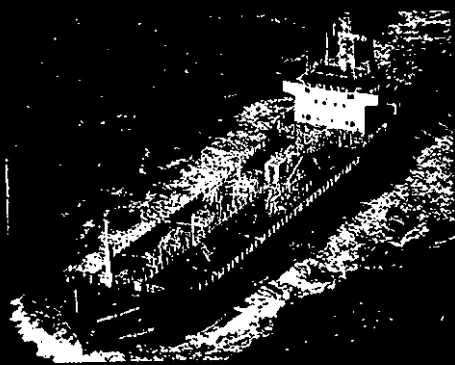
Fisher

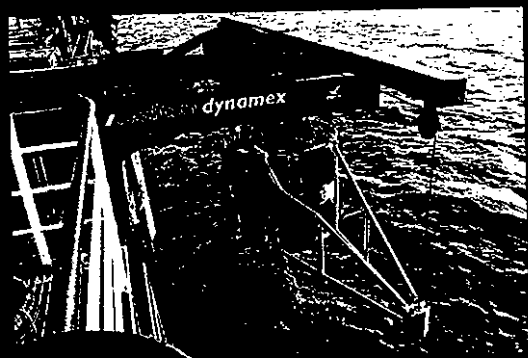
Established 1847

JAMES FISHER AND SONS PUBLIC LIMITED COMPANY

Company Reg. No. 211475

# James Fisher and Sons PUBLIC LIMITED COMPANY






# Annual Report and Accounts 1997

# Contents

## James Fisher and Sons PUBLIC LIMITED COMPANY

Report and Financial Statements
for the year ended 31 December 1997

# 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**

Arthur Andersen

Bank House

9 Charlotte Street

Manchester M1 4EU

**Principal Bankers**

Midland Bank plc

27 - 32 Poultry

London EC2P 2BX

**Merchant Bankers**

HSBC Investment Bank plc

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 42 vessels in a range of specialist markets.

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

# Directors

| | | |
|---|---|---|
| David B. Cobb J.P., C.Eng., FRINA | | Executive Chairman |
| Sir David W. Hardy FCA, FCIT | *# | Senior Non-executive Director |
| R. Angus F. Buchanan BSc(Hons), C.Eng., MI Mech.E. | | Executive Director |
| Trevor C. Hart BA (Hons), DBA, AICS, AIPM | | Executive Director |
| Terence Moore CBE, BSc(Econ), F.Inst.Pet.ACII, AICS | *# | Non-executive Director |
| Sir J. Julian R. Oswald GCB | *# | Non-executive Director |
| Ian M. Serjent C.Eng., MI MarE., MRINA | | Executive Director |
| Michael J. Shields | | Finance Director |
| Sir F.D. David Thomson Bt | *# | Non-executive Director |

* Audit Committee

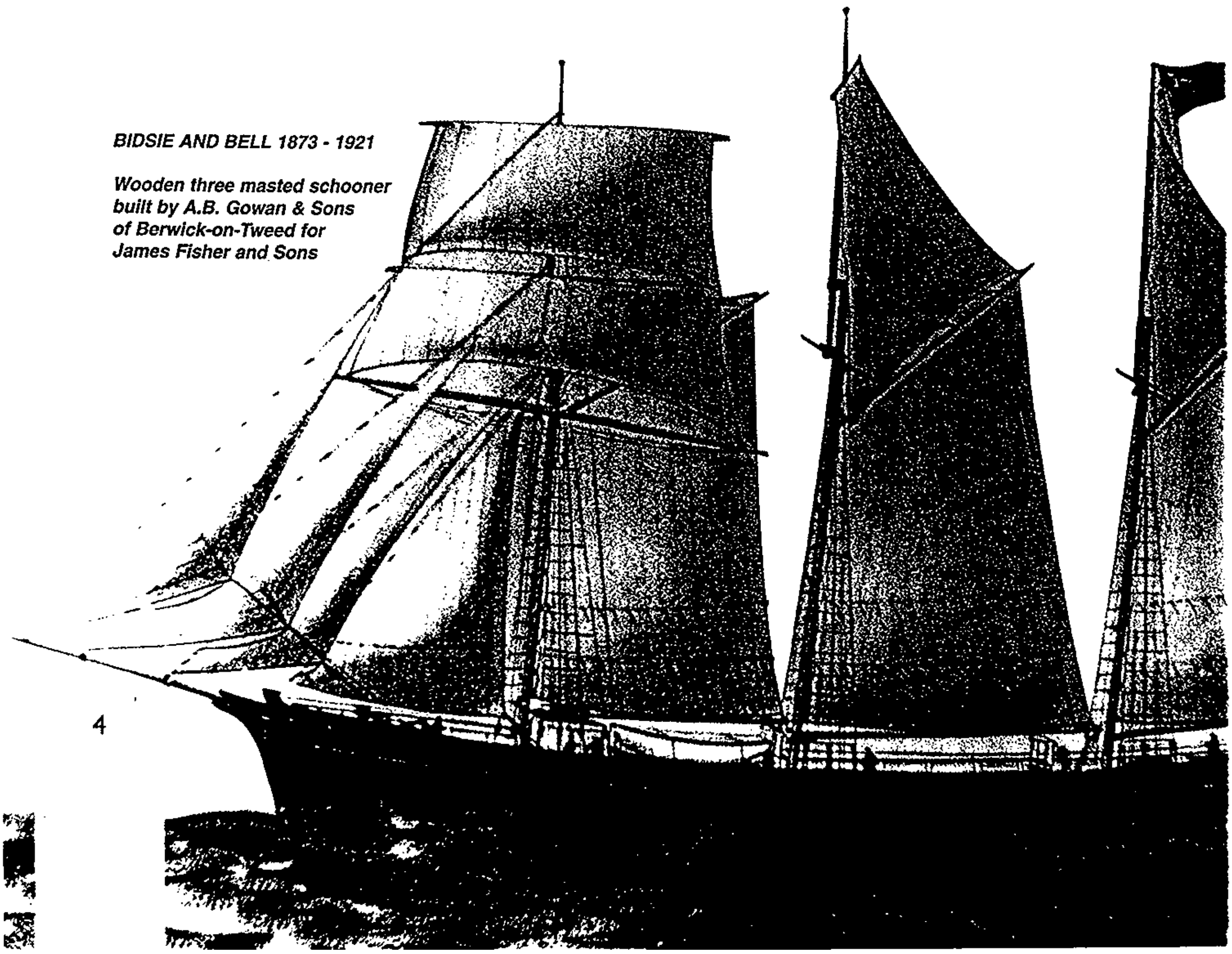
\# Remuneration and Nominations Committee

## Financial Highlights

| For the year | 1997<br>£000 | |
|---|---|---|
| Profit before taxation excluding profit on sale of ships | 7,990 | **+82%** |
| Equity dividends | 1,545 | **+43%** |

| At year end | | |
|---|---|---|
| Shareholders' funds | 50,232 | **+13%** |
| Cash and short term deposits | 14,615 | **+9%** |

| Per share | Pence | |
|---|---|---|
| Earnings | 15.02 | **+6%** |
| Adjusted earnings | 13.83 | **+10%** |
| Equity dividends | 3.20 | **+16%** |



***BIDSIE AND BELL 1873 - 1921***

***Wooden three masted schooner built by A.B. Gowan & Sons of Berwick-on-Tweed for James Fisher and Sons***

# Chairman's Statement

### Financial

It gives me great pleasure to report to shareholders another set of encouraging results. Pre-tax profit for the year to 31 December 1997 advanced by 84% to £9,308,000 (1996 £5,065,000) after reorganisation costs of £482,000 (1996 £nil) with earnings per share of 15.02p (1996 14.12p) reflecting a full year's profit from P & O Tankships Holdings Limited group which was acquired on 30 December 1996.

