr. James H.T. Beazley was appointed a non executive director on 30th December, 1996.

There were no other changes in the board of directors of the company during the financial year.

Brief biographical details of the non executive directors are as follows:

Sir David W. Hardy FCA, FCIT, Aged 66. Chairman of the Trustees, National Maritime Museum, Greenwich. Advisory Director, HSBC Investment Banking. Chairman: Y.J. Lovell (Holdings) plc; Marine & General Mutual Life Assurance Society; Transport Research Laboratory. Director: Hanson PLC; Stirling Lloyd Holdings PLC; Conrad Ritblat Group PLC; Imperial Tobacco Group PLC and Sons of Gwalia Ltd.

Sir J. Julian R. Oswald GCB, Aged 63. Retired from the Royal Navy as First Sea Lord. Chairman: Aerosystems International Limited; Maritime Trust. Director: Sema Group plc; BAe Sema Limited and Marine & General Mutual Life Assurance Society.

Sir F.D. David Thomson Bt., Aged 57. Chairman: Through Transport Mutual Insurance Association Limited; Britannia Steamship Insurance Association Limited. Director: Martin Currie Pacific Trust plc; Kynoch Group plc and Cairn Energy plc.

James H.T. Beazley, Aged 39. Appointed finance director of P & O Tankships Holdings Limited in January 1993 and of P & O Bulk Shipping Limited in November 1994.

The interests of the directors, who held office at the end of the financial year, in the ordinary shares and in options to acquire ordinary shares of the company appear in note 6.

Mr. David B. Cobb, Mr. Trevor C. Hart and Mr. Michael J. Shields have one year rolling service contracts with the company. Mr. James H.T. Beazley has a one year contract with the company. None of the other directors have contracts of service with either the company or any group undertaking.

No contract in relation to the group's business in which the directors of the company had an interest existed at 31st December, 1996 or at any time during 1996.

During the financial year the company has maintained cover for its directors under a directors' liability insurance policy, as permitted by the Companies Act 1989.

8. Substantial Shareholders

At 31st December, 1996 the following were interested in 3 per cent or more of the company's issued share capital:

	Ordinary Shares	
	No.	%
Rowland Frederick Hart Jackson	26,200	0.12
Rowland Frederick Hart Jackson N/B	8,505,830	35.32
Therapia Investments Limited	2,775,929	11.48
Prudential Pensions Limited	2,054,400	8.53
Mercury Asset Management PLC	1,821,000	7.56
Bank of Scotland Nominees Limited	771,200	3.2
	Preference Shares	
	No.	%
Therapia Investments Limited	100,000	100

Between 31st December, 1996 and 18th March, 1997, following the rights issue, the following were interested in 3 per cent or more of the company's new issued share capital and at 18th March, 1997 their beneficial interest in the company's issued share capital was:

	Ordinary Shares	
	No.	%
Rowland Frederick Hart Jackson	43,157	0.09
Rowland Frederick Hart Jackson N/B	9,158,903	19.02
Prudential Pensions Limited	4,108,800	8.53
Mercury Asset Management PLC	3,953,707	8.21
H.G. Nominees Limited	2,000,000	4.15
Bank of Scotland (Unit Trusts) Limited	1,935,523	4.02
Bank of Scotland Nominees Limited	1,542,400	3.20
	Preference Shares	
	No.	%
Therapia Investments Limited	100,000	100

There were no other changes in the interests of the above shareholders in the share capital of the company between 31st December, 1996 and 18th March, 1997. No other party acquired an interest in the share capital of the company between the 31st December, 1996 and 18th March, 1997 to give them interest of 3 per cent or more in the issued share capital of the company.

All holdings are beneficial other than the item marked N/B which indicates that the shareholder has no beneficial interest in the shares in question. Holdings are not duplicated in the above information.

9. Charitable and Political Contributions

During the financial year the group made a political contribution to the North West, Industrial Council of £2,000 (1995 nil).

Charitable contributions made during the financial year totalled £11,000 (1995 £11,000).

10. Employees

The group has maintained its policy of informing employees of matters regarding the development of the group and financial factors affecting its performance by staff bulletins.

It is the group's policy that disabled people should have the same consideration as others for job vacancies for which they apply as suitable candidates. Opportunities exist for employees who become disabled to continue their employment or to be trained for other positions in the group's employment.

The group actively encourages the training of its employees through participation in industry training schemes. Additionally, in-house training is provided for administrative staff.

11. Special Business at the Annual General Meeting

At the Annual General Meeting on 2nd May, 1997 resolutions 7 to 9 will be special business. The special business covers the appointment of Arthur Andersen as the company's auditors, the directors' authority to allot shares and the partial disapplication of pre-emption rights. Details of the resolutions are set out in the Notice of Annual General Meeting on page 37 and the explanatory notes thereto on page 37.

12. Taxation Status

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1988. There has been no change in the status since the end of the financial year.

13. Auditors

Messrs. R.F. Miller & Co. are to resign as auditors at the end of the Annual General Meeting. Arthur Andersen have indicated their willingness to be appointed to the office and their appointment as auditors in accordance with section 385 of the Companies Act 1985 will be proposed at the Annual General Meeting.

By order of the Board

J.T. Blyth
Secretary

18th March 1997

Report of the Remuneration and Nominations Committee

Directors Remuneration

The executive directors remuneration is determined by the Remuneration and Nominations Committee which comprises entirely of non-executive directors. The committee, which was established by the board of directors, is chaired by Sir David Hardy. Its purpose is to determine the remuneration, benefits and the terms and conditions of employment of the executive directors.

The policy of the committee is to reward the executive directors, bench marked to comparable companies, so that it will attract, retain and motivate them in order that they will make the company successful.

Remuneration for the executive directors comprises fixed elements (i.e. salary, benefits in kind and pension) and performance related elements (i.e. annual bonuses, share options and long-term incentive bonuses). Details of the directors' remuneration are given in note 6 on page 19.

Fixed Elements

Salaries for the executive directors are reviewed annually on 1st January. Benefits in kind include company car, petrol, personal telephone, medical cover and accommodation where appropriate.

Company pensions are based on salary alone, bonuses and benefits in kind being excluded. The chairman is not in a company pension scheme but a contribution of 20% of his basic salary is paid into a personal pension plan. The other executive directors are in group pension schemes. The company contributes up to 16% to the pension funds with the directors contributing up to 6% of their salary.

Executive directors are eligible to death in service cover of four times basic annual salary.

Performance Related Elements

Bonus - A cash bonus scheme provides annual bonuses based upon the company's financial performance during the year. The annual targets are agreed at the commencement of the financial year.

Share Option Schemes - The company operates an executive share option scheme which was approved by the shareholders on 11th May, 1995. The options are exercisable following the attainment of a performance condition measured over a continuous period of three years and which demonstrates sustained financial growth of the company.

The directors are eligible to options under the Savings Related share option scheme.

Long Term Incentive Bonus - There is also a discretionary scheme under which the executive directors are given the right to receive a cash payment at the end of a three year period. The amount of the cash payment is dependent upon the movement in the company's share price between the date the right is conferred and the date on which it is exercised. This discretionary scheme is only exercisable following the attainment of a performance condition which demonstrates sustained financial growth of the company.