### Dividend

Your board recommends a final dividend of 2.0p per share (1996 1.75p) which together with the interim dividend of 1.2p per share (1996 1.0p) amounts to a total of 3.2p per share for the year (1996 2.75p). The dividend will be paid on 13 May 1998 to all shareholders on the register at the close of business on 3 April 1998.

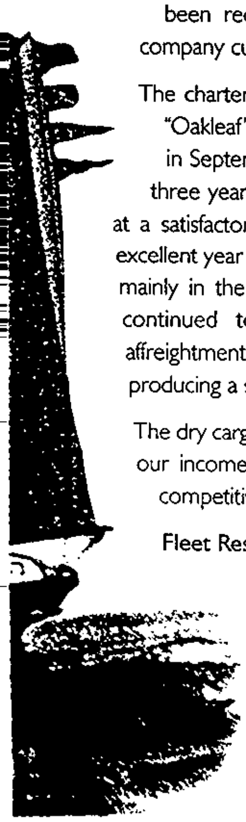
These results demonstrate a year of excellent progress in our core business and one in which foundations have been laid for further strategic plans in the years ahead.

### Shipping

Our shipping business in N.W. Europe, with the acquisition of P & O Tankships Holdings Limited group, again delivered a strong performance. Our management contracts with British Nuclear Fuels plc and Ministry of Defence - Sealand produced good sound returns. The introduction of our Hydrodigger within our subsidiary company Seafloor Dynamex is exciting and we look forward to that operation delivering a good return in the years to come. We took delivery of three new tankers from Qui Xin Shipyard in Shanghai and one from GEC Marine at VSEL in Barrow. These ships have quickly worked their way into our contract programme and have been received enthusiastically by our major oil company customers.

The charter, to the Ministry of Defence, of the RFA "Oakleaf", our 34,800 dwt tanker, which expired in September 1997, was renewed for a period of three years with seven one year options thereafter at a satisfactory rate. The C.S. "Nexus" had another excellent year on charter to Cable & Wireless operating mainly in the Far East, whilst the "New Generation" continued to be employed on its contract of affreightment to National Power, and spot cargoes, producing a satisfactory outcome.

The dry cargo market which represents a small part of our income and asset value continues to be highly competitive with a low level of profitability.



### Fleet Restructuring

Our planned programme of restructuring continued during the year with the sale of two tankers, the "Echoman" and "Robert M", three dry cargo vessels the "Lancing", "Worthing" and "Teal I" and a drill ship, the "Whitethorn".

The average age of the vessels sold was 23 years. The vessels were sold at an aggregate pre-tax profit of £1,318,000.

### Underwater Engineering Services Limited

On 11 March 1998 we acquired Underwater Engineering Services Limited, an Aberdeen based company engaged in the design, manufacture, hiring and selling of specialised equipment to the oil exploration and construction companies in the North Sea. The company, which is to be renamed James Fisher (Underwater Engineering Services) Limited produced a pre-tax profit of £414,000 in 1997. We plan to move the Seafloor Dynamex operations to the premises of U.E.S., thereby reducing overheads.

### Ports

Our ports division continues to make losses. The operating loss for the year was £865,000 (1996 £778,000 loss). The three year sublease of the Heysham Terminal to North Lancashire Stevedores Limited expires in September 1998. North Lancashire Stevedores has an option to acquire our assets subject to the lease being approved by the head lessor Heysham Port and Properties Limited.

At Newhaven the workforce has been further reduced and we now employ only 11 persons. We have very good relations with ENZAFRUIT New Zealand (UK) Limited who plan on increasing their throughput in 1998. The weekly service of bananas from the Ivory Coast continues with increased volumes and larger quantities of containers to discharge and reload. We also have a steady flow of vessels delivering Egyptian potatoes when in season as well as timber from the Baltic States throughout the year.

We are continuing to explore a number of options regarding the future of Newhaven and discussions have already taken place with interested parties. Discussions on the development of the port, having been put on hold whilst the Government considered the merger of P & O / Stena, have yet again been delayed, this time whilst the debate over "duty free" takes place, the outcome of which could have a material effect on the viability of ferry operations. We are hopeful, however that a satisfactory solution will be found and that the port will be restructured with improved facilities for all of its users.

### Prospects

The integration of our fleets is proceeding as planned. Our offices in Barrow, Liverpool and London have been audited by a joint Marine Safety Agency and Lloyds Register team and the Documents of Compliance for the

International Safety Management Code have been issued. We are now having the required vessels audited and expect to have Ship Management Certificates in place before the deadline of 1 July 1998.

The "Tankerman", our 10,716 dwt vessel and "Cableman" our 8,496 dwt vessel are to be converted to provide segregated ballast systems to meet our oil company customer demands. These improvements will reduce turnaround times increasing the annual volumes carried and therefore the turnover. Both of these conversions will take place in the first half of 1998.

Having taken delivery of four new tankers in 1997, the "Humber Fisher" from VSEL in February 1998 and the "Milford Fisher" from Shanghai in March 1998 we shall complete our current newbuilding programme with the delivery of the "Mersey Fisher" from VSEL in September 1998.

We have increased our tanker contracts of affreightment and charters are in place for the "Oakleaf", "Nexus" and "Stellaman".

Our planned survey programme based on the requirements of the classification societies calls for more ships to be refitted in 1998 than 1997. This is not unusual in the shipping industry, nevertheless we expect to produce a satisfactory outcome for our shareholders.

**Directors**

I am delighted to welcome Terry Moore (aged 66) as a non-executive director. Terry Moore's 19 years experience at the highest level with Conoco Limited will be invaluable as this part of our business increases.

I am also pleased to welcome Ian Serjent (aged 55) and Angus Buchanan (aged 34) as executive directors. Ian has been with James Fisher and Sons (Liverpool) Limited for 24 years. Angus, who joined James Fisher Tankships Limited as Director and General Manager in June 1997, was appointed Managing Director of Tankships in January 1998. He joined the company from Yarrow Shipbuilders where he was a Director and the Projects Director responsible for the construction of type 23 frigates.

Sir David Thomson Bt. has decided not to offer himself for re-election at the forthcoming Annual General Meeting. Sir David joined the company as a consultant in 1989 and the Board in July 1993. I would like to thank him for the considerable contribution he has made during this period.

Mr James Beazley completed his one year appointment with the company at the end of 1997 and I would like to record my thanks to him for his help during his time on the Board.

**150th Anniversary**

We celebrated the 150th anniversary in 1997 with receptions for our staff and customers which were enjoyed by all concerned.

**Staff**

The results we have achieved are due to the commitment and contribution of our people. I would like to thank them for all their efforts and performance.

D.B. Cobb

**Executive Chairman**

**19 March 1998**

### Group Results

In the year ended 31 December 1997, turnover rose by 64% to £62,293,000. The turnover attributable to continuing operations was £16,956,000. The comparative figure for 1996 reflected the conversion contract undertaken for Etisalat. The total turnover in 1997 attributable to the acquisition of P&O Tankships Holdings Limited (renamed James Fisher Tankships Holdings Limited) group was £45,337,000.

Profit on ordinary activities before taxation increased by 84% from £5,065,000 to £9,308,000 reflecting the acquisition of James Fisher Tankships Holdings Limited group at the end of 1996. Included in the pre-tax profit is £1,318,000 (1996 £671,000) surplus from ship sales.

Net assets have increased from £44,495,000 at 31 December 1996 to £50,232,000 at 31 December 1997.

Throughout the year the company continued to review all of its operations.

### Earnings Per Share

Basic earnings per share increased by 6% to 15.02p per share and fully adjusted earnings per share increased by 10% to 13.83p per share.

### Shipping Review

Shipping operations performed strongly, producing £8,626,000 trading profit. The increase of £3,513,000 reflected the inclusion of the first year's trading contribution of James Fisher Tankships Holdings Limited group. Ship sales produced a £1,318,000 surplus compared to £671,000 surplus in 1996.

Three of the four newbuilding vessels which were under construction in China for James Fisher Tankships Holdings Limited group were delivered from the Qui Xin Shipyard, Shanghai during the year. They are now trading on our contract business. The fourth Chinese vessel was delivered in March 1998. The first of the VSEL newbuilding vessels was delivered in the final quarter of 1997. The second vessel was delivered in February 1998 and a third vessel is due for delivery in the Autumn of 1998.

### Ports Review

The trading loss for the year was £865,000, an increase on the level of loss incurred in 1996. Further redundancies were undertaken at Newhaven, the cost of which was a contributory factor to the increased loss. All aspects of the port operations continue to be closely monitored in an effort to reduce the impact on the group.

### Investment

The business of P&O Tankship Holdings Limited group, acquired on 30 December 1996, has been successfully integrated within the group structure during 1997. Reorganisation costs of £482,000 incurred during the integration period have been charged to the profit and loss account as exceptional administrative expenses.

### Finance

Treasury transactions in the provision and use of finances are directed towards managing both risk and cost. Interest rate and forward currency contacts are entered into periodically to enable future revenues or costs to be determined with more certainty.

Following the receipt of the proceeds of the 1:1 rights issue of 24,080,650 new ordinary shares at 120p per share, a £26,000,000 Bridging Loan provided by Midland Bank plc to assist with the financing of the acquisition of P&O Tankships Holdings Limited group, was repaid in January 1997.

The working capital loan of £5,820,000, advanced by Midland Bank plc on the acquisition of P&O Tankships Holdings Limited group, was repaid in full in November 1997.

A new 5 year Medium Term Loan Facility of £8,500,000 was concluded with Midland Bank plc in November 1997 at an interest margin of 0.875% over LIBOR. A drawdown of £5,500,000 was made against this facility which enabled the repayment of three existing facilities.

Throughout the year drawdowns totalling £10,100,000 from the 10 year Midland Bank plc £24,000,000 Chinese Newbuilding loan took place in order to meet the stage payments of the contract. At 31 December 1997 a total of £18,800,000 had been drawndown.

The total borrowing from the Ship Mortgage Finance Company to cover the first two vessels from VSEL at 31 December 1997 was £11,080,000. These funds are available at a fixed rate of 7.5% over 8.5 years. A commercial loan has been put in place which extends the borrowing period to 12 years.

Finance for the third VSEL vessel has also been established through Ship Mortgage Finance Company over 12 years and at 31 December 1997 drawdowns totalling £4,790,000 had been made to cover stage payments. A balance of £1,590,000 remains available from the loan.

Cash and short term deposits increased by £1,165,000 to £14,615,000 by 31 December 1997. During the year the group generated an operating cash inflow of £8,862,000, an increase of 37%.

### Taxation

Taxation of £2,040,000 has been charged in the accounts, representing a current year tax charge of £2,843,000 (30.5%) and a prior year tax credit of £803,000. Corporation tax payable in respect of the current year charge is £486,000.

### Dividends and Reserves

The proposed final dividend would result in a total for the year of 3.2p per share, an increase of 16% over that paid in 1996. The dividend is covered 4.7 times by the profit attributable to ordinary shareholders. The cost of all dividends will be £1,549,000 leaving £5,719,000 to be transferred to reserves.

### 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 financial statements.

# 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 31 December 1997.

1. Principal Activities

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

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

2. Post Balance Sheet Event

On 11 March 1998 the company acquired the entire issued share capital of Underwater Engineering Services Limited for consideration of £1,450,000. The company will change its name to James Fisher (Underwater Engineering Services) Limited.

3. Results and Dividends

The group profit for the financial year after taxation amounted to £7,268,000, after which a preference dividend of £4,000 and an interim dividend of £580,000 was paid during the year. The directors recommend a final dividend of 2.0p per share which will absorb £965,000 leaving £5,719,000 to transfer to reserves.

4. Fixed Assets

An independent professional valuation of the group's ships was undertaken in December 1997 which resulted in a surplus of £21.9 million on net book value. If the ships were sold at their valuations, estimated additional taxation amounting to £6.9 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 pages 24 and 25.

5. Directors

The current members of the board of directors are listed on page 3. Mr. James H.T. Beazley resigned from the board on 30 December 1997. On 11 March 1998 Mr. R.A.F. Buchanan and Mr. I.M. Serjent were appointed as executive directors of the company. On the same date Mr. T. Moore CBE was appointed as a non-executive director of the company. In accordance with the Articles of Association Mr. Buchanan, Mr. Serjent and Mr. Moore retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

**Sir David W. Hardy** Aged 67. Senior non-executive director: Chairman of the Trustees, National Maritime Museum, Greenwich. Chairman: Y.J. Lovell (Holdings) plc; Marine & General Mutual Life Assurance Society; Transport Research Laboratory. Director: Hanson PLC; Stirling Lloyd Holdings PLC; Milner Estates PLC; Imperial Tobacco Group PLC and Sons of Gwalia Ltd.

**Terence Moore CBE** Aged 66. Retired from Conoco Limited as Chief Executive Officer. Director: Institute of Petroleum; Conoco Pension Fund Trustees Limited.

**Sir J. Julian R. Oswald GCB** Aged 64. 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 58. 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.

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.

The executive directors have one year rolling service contracts 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 31 December 1997 or at any time during 1997.

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.

6. Substantial Shareholders

On 19 March 1998 the following were interested in 3 per cent or more of the company's issued share capital:

| | Ordinary Shares No. | % |
|---|---|---|
| Rowland Frederick Hart Jackson | 243,157 | 0.50 |
| Rowland Frederick Hart Jackson N/B | 8,705,746 | 18.04 |
| Prudential Pensions Limited | 3,108,800 | 6.44 |
| Aberforth Partners | 3,050.000 | 6.32 |
| Therapia Investments Limited | 3,028,351 | 6.27 |
| Scottish Amicable | 2,229,000 | 4.62 |
| Mercury Asset Management plc | 2,144,180 | 4.44 |
| Chase Nominees Limited | 1,571,800 | 3.26 |

| | Preference Shares No. | % |
|---|---|---|
| Therapia Investments Limited | 100,000 | 100 |

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.

### 7. Charitable and Political Contributions

During the financial year the group made no political contributions (1996 £2,000).

Charitable contributions made during the financial year totalled £12,000 (1996 £11,000).

### 8. 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.

A savings related share option scheme was introduced in 1995 and is open to all eligible employees. An executive share option scheme was also introduced in 1995 in which the directors may grant options to nominated employees.

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.

### 9. Special Business at the Annual General Meeting

At the Annual General Meeting on 8 May 1998 resolutions 9, 10 and 11 will be special business. The special business covers the directors' authority to allot shares, the partial disapplication of pre-emption rights and the company's authority to purchase its own shares. Details of the resolutions are set out in the Notice of Annual General Meeting on page 38 and the explanatory notes thereto on page 39.

### 10. 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.

### 11. Supplier Payment Terms

It is the company's policy to comply with the terms of payment agreed with its suppliers. Where payment terms are not negotiated the company endeavours to adhere to suppliers' standard terms.

At the balance sheet date £516,000 (1996 £468,000) was due by the company to trade creditors which represents an average number of days credit taken of 35 days (1996 - 37 days).