Service Agreements

Executive directors have a one year rolling service agreement with the company. One non executive director has a one year contract with the company. The other non executive directors do not have any contracts of service with either the company or any group undertaking.

Corporate Governance

The company is supportive of the code of Best Practice incorporated in the report issued by the committee on The Financial Aspects of Corporate Governance.

Compliance with the Code has been achieved throughout the year other than there was no managing director throughout the year and it is not the company's present intention to appoint a person to this position.

The board currently consists of seven directors, of whom four are non executive. The board meets on a regular basis to review strategic operational and financial matters. It supervises the executive management and a complete list of items reserved for the board's approval is in place. The executive directors have one year rolling service contracts with the company. One non-executive director has a one year contract with the company.

The non executive directors are entitled to the same information as the executive directors and are completely independent of the company.

An audit committee comprising three of the non executive directors is chaired by Sir David Hardy. The committee meets at least twice a year to review the company's accounting policies, financial and other reporting procedures. The external auditors are in attendance where appropriate.

A remuneration and nominations committee has been formed consisting of three of the non executive directors. The committee reviews the terms of service of the executive directors and senior executive management. The committee makes recommendations to the board on the appointment of executive and non executive directors, as well as the appointment of senior executive management.

The directors acknowledge their responsibility for the systems of internal financial control, the effectiveness of which they regularly review. These controls are designed to provide reasonable assurance on the accuracy and reliability of the information systems and on the maintenance of proper control over the assets and liabilities of the group. They are based on the principles of tiered levels of authority for capital and revenue expenditure.

Detailed procedures include budgeting and reporting systems, the appropriate supervision of which is supplemented by internal audits.

The auditors have confirmed that, in their opinion, with respect to the directors' statement on going concern on page 7. and internal control above the directors have provided the disclosures required by the listing rules of the London Stock Exchange and such a statement is not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the directors' statement above appropriately reflects the company's compliance with the other aspects of the Cadbury Code specified for their review by listing rule 12.43(j). They were not required to perform the additional work necessary to, and did 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.

Statement of Directors' Responsibilities

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 of the company and the group for that period. In preparing those statements, the directors are required to:

- select suitable accounting policies and 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 to operate.

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 are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

To the members of **James Fisher and Sons** PUBLIC LIMITED COMPANY

We have audited the financial statements on pages 13 to 32 which have been prepared under the historical cost convention and the accounting policies set out on page 17. We have also examined the amounts disclosed relating to emoluments, share options and long term incentive scheme interests of the directors which form part of the report to shareholders by the Remuneration and Nominations Committee on page 10.

Respective Responsibilities of Directors and Auditors

As described on page 11 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 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 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 mis-statement, 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 the affairs of the company and of the group at 31st December, 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RF Miller & Co

R.F. Miller & Co.
Chartered Accountants
Registered Auditor

Barrow-in-Furness
18th March, 1997

Group Profit and Loss Account

	Notes	1996 Before exceptional items £000	1996 Exceptional items £000	1996 Total £000	1995 Before exceptional items £000	1995 Exceptional items £000	1995 Total £000
		Year Ended 31st December					
Turnover	2						
Continuing		37,935		37,935	28,189		28,189
Discontinued		28		28	2,041		2,041
		37,963	-	37,963	30,230	-	30,230
Cost of sales and other operating expenses		(31,358)	-	(31,358)	(25,388)	-	(25,388)
Gross Profit		6,605	-	6,605	4,842	-	4,842
Administrative expenses		(2,240)	-	(2,240)	(1,739)	-	(1,739)
Continuing operations: Port restructuring costs		-	-	-	-	(2,348)	(2,348)
Income from interest in associated undertakings	3	(72)	-	(72)	174	-	174
Operating Profit	4						
Continuing operations		4,335	-	4,335	3,689	(2,348)	1,341
Discontinued operations		(42)	-	(42)	(412)	-	(412)
		4,293	-	4,293	3,277	(2,348)	929
Continuing operations: Profit on sale of ships		-	671	671	-	5,666	5,666
Discontinued operations: Port closure costs		-	-	-	-	(546)	(546)
		4,293	671	4,964	3,277	2,772	6,049
Interest receivable	7	751	-	751	299	-	299
Interest payable	8	(650)	-	(650)	(1,035)	-	(1,035)
Profit on Ordinary Activities Before Taxation	2	4,394	671	5,065	2,541	2,772	5,313
Taxation	9	(1,120)	(221)	(1,341)	109	(1)	108
Profit for the Financial Year		3,274	450	3,724	2,650	2,771	5,421
Dividends	10						
Non equity				(4)			(4)
Equity				(1,083)			(481)
				(1,087)			(485)
Retained Profit for the Financial Year	23			2,637			4,936
				pence			pence
Earnings per share	11			15.45			22.50
Adjusted earnings per share	11			13.70			12.14
Dividends:							
Interim				1.00			0.50
Final - proposed				1.75			1.50
	10			2.75			2.00

The 1996 results do not include any contribution from the acquisition of P & O Tankships - note 13.
There are no recognised gains or losses other than those included in the profit and loss account.

Group Balance Sheet

at 31st December

	Notes	1996 £000	1995 £000
Fixed Assets			
Tangible assets	12	78,648	26,707
Investments	13	303	920
		78,951	27,627
Current Assets			
Stocks	14	621	77
Debtors	15	38,142	3,916
Cash and short term deposits	16	13,450	10,043
		52,213	14,036
Creditors: due within one year	17		
Trade and other		(14,831)	(5,853)
Bank loans		(30,734)	(4,320)
		(45,565)	(10,173)
Net Current Assets		6,648	3,863
Total Assets less Current Liabilities		85,599	31,490
Creditors: due after more than one year	18		
Trade and other		(413)	(36)
Bank loans		(28,265)	(6,225)
		(28,678)	(6,261)
Provisions for Liabilities and Charges	20	(12,426)	(5,376)
		44,495	19,853
Capital and Reserves			
Called Up Share Capital	21	12,140	6,120
Share Premium Account	22	22,979	977
Profit and Loss Account	23	9,376	12,756
Shareholders Funds	24	44,495	19,853

Included in called up share capital are non-equity interests as disclosed in note 21.

The accounts on pages 13 to 32 were approved by the board of directors on 18th March, 1997 and were signed on its behalf by:

D.B. Cobb

Director

Group Cash Flow Statement

	Notes	Year ended 31st December 1996 £000	1995 £000
Net cash flow from operating activities	26(a)	6,449	7,188
Returns on investments and servicing of finance	26(b)	262	(594)
Taxation	26(c)	(303)	566
Capital expenditure and financial investment	26(d)	(15,294)	7,564
Acquisitions and disposals	26(e)	(39,442)	-
Equity dividend paid		(601)	(363)
Financing - increase/(decrease) in debt		48,454	(4,610)
(Decrease)/Increase in Cash in the Period		(475)	9,751
Reconciliation of Net Cash Flow to Movement in Net Debt	26(f)		
(Decrease)/Increase in cash in the period		(475)	9,751
Cash acquired with subsidiary		3,882	-
New secured loans:			
Bridging loan facility	26(g)	(26,000)	-
Others		(26,774)	-
Repayment of amounts borrowed		4,320	4,610
Movement in net debt in the period		(45,047)	14,361
Net debt at 1.1.96		(502)	(14,863)
Net Debt at 31.12.96		(45,549)	(502)

The £26,000,000 bridging loan facility was repaid on the 22nd January, 1997 from the proceeds of the fully underwritten rights issue.