### 12. Auditors

The auditors, Arthur Andersen, have indicated their willingness to continue in office and their re-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 J.T. Blyth

Secretary

19 March 1998

# 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, benchmarked to comparable companies, so that it will attract, retain and motivate them in order that they will make the company successful. In forming the policy the committee has given full consideration to Section B of the best practice provisions annexed to the Listing Rules of the London Stock Exchange.

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 pages 20 to 22.

The company has complied with Section A of the best practice provisions annexed to the Listing Rules of the London Stock Exchange.

## Fixed Elements

Salaries for the executive directors are reviewed annually with effect from 1 January. Benefits in kind include company car, petrol, telephone, and medical cover.

Company pensions are based on salary alone, bonuses and benefits in kind being excluded. The Executive 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 prior to the commencement of the financial year.

Share Option Schemes - The company operates an executive share option scheme which was approved by the shareholders on 11 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 executive directors are eligible for options under the savings related share option scheme.

Long Term Incentive Bonus - There is also a discretionary scheme under which the executive directors and senior executives 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 and senior executives have a one year rolling service agreement with the company.

## Nominations

The committee is also responsible for the initial proposals to the board in respect of any new board director appointments whether executive or non-executive.

The company is supportive of the Code of Best Practice ("the Code") 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 with the exceptions set out below:

1. Whilst there was no group managing director throughout the current year the two main subsidiary companies now have executive managing directors.

2. During the year the board did not have a formal schedule of matters specifically reserved to it for decision, other than main control procedures stated below, nor was there an agreed procedure for directors, in the furtherance of their duties, to take independent professional advice. Since the end of the year this has been rectified and the company does now comply with the Code in respect of these matters.

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 the group with reasonable and not absolute, assurance regarding the reliability of financial information within the business and for publication, and that assets are safeguarded.

The key features of the internal control system that operated throughout the year covered by the financial statements are described under the following headings:-

- **Control environment.** The board has put in place a documented organisational structure with clearly defined and understood lines of responsibility and delegation of authority from the board to operating units. There are established policies and procedures.

- **Identification and evaluation of business risks and control objectives.** The board has the primary responsibility for identifying the major business risks facing the group and developing appropriate policies to manage those risks. This risk management approach is used to focus the work of the internal audit function on the group's most significant areas of risk and to determine key control objectives.

- **Information systems.** The group operates a comprehensive annual planning and budgeting system with an annual budget approved by the board. There is a financial reporting system which compares results with budget and the previous year on a monthly basis to identify any significant deviation from approved plans. A cash flow statement projected for a rolling 12 months is prepared on a quarterly basis and is used in determining that the group has adequate funding for its future needs. The actual cash flow is monitored on a monthly basis and compared to forecast. Financial reviews of the major operating units are undertaken on a monthly basis. Revised forecasts for the year are updated on a monthly basis.

- **Main control procedures.** The board has adopted a schedule of matters which are required to be brought to it for decision thus ensuring that it maintains full and effective control over appropriate strategic, financial, organisational and compliance issues. Financial controls and procedures have been implemented which includes defined procedures for seeking and obtaining approval for major transactions and organisational changes.

- **Monitoring.** The board has delegated to executive management implementation of the system of internal financial control. The operation of the system is monitored by an internal audit department which reports to the Audit Committee.

The Audit Committee reviews the operation and effectiveness of this system of internal financial control on a regular basis.

## 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 group 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 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; and

- 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 company and 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 company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Statement of Auditors' Responsibilities

Company law requires auditors to form an independent opinion on the financial statements presented by the directors based on their audit and to report their opinion to the shareholders. The Companies Act 1985 also requires auditors to report to the shareholders if the following requirements are not met:

- that the companies in the group have maintained proper accounting records;

- that the financial statements are in agreement with the accounting records;

- that the directors' emoluments and other transactions with directors are properly disclosed in the financial statements; and

- that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their audit.

The auditors' opinion does not encompass the directors' report on pages 8 and 9. However, the Companies Act 1985 requires auditors to report to the shareholders if the matters contained in the directors' report are inconsistent with the financial statements.

# Auditors' Report

## To **James Fisher and Sons** PUBLIC LIMITED COMPANY on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 7 and 11 concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance 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 and group to continue in operational existence.

**Opinion**

With respect to the directors' statements on internal financial control on page 11 and going concern on page 7, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 11 appropriately reflects the company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors
Bank House
9 Charlotte Street
Manchester
M1 4EU

19 March 1998

# Auditors' Report

## To the shareholders of **James Fisher and Sons** PUBLIC LIMITED COMPANY

We have audited the financial statements on pages 14 to 33 which have been prepared under the historical cost convention and the accounting policies set out on page 18.

**Respective responsibilities of directors and auditors**

As described on page 12 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those 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 statement, and of whether the accounting policies are appropriate to the circumstances of the company and of 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 of the group at 31 December 1997 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors
Bank House
9 Charlotte Street
Manchester
M1 4EU

19 March 1998

# Group Profit and Loss Account

| | Notes | Year Ended 31 December 1997 £000 | 1996 £000 |
|---|---|---|---|
| Turnover | 2 | | |
| Continuing operations | | 16,956 | 37,935 |
| Acquisitions | | 45,337 | - |
| Discontinued operations | | - | 28 |
| | | 62,293 | 37,963 |
| Cost of sales and other operating expenses | | (51,022) | (31,358) |
| Gross Profit | | 11,271 | 6,605 |
| Administrative expenses | | (3,029) | (2,240) |
| Exceptional administrative expenses | | | |
| Reorganisation costs | | (482) | - |
| Income from interest in associated undertakings | 3 | 1 | (72) |
| Operating Profit | 4 | | |
| Continuing operations | | 2,591 | 4,335 |
| Acquisitions | | 5,170 | - |
| Discontinued operations | | - | (42) |
| | | 7,761 | 4,293 |
| Continuing operations | | | |
| Profit on sale of ships | | 1,318 | 671 |
| | | 9,079 | 4,964 |
| Interest receivable | 7 | 1,629 | 751 |
| Interest payable | 8 | (1,400) | (650) |
| Profit on Ordinary Activities Before Taxation | 2 | 9,308 | 5,065 |
| Taxation | 9 | (2,040) | (1,341) |
| Profit for the Financial Year | | 7,268 | 3,724 |
| Dividends paid and proposed | 10 | | |
| Non-equity | | (4) | (4) |
| Equity | | (1,545) | (1,083) |
| | | (1,549) | (1,087) |
| Retained Profit for the Financial Year | 23 | 5,719 | 2,637 |
| | | pence | Restated pence |
| Earnings per share | 11 | 15.02 | 14.12 |
| Adjusted earnings per share | 11 | 13.83 | 12.52 |
| Equity dividends: | | | |
| Interim | | 1.20 | 1.00 |
| Final - proposed | | 2.00 | 1.75 |
| | 10 | 3.20 | 2.75 |

There are no recognised gains or losses other than the profit for the financial year. Turnover and operating profit from acquisitions represents the current year results from the P & O Tankships Holdings Limited group which was acquired on 30 December 1996.

# Group Balance Sheet

**at 31 December**

| | Notes | 1997 £000 | 1996 £000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible assets | 12 | 92,658 | 78,648 |
| Investments | 13 | 320 | 303 |
| | | 92,978 | 78,951 |
| **Current Assets** | | | |
| Stocks | 14 | 637 | 621 |
| Debtors | 15 | 10,268 | 38,142 |
| Cash and short-term deposits | 16 | 14,615 | 13,450 |
| | | 25,520 | 52,213 |
| **Creditors:** amounts falling due within one year | 17 | | |
| Trade and other | | (13,919) | (14,831) |
| Bank loans | | (3,172) | (30,734) |
| | | (17,091) | (45,565) |
| **Net Current Assets** | | 8,429 | 6,648 |
| **Total Assets less Current Liabilities** | | 101,407 | 85,599 |
| **Creditors:** amounts falling due after more than one year | 18 | | |
| Trade and other | | (416) | (413) |
| Bank loans | | (37,002) | (28,265) |
| | | (37,418) | (28,678) |
| **Provisions for Liabilities and Charges** | 20 | (13,757) | (12,426) |
| | | 50,232 | 44,495 |
| **Capital and Reserves** | | | |
| Called Up Share Capital | 21 | 12,166 | 12,140 |
| Share Premium Account | 22 | 23,048 | 22,979 |
| Profit and Loss Account | 23 | 15,018 | 9,376 |
| **Shareholders' Funds** | 24 | 50,232 | 44,495 |

Included in called up share capital are non-equity interests as disclosed in note 21. The analysis of shareholders' funds between equity and non-equity interests is shown in note 24.

The accounts on pages 14 to 33 were approved by the board of directors on 19 March 1998 and were signed on its behalf by:

D.B. Cobb
Director

# Group Cash Flow Statement

| | Notes | Year ended 31 December 1997 £000 | 1996 Restated £000 |
|---|---|---|---|
| **Net cash inflow from operating activities** | 26(a) | 8,862 | 6,449 |
| Returns on investments and servicing of finance | 26(b) | (1,500) | 262 |
| Taxation | 26(c) | (1,359) | (303) |
| Capital expenditure and financial investment | 26(d) | (13,583) | (15,294) |
| Acquisitions and disposals | 26(e) | - | (39,442) |
| Equity dividends paid | | (1,423) | (601) |
| **Cash outflow before management of liquid resources** | | (9,003) | (48,929) |
| Management of liquid resources | 26(f) | (3,627) | (1,540) |
| Financing | 26(g) | 10,168 | 48,454 |
| **Decrease in cash in the year** | | (2,462) | (2,015) |
| **Reconciliation of Net Cash Flow to Movement in Net Debt** | 26(h) | | |
| Decrease in cash in the year | | (2,462) | (2,015) |
| Cash acquired with subsidiary | | - | 3,882 |
| Cash outflow/(inflow) from decrease/(increase) in debt | 26(h) | 18,825 | (48,454) |
| **Movement in net debt in the year** | | 16,363 | (46,587) |
| Net debt at 1 January | | (55,589) | (9,002) |
| **Net Debt at 31 December** | | (39,226) | (55,589) |

The cash flow statement for 1996 has been restated to show short-term deposits of £10,040,000 and £8,500,000 at 31 December 1996 and 1 January 1996 respectively within management of liquid resources rather than as cash.

# Company Balance Sheet

**at 31 December**

| | Notes | 1997 £000 | 1996 £000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible assets | 12 | 6,893 | 8,826 |
| Investments | 13 | 44,838 | 43,980 |
| | | 51,731 | 52,806 |
| **Current Assets** | | | |
| Stocks | 14 | 27 | 38 |
| Debtors | 15 | 3,640 | 34,084 |
| Cash and short term deposits | 16 | 6,246 | 3,441 |
| | | 9,913 | 37,563 |
| **Creditors:** amounts falling due within one year | 17 | | |
| Trade and other | | (3,831) | (5,035) |
| Bank loans | | (1,100) | (30,415) |
| | | (4,931) | (35,450) |
| **Net Current Assets** | | 4,982 | 2,113 |
| **Total Assets less Current Liabilities** | | 56,713 | 54,919 |
| **Creditors:** amounts falling due after more than one year | 18 | | |
| Trade and other | | (400) | (401) |
| Bank loans | | (4,400) | (4,310) |
| | | (4,800) | (4,711) |
| **Provisions for Liabilities and Charges** | 20 | (955) | (942) |
| | | 50,958 | 49,266 |
| **Capital and Reserves** | | | |
| Called Up Share Capital | 21 | 12,166 | 12,140 |
| Share Premium Account | 22 | 23,048 | 22,979 |
| Profit and Loss Account | 23 | 15,744 | 14,147 |
| **Shareholders' Funds** | 24 | 50,958 | 49,266 |

Included in called up share capital are non-equity interests as disclosed in note 21. The analysis of shareholders' funds between equity and non-equity interests is shown in note 24.

The accounts on pages 14 to 33 were approved by the board of directors on 19 March 1998 and were signed on its behalf by:

D.B. Cobb
Director

# Notes to the Financial Statements

**For the year ended 31 December 1997**

## 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 31 December each year. 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. The profit for the financial year of the holding company was £3,146,000 (1996 £4,182,000). Acquisitions are accounted for under the acquisition method with goodwill, representing any excess of the fair value of the consideration given of the identifiable assets and liabilities required, being written-off against reserves.

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 demised 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. Interest foregone on cash balances is shown as interest receivable and interest on bank loans is deducted from interest payable.

Stock

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

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

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 the 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. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

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

Special Survey and Dry-Docking Provision

Provision is made towards the future cost of mandatory special surveys and dry-docking for ships in future years over the approximate 5 year classification cycle.

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

| | 1997 | | 1996 | |
|---|---|---|---|---|
| | £000 | % | £000 | % |
| Turnover | | | | |
| United Kingdom and the Republic of Ireland | 50,361 | 80 | 18,333 | 48 |
| Continental Europe | 11,133 | 18 | 2,463 | 6 |
| Americas | - | - | 101 | 1 |
| Africa | 518 | 1 | 724 | 2 |
| Middle East | - | - | 15,837 | 42 |
| Others | 281 | 1 | 505 | 1 |
| | 62,293 | 100 | 37,963 | 100 |

| Turnover and Profit on ordinary activities before taxation | 1997 Turnover £000 | 1997 Profit £000 | 1996 Turnover £000 | 1996 Profit £000 |
|---|---|---|---|---|
| Group | | | | |
| Shipping operations: | | | | |
| Continuing operations: | | | | |
| Trading | 60,707 | 8,626 | 35,975 | 5,113 |
| Profit on sale of ships | | 1,318 | | 671 |
| | | 9,944 | | 5,784 |
| Port operations: | | | | |
| Continuing operations | 1,586 | (865) | 1,960 | (778) |
| Discontinued operations | - | - | 28 | 30 |
| Associated undertakings | | | | |
| Shipping operations: | | | | |
| Discontinued operations | | - | | (74) |
| Port operations: | | | | |
| Discontinued operations | | - | | 2 |
| | 62,293 | 9,079 | 37,963 | 4,964 |
| Net interest receivable | | 229 | | 101 |
| | | 9,308 | | 5,065 |

| Net Assets | 1997 £000 | 1996 £000 |
|---|---|---|
| Shipping operations | 89,361 | 75,873 |
| Port operations | 725 | 1,318 |
| Investments | 320 | 298 |
| Associated undertakings | - | 5 |
| | 90,406 | 77,494 |
| Loans | (40,174) | (32,999) |
| | 50,232 | 44,495 |

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

## 3. Income from Interest in Associated Undertakings

| | 1997 £000 | 1996 £000 |
|---|---|---|
| Dividends and distributions including where appropriate taxation credits | 1 | 289 |
| Movement in retained profit | - | (361) |
| | 1 | (72) |

## 4. Operating Profit

| Operating Profit is stated after charging/(crediting): | 1997 £000 | 1996 £000 |
|---|---|---|
| Auditor's remuneration: | | |
| audit fees | 62 | 37 |
| other | 10 | 38 |
| Depreciation | 5,520 | 2,377 |
| Operating lease rentals: | | |
| property | 726 | 581 |
| plant and machinery | 62 | 61 |
| Rent receivable | (311) | (332) |

## 5. Staff Costs

| | 1997 £000 | 1996 £000 |
|---|---|---|
| Wages and salaries | 4,088 | 2,865 |
| Social security costs | 368 | 286 |
| Other pension costs | 408 | 317 |
| | 4,864 | 3,468 |

| The average monthly number of persons employed by the group under contracts of service was: | 1997 No. | 1996 No. |
|---|---|---|
| Port operations | 46 | 72 |
| Technical and administrative | 163 | 131 |
| | 209 | 203 |

The group's seafarers totalling 485 (1996 - 292) have been excluded from the above figures as they are employed by agencies and seconded to the company for a fee.