Company Balance Sheet

	Notes	1996 £000	1995 £000
		at 31st December	
Fixed Assets			
Tangible assets	12	8,826	6,244
Investments	13	43,980	9,006
		52,806	15,250
Current Assets			
Stocks	14	38	38
Debtors	15	34,084	11,763
Cash and short term deposits	16	3,441	8,806
		37,563	20,607
Creditors: due within one year	17		
Trade and other		(5,035)	(6,422)
Bank loans		(30,415)	(4,320)
		(35,450)	(10,742)
Net Current Assets		2,113	9,865
Total Assets less Current Liabilities		54,919	25,115
Creditors: due after more than one year	18		
Trade and other		(401)	(6)
Bank loans		(4,310)	(6,225)
		(4,711)	(6,231)
Provisions for Liabilities and Charges	20	(942)	(735)
		49,266	18,149
Capital and Reserves			
Called Up Share Capital	21	12,140	6,120
Share Premium Account	22	22,979	977
Profit and Loss Account	23	14,147	11,052
Shareholders Funds	24	49,266	18,149

Included in called up share capital are non-equity interests as disclosed in note 21.

The accounts on pages 13 to 32 were approved by the board of directors on 18th March, 1997 and were signed on its behalf by:

D.B. Cobb
Director

1. Accounting Policy

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of Accounting

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

Basis of Preparation of Group Accounts

The accounts comprise a consolidation of the company, its subsidiary and associated undertakings made up to 31st December, 1996. As permitted by section 230 of the Companies Act 1985, a separate profit and loss account for the holding company has not been presented in these financial statements.

P & O Tankships Holdings Limited has been included in the group accounts using the acquisition method of accounting. The group profit for the financial year does not include the results of P & O Tankships Holdings Limited as the effective date of control was 30th December, 1996.

Goodwill arising on consolidation is written off directly to reserves. Fair value accounting adjustment has been made to take account of revaluation of certain fixed assets on an existing use basis, and changes to accounting policies required to comply with group policies. Fair value adjustment based on provisional estimates are amended in the following year accounts where necessary, with a corresponding adjustment to goodwill.

Tangible Fixed Assets

Depreciation is provided to write off the cost of tangible fixed assets in annual instalments over their estimated useful lives. The principal rates used are:

Ships:	
owned	4% to 10%
under period charter	Over life of charter
Freehold property	2.5%
Leasehold property	
long term	2.5%
short term	Over the period of lease
Plant and equipment	5% to 20%

No depreciation is charged on assets under construction.

The calculation of depreciation on owned ships takes into account their estimated residual value.

The cost of tangible fixed assets includes interest, calculated on a day to day basis, on expenditure incurred during construction and modification.

Stock

Stock is valued at the lower of cost and net realisable value.

Deferred Taxation

Deferred taxation, calculated under the liability method, is provided on the excess of capital allowances claimed in advance of depreciation and on other long and short term timing differences to the extent that timing differences are expected to reverse in the foreseeable future.

Foreign Currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate.

Operating Leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis.

Pension Costs

The estimated regular cost of providing benefits under defined benefit pension schemes is charged to the profit and loss account in the financial year in which benefits are earned on the basis of independent actuarial advice. Variations from regular cost are charged or credited to the profit and loss account over the average remaining service life of scheme members.

Contributions are calculated as a percentage, agreed on actuarial advice, of the pensionable salaries of employees.

Survey Provision

Provision is made towards the cost of special surveys for the group's owned ships in future years.

Turnover

Turnover represents the earnings from the provision of goods and services falling within the group companies' ordinary activities after excluding trade discounts and value added tax.

2. Segmental Analysis - Geographical market supplied

	1996		1995	
	£000	%	£000	%
Turnover				
United Kingdom and the Republic of Ireland	18,333	48	22,512	74
Continental Europe	2,463	6	4,174	14
Americas	101	1	616	2
Africa	724	2	1,715	6
Middle East	15,837	42	362	1
Others	505	1	851	3
	37,963	100	30,230	100

Turnover and Profit by Operation before Tax	1996		1995	
	Turnover £000	Profit £000	Turnover £000	Profit £000
Group				
Shipping operations:				
Continuing operations:				
Trading	35,975	5,113	26,402	5,090
Profit on sale of ships		671		5,666
		5,784		10,756
Port operations:				
Continuing operations	1,960	(778)	1,787	(3,865)
Discontinued operations	28	30	2,041	(1,016)
Associated undertakings				
Shipping operations:				
Discontinued operations		(74)		170
Port operations:				
Discontinued operations		2		4
	37,963	4,964	30,230	6,049
Interest receivable/(payable)		101		(736)
		5,065		5,313

Net Assets	1996 £000	1995 £000
Shipping operations	77,191	29,288
Port operations	-	190
Investments	298	159
Associated undertakings	5	761
	77,494	30,398
Loans	(32,999)	(10,545)
	44,495	19,853

These activities were conducted for all material purposes, in Western Europe.

3. Income from Interest in Associated Undertakings

	1996 £000	1995 £000
Dividends and distributions including where appropriate taxation credits	289	192
Movement in retained profit	(361)	(18)
	(72)	174

4. Operating Profit

	1996 £000	1995 £000
Auditors' remuneration:		
Audit fees	37	34
Others	12	2
Subsidiary acquisition	26	-
Depreciation	2,377	3,197
Permanent diminution	-	2,301
Operating lease rentals:		
property	581	527
others	61	47
and after crediting:		
Rent receivable	332	97

5. Staff Costs

	1996 £000	1995 £000
Wages and salaries	2,865	4,040
Social security costs	286	308
Other pension costs	317	559
	3,468	4,907

The average number of persons employed by the group under contracts of service was:	1996 No.	1995 No.
Port operations	72	156
Technical & administrative	131	131
	203	287

The group's seafarers totalling 292 (1995 357) have been excluded from the above figures as they are employed by an agency and seconded to the company for a fee.

6. Directors

Directors' emoluments	1996 £000	1995 £000
Executive directors:		
Salaries	176	140
Performance - related bonus	194	133
Other benefits	23	15
	393	288
Payments to non-executive directors	36	42
	429	330
Pension fund contributions	27	19
Total emoluments	456	349

The remuneration of the directors excluding pension contributions was as follows:

		Salary	Fees	Bonus	Benefits	Total 1996	Total 1995	Pension Contributions 1996	Pension Contributions 1995
		£000	£000	£000	£000	£000	£000	£000	£000
D.B. Cobb		78	-	79	15	172	166	15	15
J.H.T. Beazley		-	-	-	-	-	-	-	-
Sir David W. Hardy		-	12	-	-	12	11	-	-
T.C. Hart	(a)	63	-	59	4	126	122	6	4
Sir J.Julian R. Oswald		-	12	-	-	12	11	-	-
M.J. Shields	(b)	35	-	56	4	95	-	6	-
Sir F.D.David Thomson		-	12	-	-	12	11	-	-
M.C. Robinson		-	-	-	-	-	9	-	-
		176	36	194	23	429	330	27	19
				(c)	(d)				

(a) Mr. T.C. Hart's salary and benefits are paid to him as a director of a group subsidiary company.