## 6. Directors

Directors' Emoluments

| | Fees/Basic Salaries £000 | Taxable Benefits £000 | Annual Bonuses £000 | 1997 Total £000 | 1996 Total £000 | 1997 Money Purchase Pension Contributions £000 | 1996 Money Purchase Pension Contributions £000 |
|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | |
| D.B. Cobb | 120 | 7 | 120 | 247 | 172 | 31 | 15 |
| T.C. Hart | 75 | 4 | 75 | 154 | 126 | - | - |
| M.J. Shields | 71 | 7 | 70 | 148 | 95 | - | - |
| **Non-executive** | | | | | | | |
| J.H.T. Beazley | 13 | - | - | 13 | - | - | - |
| Sir David W. Hardy | 13 | - | - | 13 | 12 | - | - |
| Sir J. Julian R. Oswald | 13 | - | - | 13 | 12 | - | - |
| Sir F.D. David Thomson | 13 | - | - | 13 | 12 | - | - |
| Aggregate emoluments | 318 | 18 | 265 | 601 | 429 | 31 | 15 |
| | | (a) | (b) | | | | |

**6. Directors** continued

(a) Includes such benefits as company car, petrol, telephone and medical cover.

(b) 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.

The emoluments of the highest paid director who is the Chairman are:

| | 1997 £000 | 1996 £000 |
|---|---|---|
| Salary and other emoluments | 247 | 157 |
| Contributions to a personal money purchase pension fund | 31 | 15 |
| | 278 | 172 |

Directors' share options

| | 1 January 1997 | Granted | Exercised | 31 December 1997 | Exercise Price | Gains on exercise 1997 £ | Gains on exercise 1996 £ |
|---|---|---|---|---|---|---|---|
| D.B. Cobb | 300,000 | 200,000 | - | 500,000 | - | - | - |
| T.C. Hart | 154,000 | 100,000 | 4,000 | 250,000 | 142.5p | 2,020 | - |
| M.J. Shields | 153,961 | 105,867 | 30,000 | 213,828 | 142.5p | 15,150 | - |
| M.J. Shields | | | 16,000 | | 150p | 9,280 | - |
| Total | 607,961 | 405,867 | 50,000 | 963,828 | | 26,450 | - |

At 1 January 1997 and 31 December 1997 the options held were as follows:

| | Number of Share Options 1 January 1997 | Number of Share Options 31 December 1997 | Option exercise price per share | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|
| D.B. Cobb | 300,000 | 300,000 | 65p | 24.05.98 | 24.05.05 |
| | - | 200,000 | 122p | 17.10.00 | 17.10.07 |
| T.C. Hart | 4,000 | - | 92p | 23.09.90 | 23.09.97 |
| | 150,000 | 150,000 | 65p | 24.05.98 | 24.05.05 |
| | - | 100,000 | 122p | 17.10.00 | 17.10.07 |
| M.J. Shields | 46,000 | - | 92p | 23.09.90 | 23.09.97 |
| | 107,961 | 107,961 | 65p | 24.05.98 | 24.05.05 |
| | - | 100,000 | 122p | 17.10.00 | 17.10.07 |
| | - | 5,867 | 147p | 06.10.02 | 06.10.07 |

The market value of the 25p ordinary share at 31 December 1997 was 130p having ranged between 118p and 157p during the financial year.

Directors' long term incentive schemes

Aggregate emoluments described above do not include any amounts in respect of long term incentive schemes.

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 24 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, which has been provided for in full, is as follows:

## 6. Directors continued

| | 1997 | 1996 |
|---|---|---|
| | £ | £ |
| D.B. Cobb | 205,700 | 145,000 |
| T.C. Hart | 14,500 | 17,800 |
| M.J. Shields | 35,000 | 43,000 |
| | 255,200 | 205,800 |

Directors' pension entitlements

The following directors had accrued entitlements under defined benefit schemes as follows:

| | Accrued pension 1 January 1997 | Accrued pension 31 December 1997 | Increase | Increase after indexation | Transfer value of increase after indexation |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| T.C. Hart | 24 | 31 | 7 | 6 | 60 |
| M.J. Shields | 33 | 34 | 1 | - | (5) |

Directors' interests

The directors who held office at 31 December 1997 had the following interests in the shares other than share options:

| | Holdings of Ordinary Shares of 25p each | |
|---|---|---|
| | 1997 | 1996 |
| | No. | No. |
| D.B. Cobb | 30,000 | 10,000 |
| T.C. Hart | 5,300 | 650 |
| M.J. Shields | 24,500 | 1,000 |
| Sir David W. Hardy | 20,000 | 10,000 |
| Sir J. Julian R. Oswald | 2,500 | 1,250 |
| Sir F.D. David Thomson | 4,000 | 2,000 |

Between 31 December 1997 and 19 March 1998 there were no changes in the directors' beneficial interests in the company's issued share capital.

## 7. Interest Receivable

| | 1997 | 1996 |
|---|---|---|
| | £000 | £000 |
| Interest receivable | 1,207 | 646 |
| Interest capitalised | 422 | 105 |
| | 1,629 | 751 |

## 8. Interest Payable

| | 1997 | 1996 |
|---|---|---|
| | £000 | £000 |
| On bank loans | 2,807 | 719 |
| Interest capitalised | (1,407) | (69) |
| | 1,400 | 650 |

## 9. Taxation

| | 1997 | 1996 |
|---|---|---|
| | £000 | £000 |
| The charge for taxation on the ordinary activities represents: | | |
| UK corporation tax at 31.5% (1996 33%) | (486) | (278) |
| Deferred taxation | (2,357) | (1,372) |
| | (2,843) | (1,650) |
| Adjustments in respect of prior years: | | |
| UK corporation tax | (328) | - |
| Deferred taxation: | | |
| - change of rate | 698 | - |
| - other | 433 | 309 |
| | (2,040) | (1,341) |

The current year tax charge above includes the following in respect of exceptional items:

| | | |
|---|---|---|
| Reorganisation costs - corporation tax | 152 | - |
| Ship sales - deferred tax | (415) | (221) |

## 10. Dividends Paid and Proposed

| | 1997 | 1996 |
|---|---|---|
| | £000 | £000 |
| Non-equity: | | |
| Preference paid | 4 | 4 |
| Equity: | | |
| Ordinary interim paid | 580 | 240 |
| Ordinary final proposed of 2.00p per share (1996 1.75p per share) | 965 | 843 |
| | 1,549 | 1,087 |

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

| | 1997 | 1996 |
|---|---|---|
| | No. | No. |
| Interim | 48,265,300 | 24,080,650 |
| Final | 48,265,300 | 48,161,300 |

The ordinary final dividend will be paid on 13 May 1998 to those shareholdings registered in the books of the company at the close of business on 3 April 1998.

## 11. Earnings per Share

Net earnings per ordinary share is calculated on earnings of £7,264,000 (1996 £3,720,000) being the profit on ordinary activities after taxation less preference dividends and on 48,347,545 (1996 - 26,352,409) ordinary shares being the weighted average number of ordinary shares in issue 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:

| | 1997 | | 1996 | |
|---|---|---|---|---|
| | £000 | p | £000 | p |
| Earnings per share | | 15.02 | | 14.12 |
| Adjustments | | | | |
| Profit on sale of ships | (1,318) | (2.73) | (671) | (2.54) |
| Reorganisation costs | 482 | 1.00 | - | - |
| Discontinued operations | - | - | 42 | 0.15 |
| Tax effect of above | 263 | 0.54 | 207 | 0.79 |
| | (573) | (1.19) | (422) | (1.60) |
| **Adjusted earnings per share** | | 13.83 | | 12.52 |

Earnings per share and adjusted earnings per share for the year ended 31 December 1996 have been restated from 15.45p and 13.70p respectively to take account of the December 1996 rights issue.