(b) Mr. M.J. Shields' salary and benefits are from the date of his appointment on 3rd June, 1996.

(c) The cash bonus is based upon the company's financial performance and has been paid in accordance with the performance conditions in their contracts of service.

(d) Includes such benefits as company car, petrol, personal telephone, medical cover and accommodation where appropriate.

There is a potential payment to executive directors based on the long term incentive bonus reflecting movement in the company's share price between the date upon which the right was granted and the 24th May, 1998, the earliest date the payment can be made providing all the criteria attached to the incentive scheme has been fulfilled. The potential payment at 31st December, 1996 is:

D.B. Cobb	145,000
T.C. Hart	43,000
M.J. Shields	43,000
	£231,000

The directors' emoluments included the following amounts payable to the chairman:

	1996 £000	1995 £000
Salary and other emoluments	93	90
Bonus	79	76
	172	166

In 1996 and 1995 the highest paid director was the chairman. The number of directors who received emoluments (excluding pension fund contributions) in the following ranges was:

	Number	Number
£0 - £5,000	1	-
£10,001 - £15,000	3	4
£90,001 - £95,000	1	-
£120,001 - £125,000	-	1
£125,001 - £135,000	1	-
£165,001 - £170,000	-	1
£170,001 - £175,000	1	-

Directors' interests

The interests of the directors in the ordinary share capital of the company, including family interests, are detailed hereunder. None of the directors have any interest in the preference share capital of the company.

	Holdings of Ordinary Shares of 25p each		Options over Ordinary Shares of 25p each	
	31.12.96	31.12.95 or date of appointment	31.12.96	31.12.95 or date of appointment
	No.	No.	No.	No.
D. B. Cobb	10,000	10,000	300,000	300,000
J. H.T. Beazley	-	-	-	-
Sir David W. Hardy	10,000	10,000	-	-
T.C. Hart	650	650	154,000	154,000
Sir J.Julian R. Oswald	1,250	1,250	-	-
M. J. Shields	1,000	100	153,961	153,961
Sir F.D.David Thomson Bt.	2,000	2,000	-	-

Between 31st December, 1996 and 18th March, 1997 the directors became beneficially interested in additional shares. At 18th March, 1997 their beneficial interests in the company's issued share capital was:

	Holdings of Ordinary Shares of 25p each
D. B. Cobb	20,000
J. H.T. Beazley	-
Sir David W. Hardy	20,000
T.C. Hart	1,300
Sir J.Julian R. Oswald	2,500
M. J. Shields	2,800
Sir F.D.David Thomson Bt.	4,000

No director had any interest in the shares of the group undertakings during the financial year other than as a nominee of the company. There were no changes in this respect between 31st December, 1996 and 18th March, 1997.

Directors' share options

During the year there were no options granted or exercised. At 1st January, 1996 or date of appointment and the 31st December, 1996 the options held were as follows:

	Number of Share Options	**Option exercise price per share**	Date from which exercisable	Expiry date
D.B. Cobb	300,000	**65p**	24.05.98	24.05.2005
T.C. Hart	4,000	**92p**	23.09.90	23.09.1997
	150,000	**65p**	24.05.98	24.05.2005
	154,000			
M.J.Shields	46,000	**92p**	23.09.90	23.09.1997
	107,961	**65p**	24.05.98	24.05.2005
	153,961			

The market value of the 25p ordinary share at 31st December, 1996 was 149p having ranged between 85p and 150p during the financial year.

7. Interest Receivable

	1996 £000	**1995 £000**
Interest receivable	**646**	299
Interest capitalised	**105**	-
	751	299

Included in tangible fixed assets at the year end the aggregate interest capitalised was £572,000 (1995 £467,000) in the group and £108,000 (1995 £108,000) in the company.

8. Interest Payable

	1996 £000	**1995 £000**
On bank loans and overdrafts and other loans wholly repayable within 5 years	**650**	1,035

9. Taxation

	1996 £000	**1995 £000**
The (charge)/credit for taxation on the ordinary activities represents:		
UK corporation tax at 33% (1995 33%)	**(278)**	(137)
Tax on franked investment income	**-**	(2)
Deferred taxation	**(1,372)**	(1,421)
Share of taxation of associated undertakings	**-**	7
	(1,650)	(1,553)
Adjustments in respect of prior years		
UK corporation tax	**-**	(8)
Foreign taxation	**-**	63
Deferred taxation	**309**	1,606
	(1,341)	108

10. Dividends

	1996 £000	**1995 £000**
Non - equity:		
Preference paid	**4**	4
Equity:		
Ordinary interim paid	**240**	120
Ordinary final proposed of 1.75p per share (1995 1.50p per share)	**843**	361
	1,087	485

The ordinary dividends are based upon the following number of ordinary issued shares:

	1996 No.	1995 No.
Interim	**24,080,650**	24,080,650
Final	**48,161,300**	24,080,650

The ordinary final dividend will be paid on 7th May, 1997 to those shareholders registered in the books of the company at the close of business on 7th April, 1997.

11. Earnings per Share

Net earnings per ordinary share is calculated on £3,720,000 (1995 £5,417,000) being the profit on ordinary activities after taxation less preference dividends and on 24,080,650 (1995 24,080,650) ordinary shares in issue and ranking for dividend during the financial year. The adjusted earnings per share is shown to highlight the underlying earnings trend and is calculated using the same number of shares for the net earnings calculation referred to above and the amounts shown below:

	1996 £000	1996 p	1995 £000	1995 p
Earnings per share		15.45		22.50
Adjustments				
Profit on sale of ships	(671)	(2.78)	(5,666)	(23.53)
Port restructuring costs	-	-	2,894	12.02
Discontinued operations	42	0.17	412	1.71
Tax effect of above	207	0.86	(136)	(0.56)
	(422)	(1.75)	(2,496)	(10.36)
Adjusted earnings per share		13.70		12.14

No account has been taken of the 24,080,650 ordinary shares called up, unpaid in calculating the adjusted earnings per share as no benefit has been received at 31st December, 1996 from either the proceeds of the rights issue or the inclusion of any profit from the acquisition.

For the reasons stated in the foregoing paragraph it is considered that it would be misleading to include the warrant issued for up to 1,000,000 ordinary shares in the fully diluted earnings per share calculation at 31st December, 1996.

The potential dilution arising from the share options under the company's share option scheme is not material.

12. Tangible Fixed Assets

Group	Ships £000	Ships under construction £000	Freehold & leasehold property £000	Plant & equipment £000	Total £000
Cost:					
At 1.1.96	40,515	-	3,190	4,941	48,646
Additions	3,359	13,864	86	104	17,413
Acquisition of subsidiary undertaking	24,450	13,267	-	221	37,938
Disposals	(3,228)	-	-	(1,355)	(4,583)
At 31.12.96	65,096	27,131	3,276	3,911	99,414
Depreciation:					
At 1.1.96	15,648	-	2,499	3,792	21,939
Provided during the year	2,163	-	31	183	2,377
Disposals	(2,488)	-	-	(1,062)	(3,550)
At 31.12.96	15,323	-	2,530	2,913	20,766
Net Book Value:					
At 31.12.95	24,867	-	691	1,149	26,707
At 31.12.96	49,773	27,131	746	998	78,648
Company					
Cost:					
At 1.1.96	11,578		3,168	4,772	19,518
Additions	3,250		87	77	3,414
Disposals	(1,063)		-	(1,312)	(2,375)
At 31.12.96	13,765		3,255	3,537	20,557
Depreciation:					
At 1.1.96	7,138		2,478	3,658	13,274
Provided during the year	333		31	164	528
Disposals	(1,045)		-	(1,026)	(2,071)
At 31.12.96	6,426		2,509	2,796	11,731
Net Book Value:					
At 31.12.95	4,440		690	1,114	6,244
At 31.12.96	7,339		746	741	8,826

Group and Company

The net book value of freehold and leasehold property at 31st December, 1996 is analysed as follows:

	£000
Freehold	123
Long leasehold	588
Short leasehold	35
	746

An independent professional valuation of the group's ships was undertaken in November, 1996 which resulted in a surplus of £20.3 million on net book value. If the ships were sold at their valuations, an estimated additional taxation amounting to £6.7 million would arise. Neither the surplus nor the taxation liability is reflected in the accounts.

The directors have reviewed the value of the long term leasehold properties, at the ports, linked to their trading prospects, and have decided that the carrying cost of the assets in the balance sheet is reasonable.

13. Fixed Asset Investments

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Group undertakings	-	-	43,972	8,603
Associated undertakings	5	761	3	398
Other investments	298	159	5	5
	303	920	43,980	9,006

Group

	Interest in Associated Undertakings		
	Shares £000	Loans £000	Total £000
Cost:			
At 1.1.96	263	135	398
Disposals	260	135	395
At 31.12.96	3	-	3
Post acquisition reserves			
At 1.1.96	363	-	363
Movement in year	(361)	-	(361)
At 31.12.96	2	-	2
Net Book Value			
At 31.12.95	626	135	761
At 31.12.96	5	-	5

	Other Investments		
	Shares £000	Loans £000	Total £000
Cost:			
At 1.1.96	-	159	159
Additions	-	194	194
Disposals	-	(55)	(55)
At 31.12.96	-	298	298

Company

	Group Undertakings		
	Shares £000	Loans £000	Total £000
Cost:			
At 1.1.96	3,974	5,050	9,024
Additions	20,252	15,117	35,369
At 31.12.96	24,226	20,167	44,393
Premium written off			
At 1.1.96 and 31.12.96	421	-	421
Net Book Value			
At 31.12.95	3,553	5,050	8,603
At 31.12.96	23,805	20,167	43,972

	Interest in Associated Undertakings		
	Shares £000	Loans £000	Total £000
Cost:			
At 1.1.96	263	135	398
Disposals	(260)	(135)	(395)
At 31.12.96	3	-	3

	Other Investments		
	Shares £000	Loans £000	Total £000
Cost:			
At 1.1.96 and 31.12.96	-	5	5

On 30th December, 1996 the group acquired 800,000 ordinary shares of £1 each in P & O Tankships Holdings Limited, being 100% of its nominal share capital, for a cash consideration of £19,183,000.

The investment in P & O Tankships Holdings Limited has been included in the group's balance sheet at its fair value at the date of acquisition. The goodwill arising has been charged to reserves.

The analysis of the net assets at the date of acquisition of P & O Tankships Holdings Limited is as follows:

	Book value £000	Re-valuation £000	Alignment of accounting policies £000	Fair value to group £000
Tangible fixed assets				
Vessels in service	15,279	9,171 (a)	-	24,450
Vessels under construction	13,267	-	-	13,267
Cars & equipment	227	-	(6)(b)	221
Stock	1,174	-	(809)(c)	365
Debtors	9,659	-	(3,297)(d)	6,362
Cash	3,882	-	-	3,882
Creditors due within one year	(28,022)	-	(232)(e)	(28,254)
Provision for liabilities and charges	(6,880)	-	822 (f) (g)	(6,058)
Net assets	8,586	9,171	(3,522)	14,235
Goodwill arising on acquisition				6,017
Cost of acquisition				20,252
Discharged by:				
Consideration - cash				18,783
- deferred				400
				19,183
Costs associated with acquisition				1,069
				20,252

Adjustments:

(a) Increase in value of shipping properties to market valuation based on S.C. Chambers & Co. Ltd. valuation dated 4th December, 1996.

(b) Adjustment for change in depreciation policy.

(c) Adjustment for stock held on board ships.

(d) Adjustment to reflect the write back of refit prepayment.

(e) Adjustment for additional accrual.

(f) Adjustment to provide for special survey provision - (£910,000).

(g) Taxation adjustment in respect of (c) (d) (e) and (f) above - £1,732,000.

Cash flow relating to the acquisition:

The cash flow in respect of the purchase of this subsidiary undertaking is as follows:

	£000
Consideration	18,783
Inter-company loans repaid	20,810
	39,593
Cash in undertaking at date of acquisition	(3,882)
Net cash outflow on acquisition	35,711

P & O Tankships Holdings Limited was acquired on 30th December, 1996.
The summarised profit and loss account for the year ended 31st December, 1996 is as follows:

	£000
Turnover	45,213
Operating profit	3,399
Loss on sale of ships	(551)
Interest (payable)/receivable	(968)
Profit before taxation	1,880
Taxation	(497)
Profit after taxation for the financial year	1,383

The above figures are not included in the consolidated accounts.
There were no recognised gains and losses in the financial year other than the profit shown above.

14. Stock

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Consumable stores	621	77	38	38

15. Debtors

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Trade debtors - due within one year	5,033	2,297	284	728
Amounts owed by subsidiary undertakings	-	-	4,243	10,511
Amounts owed by associated undertakings	-	15	-	15
Other debtors	2,895	816	386	230
Called up share capital unpaid	28,897	-	28,897	-
Prepayments and accrued income	1,317	788	274	279
	38,142	3,916	34,084	11,763

16. Cash and Short-Term Deposits

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Short-term deposits	10,040	8,500	3,000	8,500
Cash at bank and in hand	3,410	1,543	441	306
	13,450	10,043	3,441	8,806

17. Creditors: due within one year

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Bank loans:				
Bridging finance	26,000	-	26,000	-
Other - note 19	4,734	4,320	4,415	4,320
Trade creditors	3,461	1,542	469	746
Other creditors	316	125	196	125
Amounts owed to group undertakings	-	-	372	4,217
Amounts owed to associated undertakings	-	6	-	6
Corporation tax	395	113	5	-
Proposed dividend	843	361	843	361
Other taxation and social security	539	175	332	157
Accruals and deferred income	9,277	3,531	2,818	810
	45,565	10,173	35,450	10,742

The bridging finance of £26,000,000, which is repayable by 28th February, 1997 is secured by an assignment of the proceeds of the rights issue and the underwriting agreement.