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

## 12. Tangible Fixed Assets

| | Ships | Assets under construction | Freehold & leasehold property | Plant & equipment | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| GROUP | | | | | |
| Cost: | | | | | |
| At 1 January 1997 | 65,096 | 27,131 | 3,276 | 3,911 | 99,414 |
| Additions | 79 | 23,499 | 88 | 184 | 23,850 |
| Transfer | 22,752 | (23,639) | - | 887 | - |
| Disposals | (7,971) | - | - | (449) | (8,420) |
| At 31 December 1997 | 79,956 | 26,991 | 3,364 | 4,533 | 114,844 |
| Depreciation: | | | | | |
| At 1 January 1997 | 15,323 | - | 2,530 | 2,913 | 20,766 |
| Provided during the year | 5,172 | - | 37 | 311 | 5,520 |
| Disposals | (3,715) | - | - | (385) | (4,100) |
| At 31 December 1997 | 16,780 | - | 2,567 | 2,839 | 22,186 |
| Net Book Value: | | | | | |
| At 31 December 1996 | 49,773 | 27,131 | 746 | 998 | 78,648 |
| At 31 December 1997 | 63,176 | 26,991 | 797 | 1,694 | 92,658 |

Included in ships are assets with a cost of £554,000 (1996 £482,000) and accumulated depreciation of £94,000 (1996 £nil) which are held for use in operating leases. Included in tangible fixed assets is aggregate interest capitalised of £1,924,000 (1996 £1,536,000).

## 12. Tangible Fixed Assets continued

| | Ships £000 | Freehold & leasehold £000 | Plant & equipment £000 | Total £000 |
|---|---|---|---|---|
| COMPANY | | | | |
| Cost: | | | | |
| At 1 January 1997 | 13,765 | 3,255 | 3,537 | 20,557 |
| Additions | - | 3 | 136 | 139 |
| Transfers | 3,300 | - | (19) | 3,281 |
| Disposals | (4,600) | - | (322) | (4,922) |
| At 31 December 1997 | 12,465 | 3,258 | 3,332 | 19,055 |
| Depreciation: | | | | |
| At 1 January 1997 | 6,426 | 2,509 | 2,796 | 11,731 |
| Provided during the year | 1,033 | 31 | 141 | 1,205 |
| Transfers | 300 | - | (15) | 285 |
| Disposals | (746) | - | (313) | (1,059) |
| At 31 December 1997 | 7,013 | 2,540 | 2,609 | 12,162 |
| Net Book Value: | | | | |
| at 31 December 1996 | 7,339 | 746 | 741 | 8,826 |
| At 31 December 1997 | 5,452 | 718 | 723 | 6,893 |

Included in tangible fixed assets is aggregate interest capitalised of £97,000 (1996 £108,000).

Group and Company

The net book value of freehold and leasehold property at 31 December 1997 is analysed as follows:

| | £000 |
|---|---|
| Freehold | 201 |
| Long leasehold | 562 |
| Short leasehold | 34 |
| | 797 |

An independent professional valuation of the group's ships was undertaken in December 1997 which resulted in a surplus of £21.9 million on net book value. If the ships were sold at their valuations, an estimated additional taxation amounting to £6.9 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 1997 £000 | Group 1996 £000 | Company 1997 £000 | Company 1996 £000 |
|---|---|---|---|---|
| Group undertakings | - | - | 44,838 | 43,972 |
| Associated undertakings | - | 5 | - | 3 |
| Other investments | 320 | 298 | - | 5 |
| | 320 | 303 | 44,838 | 43,980 |

## 13. Fixed Asset Investments continued

Group

| | Other Investments |
|---|---|
| | Loans |
| | £000 |
| Cost: | |
| At 1 January 1997 | 298 |
| Additions | 60 |
| Disposals | (38) |
| At 31 December 1997 | 320 |

Company

| | Group Undertakings | | |
|---|---|---|---|
| | Shares | Loans | Total |
| | £000 | £000 | £000 |
| Cost: | | | |
| At 1 January 1997 | 24,226 | 20,167 | 44,393 |
| Additions | 76 | 840 | 916 |
| Disposals | (50) | - | (50) |
| At 31 December 1997 | 24,252 | 21,007 | 45,259 |
| **Premium written off** | | | |
| At 1 January 1997 and 31 December 1997 | 421 | - | 421 |
| **Net Book Value** | | | |
| At 31 December 1996 | 23,805 | 20,167 | 43,972 |
| At 31 December 1997 | 23,831 | 21,007 | 44,838 |

## 14. Stock

| | Group | | Company | |
|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 |
| | £000 | £000 | £000 | £000 |
| Consumable stores | 637 | 621 | 27 | 38 |

## 15. Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 |
| | £000 | £000 | £000 | £000 |
| Amounts falling due within one year: | | | | |
| Trade debtors | 5,512 | 5,033 | 655 | 284 |
| Amounts owed by subsidiary undertakings | - | - | 2,023 | 4,243 |
| Other debtors | 2,269 | 2,895 | 269 | 386 |
| Called-up share capital unpaid | - | 28,897 | - | 28,897 |
| Corporation tax | 192 | - | - | - |
| ACT recoverable | 241 | - | 241 | - |
| Prepayments and accrued income | 2,054 | 1,317 | 452 | 274 |
| | 10,268 | 38,142 | 3,640 | 34,084 |

## 16. Cash and Short-Term Deposits

| | Group | | Company | |
|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 |
| | £000 | £000 | £000 | £000 |
| Short-term deposits | 13,667 | 10,040 | 6,000 | 3,000 |
| Cash at bank and in hand | 948 | 3,410 | 246 | 441 |
| | 14,615 | 13,450 | 6,246 | 3,441 |

## 17. Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 |
| | £000 | £000 | £000 | £000 |
| Bank loans: | | | | |
| Bridging finance | - | 26,000 | - | 26,000 |
| Other - note 19 | 3,172 | 4,734 | 1,100 | 4,415 |
| Trade creditors | 5,544 | 3,461 | 516 | 469 |
| Other creditors | 909 | 316 | 151 | 196 |
| Amounts owed to group undertakings | - | - | 159 | 372 |
| Corporation tax | - | 185 | - | 5 |
| Proposed dividends | 965 | 843 | 965 | 843 |
| ACT on proposed dividends | 241 | 210 | 241 | 210 |
| ACT on interim dividends | 145 | 60 | 145 | 60 |
| Other taxation and social security | 248 | 479 | 208 | 62 |
| Accruals and deferred income | 5,867 | 9,277 | 1,446 | 2,818 |
| | 17,091 | 45,565 | 4,931 | 35,450 |

## 18. Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 |
| | £000 | £000 | £000 | £000 |
| Bank loans - note 19 | 37,002 | 28,265 | 4,400 | 4,310 |
| Accruals | 416 | 413 | 400 | 401 |
| | 37,418 | 28,678 | 4,800 | 4,711 |

## 19. Bank Loans

| | Group | | Company | |
|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 |
| | £000 | £000 | £000 | £000 |
| Not wholly repayable within five years: | | | | |
| By instalments | 34,674 | 18,454 | - | - |
| Wholly repayable within five years | 5,500 | 14,545 | 5,500 | 8,725 |
| | 40,174 | 32,999 | 5,500 | 8,725 |
| Less amounts due within one year | (3,172) | (4,734) | (1,100) | (4,415) |
| Amounts due after more than one year | 37,002 | 28,265 | 4,400 | 4,310 |
| Instalments not due within five years | 20,151 | 10,924 | - | - |