18. Creditors: due after more than one year

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Bank loans - note 19	28,265	6,225	4,310	6,225
Accruals - within two to five years	413	36	401	6
	28,678	6,261	4,711	6,231

19. Bank Loans

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Not wholly repayable within five years:				
By instalments	18,454	-	-	-
Wholly repayable within five years	14,545	10,545	8,725	10,545
	32,999	10,545	8,725	10,545
Less amount due within one year	4,734	4,320	4,415	4,320
Amount due after more than one year	28,265	6,225	4,310	6,225
Instalments not due within five years	10,924	-	-	-
Amounts falling due:				
Within one year	4,734	4,320	4,415	4,320
Between one and two years	11,933	3,615	4,310	3,615
Between two and five years	5,408	2,610	-	2,610
Between five and ten years	8,116	-	-	-
Over ten years	2,808	-	-	-
	32,999	10,545	8,725	10,545

Details of loans not wholly repayable within five years are as follows:

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
United Kingdom secured bank loans:				
1.0% above LIBOR repayable by December 2007	8,640	-	-	-
7.5% fixed repayable by September 2007	9,814	-	-	-
	18,454	-	-	-

The loans are secured by:

Joint and several guarantees from three group undertakings, mortgages on ten ships, assignment of building contracts of new ships, assignment of charterparties on two ships, general assignment of earnings and insurance on mortgaged ships.

20. Provision for Liabilities and Charges

Group	Deferred taxation £000	Special survey £000	Total £000
At 1.1.96	5,226	150	5,376
Movements during the financial year:			
Arising on the acquisition of subsidiary undertaking	5,148	910	6,058
Profit and loss account:			
Provided	1,063	140	1,203
Credited against costs	-	(90)	(90)
Advanced corporation tax	(121)	-	(121)
At 31.12.96	11,316	1,110	12,426
Company			
At 1.1.96	735	-	735
Movements during the financial year:			
Profit and loss account	328	-	328
Advanced corporation tax	(121)	-	(121)
At 31.12.96	942	-	942

Deferred Taxation

The provision for deferred taxation less advance corporation tax effectively recovered thereon represents:

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Capital allowances in advance of depreciation	13,513	4,492	1,257	900
Losses carried forward	(49)	(81)	(49)	(81)
Other timing differences	(1,937)	68	(55)	6
Deferred balancing charges	-	837	-	-
Advanced corporation tax	(211)	(90)	(211)	(90)
	11,316	5,226	942	735

No deferred taxation has been provided on those ships which were revalued on the acquisition of P & O Tankships Holdings Limited amounting to £3,000,000.

21. Share Capital - Group and Company

	1996 £000	1995 £000
Authorised		
Non-equity:		
100,000 3.5% cumulative preference shares of £1 each	100	100
Equity:		
66,320,000 (1995 - 30,400,000) ordinary shares of 25p each	16,580	7,600
	16,680	7,700

Allotted and called up		
Non-equity:		
100,000 3.5% cumulative preference shares of £1 each	100	100
Equity - fully paid:		
24,080,650 ordinary shares of 25p each	6,020	6,020
Equity - unpaid:		
24,080,650 ordinary shares of 25p each	6,020	-
	12,140	6,120

During the year the authorised share capital was increased by £8,980,000 by the creation of 35,920,000 ordinary shares of 25p each. On 27th December, 1996 the company offered by way of a 1:1 fully underwritten rights issue 24,080,650 new ordinary shares at 120p, the proceeds of which were used as part consideration for the acquisition of P & O Tankships Holdings Limited.

On 30th December a warrant was issued to P & O Steam Navigation Company to subscribe for up to 1,000,000 ordinary shares at a subscription price of 175p exercisable at any time between 30th November, 1997 and 30th November, 2001 or, if later, the date following three months after the publication of the company's accounts for the immediately preceding financial year.

The company has two executive share option schemes and a savings related share option scheme under which options have been granted on 1,106,784 ordinary shares as follows:

(i) 104,000 ordinary shares at 92p exercisable between 23rd September, 1990 and 23rd September, 1997.

(ii) 1,002,784 ordinary shares at 65p exercisable between 24th May, 1998 and 24th May, 2005.

Analysis of changes in share capital during the year:

	1996 £000	1995 £000
At 1st January	6,120	6,120
Rights issue	6,020	-
At 31st December	12,140	6,120

22. Share Premium Account - Group and Company

Analysis of changes in share premium during the year:

	1996 £000	1995 £000
At 1st January	977	977
Rights issue	22,877	-
Rights issue costs	(875)	-
At 31st December	22,979	977

23. Profit and Loss Account

The profit for the year was retained in:

	1996 £000	1995 £000
Holding company	3,095	6,441
Group undertakings after £3,500,009 dividends paid to holding company (1995 £9,950,000)	(460)	(1,487)
Associated undertakings	2	(18)
	2,637	4,936

	Group £000	Company £000
At 1st January	12,756	11,052
Retained profit for the financial year	2,637	3,095
Goodwill written off	(6,017)	-
At 31st December	9,376	14,147

24. Shareholders' Funds

Analysis of shareholders funds

	1996		1995	
	Group £000	Company £000	Group £000	Company £000
Attributable to:				
Ordinary shareholders	44,395	49,126	19,753	18,049
Cumulative preference shareholders	100	100	100	100
Total	44,495	49,266	19,853	18,149

Rights attached to shares:

The shareholders have the following rights to receive dividends:

48,161,300	ordinary shares	as recommended by the directors
100,000	cumulative preference shares	3.5% per annum

Neither type of share is redeemable. In the event of a winding up the order of priority and amounts receivable are:

48,161,300	ordinary shares	unlimited share of surplus after distribution to cumulative preference shareholders
100,000	cumulative preference shares	nominal value

All shares have equal voting rights attached and there are no circumstances in which this varies.

25. Reconciliation of Movements in Shareholders Funds

	Group £000	Company £000
At 1.1.95	14,917	11,708
Total recognised gains and losses	5,421	6,926
Dividends	(485)	(485)
At 1.1.96	19,853	18,149
Total recognised gains and losses	3,724	4,182
Dividends	(1,087)	(1,087)
Other movements:		
Rights issue	6,020	6,020
Share premium	22,002	22,002
Goodwill on acquisition	(6,017)	-
At 31.12. 96	44,495	49,266

26. Group Cash Flow Statement

a) Reconciliation of operating profit to operating cash flow

	1996 £000	1995 £000
Operating profit	4,293	929
Depreciation	2,377	3,197
Diminution	-	2,301
Profit on disposal of tangible fixed assets	-	(10)
Port closure costs	-	(546)
(Increase)/decrease in stocks	(179)	154
Decrease in debtors	845	1,257
(Decrease)/increase in creditors	(1,195)	180
Movement in retained reserves of associated undertakings	361	(174)
Own costs capitalised	(103)	-
Increase/(decrease) in provisions	50	(100)
	6,449	7,188

Analysis of Cash Flows for Headings Noted in the Cash Flow Statement

(b) Returns on investments and servicing of finance

	1996 £000	1995 £000
Interest received	658	280
Interest paid	(681)	(1,060)
Dividends received from associated undertakings	289	190
Preference dividend paid	(4)	(4)
Net cash inflow/(outflow) for returns on investments and servicing of finance	262	(594)

(c) Taxation

Corporation tax paid	(254)	(8)
Foreign tax paid	(49)	(51)
Corporation tax recovered	-	625
Net cash (outflow)/inflow	(303)	566

(d) Capital expenditure and financial investment

	1996 £000	1995 £000
Purchase of tangible fixed assets	(16,987)	(556)
Sale of tangible fixed assets	1,704	8,040
Purchase of investments	(45)	(34)
Sale of investment	34	114
Net cash (outflow)/inflow for capital expenditure and financial investment	(15,294)	7,564

(e) Acquisitions and disposals

	1996 £000	1995 £000
Purchase of subsidiary undertaking - note 13	(39,593)	-
Sale of associated undertaking	151	
Net cash outflow for acquisitions and disposals	(39,442)	-

(f) Analysis of Net Debt

	At 1st January 1996 £000	Cash Flow £000	Acquisition £000	At 31st December 1996 £000
Cash in hand, and at bank	10,043	(475)	3,882	13,450
Bridging loan facility	-	(26,000)	-	(26,000)
Debt due after 1 year	(6,225)	(22,040)	-	(28,265)
Debt due within 1 year	(4,320)	(414)	-	(4,734)
	(10,545)	(22,454)	-	(32,999)
	(502)	(48,929)	3,882	45,549

(g) Bridging Loan Facility

The £26,000,000 bridging loan facility which was used to partly finance the acquisition of P & O Tankships Holdings Limited was repaid out of the proceeds of the rights issue on 22nd January, 1997.

27. Pensions

Employees are members of two defined benefit schemes, which provide benefits based upon final pensionable salary. The assets of each scheme are held separately from those of the company, being invested with policies with insurance companies.

The contributions rates are determined by a qualified Actuary at three yearly intervals, and the latest valuations were performed between the 1st August, 1994 and the 1st August, 1995, using various funding methods. For the purposes of the valuations, it was assumed that long term salary growth would be 7% per annum and long term investment yields should be 9% per annum. Pensions in payment would increase between 3% and the increase in the Retail Prices Index, up to a maximum of 5% per annum.

The respective valuations showed that the value of the Scheme and assets were presented between 73% and 91% of the benefit that had accrued to members.

The Dockworkers Pension Scheme was made Paid-Up with effect from 31st January, 1996, and a review of the funding position is currently being undertaken.

The group has acquired P & O Tankships Holdings Limited whose employees are members of the P & O Steam Navigation Company pension scheme. The employees will continue to participate in the P & O scheme until 30th June, 1997 by which date they will have been transferred to a group scheme.

28. Financial Commitments

Operating leases

The commitment during the following year in respect of non-cancellable operating leases is as follows:

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Property:				
Leases expiring in over five years	583	565	537	526
Others:				
Within two to five years	10,299	47	14	14

29. Capital Commitments

At 31st December capital commitments for which no provision has been made in these accounts amounted to:

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Authorised and contracted	16,290	-	-	-
Authorised but not contracted	3,847	-	-	-

30. Contingent Liabilities

(a) In the ordinary course of the company's business counter indemnities have been given to bankers in respect of customs bonds and performance guarantees.

(b) A group VAT registration is operated by the company and four group undertakings in respect of which the company is jointly and severally liable for all amounts due to HM Customs and Excise under the arrangement.

(c) Payment guarantees have been issued by the company's bankers for outstanding non delivery stage payments in respect of the four China newbuildings, the value of the liability at 31st December 1996 was USD 3,141,000 (£1,847,000).

(d) A performance guarantee has been issued by the company's bankers in respect of conversion work undertaken during 1996 on a client's vessel, the total guarantee at 31st December, 1996 was USD 2,277,000 (£1,339,000). This is secured by a charge over a bank account amounting to £1,650,000.

(e) A counter guarantee has been issued by the company's bankers in connection with the financing of the two VSEL newbuildings, the total guarantee at 31st December, 1996 was £4,500,000.

Group Financial Record

For the five years ended 31st December

	1992 £000	1993 £000	1994 £000	1995 £000	1996 £000
Assets Employed					
Tangible fixed assets	29,160	37,129	33,750	26,707	**78,648**
Trade investments	231	179	153	159	**298**
Interest in associated undertakings	272	857	863	761	**5**
Other assets	1,707	1,516	1,003	8,147	**10,969**
Total Assets Employed	31,370	39,681	35,769	35,774	**89,924**
Financed by					
Ordinary share capital	6,020	6,020	6,020	6,020	**12,040**
Group reserves	11,355	7,559	8,797	13,733	**32,355**
Ordinary Shareholders' Interest	17,375	13,579	14,817	19,753	**44,395**
Preference share capital	100	100	100	100	**100**
Borrowed money	9,150	20,954	15,155	10,545	**32,999**
Provision for liabilities and charges	4,745	5,048	5,697	5,376	**12,426**
Total Funds Invested	31,370	39,681	35,769	35,774	**89,920**
Turnover, Profit and Reserves					
Turnover	31,099	28,473	32,235	30,230	**37,963**
Profit/ (loss) before taxation	1,492	(5,634)	2,283	5,313	**5,065**
Taxation	(847)	1,842	(800)	108	**(1,341)**
Profit/ (loss) after taxation	645	(3,792)	1,483	5,421	**3,724**
Dividends	(244)	(4)	(245)	(485)	**(1,087)**
Transferred to Reserves	401	(3,796)	1,238	4,936	**2,637**

	pence	pence	pence	pence	**pence**
Earnings per share	2.66	(15.76)	6.14	22.50	**15.45**
Adjusted earnings per share	3.96	(7.38)	6.33	12.14	**13.70**

Subsidiary Undertakings

at 31st December, 1996

Name of Company (Incorporated in Great Britain and registered in England unless otherwise stated)	Principal Activities	Places of Business
Trading:		
JAMES FISHER TANKSHIPS HOLDINGS LIMITED	Investment	LONDON
JAMES FISHER TANKSHIPS LIMITED	Ship operators	LONDON
JAMES FISHER (GIBRALTAR) LIMITED (Incorporated and registered in Gibraltar)	Ship owning	GIBRALTAR
JAMES FISHER HONG KONG LIMITED (Incorporated and registered in Hong Kong)	Crewing Agents	HONG KONG
JAMES FISHER AND SONS (LIVERPOOL) LIMITED	Ship owning	LIVERPOOL
ONESIMUS DOREY (SHIPOWNERS) LIMITED (Incorporated and registered in Guernsey)	Ship owning and shipbroking	GUERNSEY
JAMES FISHER AND SONS (SEAFLOOR DYNAMEX) LIMITED	Underwater excavation engineers	ABERDEEN
WESTFIELD SHIPPING COMPANY LIMITED	Crewing Agents	BARROW-IN-FURNESS

The companies which are all 100% owned operate primarily in their country of incorporation, except the ship owning companies which operate worldwide. The companies have coterminous year ends and are included within the consolidation.

VESSEL	BUILT	D.W.T.	TYPE
JAMES FISHER AND SONS PUBLIC LIMITED COMPANY			
Owned			
RFA "OAKLEAF"	1981	34,800	Clean products tanker
m.t. "ECHOMAN"	1982	6,125	Clean products tanker
m.v. "LANCING"	1976	3,100	Mini bulk carrier
m.v. "WORTHING"	1975	3,100	Mini bulk carrier
t.b. "FURNESS FISHER"	1955	2,464	Tanker barge
d.e.v. "NEW GENERATION"	1966	2,233	RO/RO heavy load
JAMES FISHER TANKSHIPS LIMITED			
Owned			
m.t. "TILLERMAN"	1975	12,800	Clean products tanker
m.t. "TANKERMAN"	1983	10,716	Clean products tanker
m.t. "CABLEMAN"	1980	8,496	Clean products tanker
m.t. "STELLAMAN"	1980	3,680	Clean products tanker
m.t. "EASTGATE"	1979	3,415	Clean products tanker
m.t. "WESTGATE"	1979	3,415	Clean products tanker
m.t. "NORTHGATE"	1980	3,290	Clean products tanker
m.t. "IRISHGATE"	1981	3,290	Clean products tanker
m.t. "OARSMAN"	1980	2,547	Clean products tanker
Long Term Charter			
m.t. "ANCHORMAN"	1993	6,417	Clean products tanker
m.t. "RUDDERMAN"	1994	6,417	Clean products tanker
m.t. "STEERSMAN"	1994	6,403	Clean products tanker
m.t. "CHARTSMAN"	1993	6,397	Clean products tanker

Fleet List continued

VESSEL	BUILT	D.W.T	TYPE
JAMES FISHER AND SONS (LIVERPOOL) LIMITED			
Owned			
C.S. "NEXUS"	1972/1993	11,473	Cable laying ship
m.t. "DAVID M"	1980	3,120	Clean products tanker
m.t. "MICHAEL M"	1980	3,120	Clean products tanker
m.v. "REDTHORN"	1978	3,070	Single deck/ general purpose
m.t. "FREDERICK M"	1980	2,924	Clean products tanker
m.v. "BRIARTHORN"	1980	2,435	Single deck/ general purpose
m.t. "ROBERT M"	1970	2,449	Bitumen tanker
m.v. "WHITETHORN"	1963	1,950	Drillship
m.v. "SILVERTHORN"	1982	1,694	Single deck/ general purpose
m.v. "ROSETHORN"	1982	1,694	Single deck/ general purpose
ONESIMUS DOREY (SHIPOWNERS) LIMITED			
Owned			
m.v. "SOLWAY FISHER"	1977	2,703	Single deck/ general purpose
m.v. "SEA BOYNE"	1977	2,192	Single deck/ general purpose
m.v. "ROCKFLEET"	1979	1,622	Single deck/ general purpose
m.v. "ROCKISLAND"	1978	1,467	Single deck/ general purpose
m.v. "TEAL I"	1974	1,477	Single deck/ general purpose
m.v. "PENTLAND"	1980	1,315	Single deck/ general purpose
m.v. "SARK VENTURE"	1988	50	Passenger/cargo

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of James Fisher and Sons Public Limited Company will be held at the Lisdoonie Hotel, Abbey Road, Barrow-in-Furness on, Friday, 2nd May, 1997 at noon for the following purposes:

Ordinary Business

Resolution 1

To receive the directors' report and the accounts for the year ended 31st December, 1996.

Resolution 2

To declare a final dividend of 1.75p per ordinary share payable on 7th May, 1997 to shareholders on the Register on 7th April, 1997.

Resolution 3

To re-elect Sir J. Julian R. Oswald (member of the Remuneration and Nominations Committee) as a director of the company.

Resolution 4

To re-elect Trevor C. Hart as a director of the company.

Resolution 5

To re-elect Michael J. Shields as a director of the company.

Resolution 6

To re-elect James H.T. Beazley as a director of the company.

Special Business

As special business to consider and, if thought fit, pass the following resolutions which, in the case of Resolutions 7 and 8 will be proposed as Ordinary Resolutions and in the case of Resolution 9 will be proposed as a Special Resolution:

Resolution 7

That Arthur Andersen be appointed as auditors of the company to hold office until the next general meeting at which accounts are laid before the company and that the directors be authorised to fix their remuneration.

Resolution 8

That the directors of the company be and are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the company to allot relevant securities (as defined in the said section) up to an aggregate nominal amount of £4,539,675 such authority to expire the conclusion of the next Annual General Meeting of the company, but to be capable of previous revocation and variation from time to time by the company in general meeting provided that the company may make any offer or agreement before the expiry of this authority that would or might require relevant securities to be allotted after this authority has expired and the directors may allot relevant securities in pursuance of any such offer or agreement as if this authority had not expired.

Resolution 9

Special Resolution That subject to the passing of Resolution 8 above the directors of the company be and are hereby empowered pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred that Resolution as if Section 89 (l) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £602,016 such authority to expire at the close of the next AnnualGeneral Meeting of the company save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power hereby conferred had not expired.

By order of the Board.

J.T. Blyth
Secretary

Fisher House, Barrow-in-Furness
8th April, 1997

Notes

Accounts are sent to all members of the company. Both the ordinary and preference shareholders are entitled to attend and vote at the meeting.

Any member entitled to vote at the above meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company. Completion of the Form of Proxy will not preclude a member from attending and voting in person. Forms of Proxy, duly executed, must reach the company's Registrar's office not less than 48 hours before the meeting.

The register of interests of the directors (and their families) in the share capital of the company and copies of the directors' service contracts are available for inspection at the registered office of the company during usual business hours and will also be available at the place of the Annual General Meeting from 11.30 a.m. on the date of the meeting until the close of the meeting.

A final dividend can only be paid after it has been approved by the shareholders in general meeting and may not exceed the amount recommended by the board. The directors recommend a final dividend of 1.75p per ordinary share for payment to ordinary shareholders who are on the register at the close of business on 7th April, 1997. If approved the final dividend will be paid on 7th May, 1997.

Special Business Explanatory Notes

R.F. Miller & Co. are not standing for re-election as the company's auditors and Resolution 7 is to appoint Arthur Andersen as auditors in their stead.

Resolution 8 gives authority to the directors to allot equity securities up to a total nominal amount of £4,539,675 being the nominal amount of the authorised but unissued ordinary share capital. The authority will expire at the conclusion of the Annual General Meeting to be held in 1998 and replaces a similar authority granted on 27th December, 1996 which expires at the conclusion of the forthcoming Annual General Meeting.

The passing of Resolution 9, a special resolution, will permit the directors, until the conclusion of the Annual General Meeting of the company to be held in 1998, to make issues of equity securities on an non pre-emptive basis up to an aggregate nominal amount of £602,016 being equal to 5% of the nominal amount of the issued ordinary share capital. The power will, if granted, replace the similar power conferred on the directors on 27th December, 1996 and which will lapse at the conclusion of the forthcoming annual general meeting.

The directors have no present intention of issuing any of the company's authorised but unissued ordinary share capital except persuant to the company's share option schemes and the warrant issued to The P & O Steam Navigational Company to subscribe for up to 1,000,000 ordinary shares at a subscription price of 175p per share.