## 19. Bank Loans continued

| | Group 1997 | Group 1996 | Company 1997 | Company 1996 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Amounts falling due: | | | | |
| Within one year | **3,172** | 4,734 | **1,100** | 4,415 |
| Between one and two years | **4,212** | 11,933 | **2,200** | 4,310 |
| Between two and five years | **12,639** | 5,408 | **2,200** | - |
| Between five and ten years | **13,906** | 8,116 | - | - |
| Over ten years | **6,245** | 2,808 | - | - |
| | **40,174** | 32,999 | **5,500** | 8,725 |

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

| | Group 1997 | Group 1996 | Company 1997 | Company 1996 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| United Kingdom secured bank loans: | | | | |
| 1.0% above LIBOR repayable by December 2007 | - | 8,640 | - | - |
| 1.0% above LIBOR repayable by March 2008 | **18,797** | - | - | - |
| 7.5% fixed repayable by April 2006 | **6,176** | 5,427 | - | - |
| 7.5% fixed repayable by August 2006 | **4,907** | 4,387 | - | - |
| 7.5% fixed repayable by August 2010 | **4,794** | - | - | - |
| | **34,674** | 18,454 | - | - |

Loans of £5,427,000 and £4,387,000 shown in the 1996 comparatives above as repayable in April 2006 and August 2006 respectively have been restated from £9,814,000 repayable in September 2007.

The loans are secured by joint and several guarantees from a group undertaking, mortgages on thirteen ships, assignment of building contracts of new ships, assignment of charter parties on one ship and general assignment of earnings and insurance on mortgaged ships.

## 20. Provisions for Liabilities and Charges

| **Group** | **Deferred taxation** | **Special survey and dry-docking** | **Total** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| At 1 January 1997 | 11,316 | 1,110 | 12,426 |
| Charged to profit and loss account | 1,226 | 655 | 1,881 |
| Utilised | - | (760) | (760) |
| Advance corporation tax | 210 | - | 210 |
| At 31 December 1997 | **12,752** | **1,005** | **13,757** |

| Company | Deferred taxation | Special survey and dry-docking | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| At 1 January 1997 | 942 | - | 942 |
| Credited to profit and loss account | (197) | - | (197) |
| Advance corporation tax | 210 | - | 210 |
| At 31 December 1997 | **955** | - | **955** |

## 20. Provision for Liabilities and Charges continued

Deferred Taxation

The provision for deferred taxation represents:

| | Group | | Company | |
|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 |
| | £000 | £000 | £000 | £000 |
| Capital allowances in advance of depreciation | 14,430 | 13,513 | 763 | 1,257 |
| Losses carried forward | - | (49) | - | (49) |
| Other timing differences | (1,678) | (1,938) | 192 | (56) |
| Advance corporation tax | - | (210) | - | (210) |
| | 12,752 | 11,316 | 955 | 942 |

## 21. Share Capital

**Group and Company**

| | 1997 | 1996 |
|---|---|---|
| | £000 | £000 |
| Authorised | | |
| Non-equity: | | |
| 100,000 3.5% cumulative preference shares of £1 each | 100 | 100 |
| Equity: | | |
| 66,320,000 (1996 - 66,320,000) ordinary shares of 25p each | 16,580 | 16,580 |
| | 16,680 | 16,680 |
| **Allotted and called up** | | |
| Non-equity: | | |
| 100,000 3.5% cumulative preference shares of £1 each | 100 | 100 |
| Equity - fully paid: | | |
| 48,265,300 ordinary shares of 25p each | 12,066 | 6,020 |
| Equity - unpaid: | | |
| 24,080,650 ordinary shares of 25p each | - | 6,020 |
| | 12,166 | 12,140 |

On 30 December 1996 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 30 November 1997 and 30 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 an executive share option schemes and a savings related share option scheme under which options have been granted on 2,021,226 ordinary shares as follows:

(i) 1,001,723 ordinary shares at 65p exercisable between 24 May 1998 and 24 May 2005.

(ii) 99,503 ordinary shares at 147p exercisable between 6 October 2002 and 6 October 2007.

(iii) 920,000 ordinary shares at 122p exercisable between 17 October 2000 and 17 October 2007

Analysis of changes in share capital during the year:

| | Equity Shares £000 |
|---|---|
| At 1 January 1997 | 12,140 |
| Share options exercised | 26 |
| At 31 December 1997 | 12,166 |

## 22. Share Premium Account

**Group and Company**

| | 1997 |
|---|---|
| | £000 |
| At 1 January 1997 | 22,979 |
| Share options exercised | 69 |
| At 31 December 1997 | 23,048 |

The share premium account is non-distributable.

## 23. Profit and Loss Account

| | Group | Company |
|---|---|---|
| | £000 | £000 |
| At 1 January 1997 | 9,376 | 14,147 |
| Retained profit for the financial year | 5,719 | 1,597 |
| Goodwill written-off | (77) | - |
| At 31 December 1997 | 15,018 | 15,744 |

The cumulative amount of goodwill written-off against the group's reserves is £6,094,000 (1996 £6,017,000).

## 24. Shareholders' Funds

| | 1997 | | 1996 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | £000 | £000 | £000 | £000 |
| Analysis of shareholders' funds | | | | |
| Attributable to: | | | | |
| Cumulative preference shareholders (non-equity interests) | 100 | 100 | 100 | 100 |
| Ordinary shareholders (equity interests) | 50,132 | 50,858 | 44,395 | 49,126 |
| Total | 50,232 | 50,958 | 44,495 | 49,266 |

Rights attached to shares:

The shareholders have the following rights to receive dividends:

| | | |
|---|---|---|
| 100,000 | cumulative preference shares | 3.5% per annum |
| 48,265,300 | ordinary shares | as recommended by the directors |

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

| | | |
|---|---|---|
| 100,000 | cumulative preference shares | nominal value |
| 48,265,300 | ordinary shares | unlimited share of surplus after distribution to cumulative preference shareholders |

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

## 25. Reconciliation of Movements in Group Shareholders' Funds

| | 1997 | 1996 |
|---|---|---|
| | £000 | £000 |
| Profit for the financial year | 7,268 | 3,724 |
| Dividends paid and proposed on equity and non-equity shares | (1,549) | (1,087) |
| Other movements: | | |
| Share issue | 95 | - |
| Rights issue | - | 28,022 |
| Goodwill on acquisition | (77) | (6,017) |
| Net addition to shareholders' funds | 5,737 | 24,642 |
| Opening shareholders' funds | 44,495 | 19,853 |
| Closing shareholders' funds | 50,232 | 44,495 |

## 26. Cash Flow Statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

| | 1997 | 1996 |
|---|---|---|
| | £000 | £000 |
| Operating profit | 7,761 | 4,293 |
| Depreciation | 5,520 | 2,377 |
| Increase in stocks | (16) | (179) |
| (Increase)/decrease in debtors | (577) | 845 |
| Decrease in creditors | (3,578) | (1,195) |
| Share of pre-tax profit of associated undertakings | - | 361 |
| Own costs capitalised | (303) | (103) |
| Increase in provisions | 55 | 50 |
| **Net cash inflow from operating activities** | 8,862 | 6,449 |

(b) Returns on investments and servicing of finance

| | 1997 | 1996 |
|---|---|---|
| Interest received | 1,194 | 658 |
| Interest paid | (2,690) | (681) |
| Dividends received from associated undertakings | - | 289 |
| Preference dividend paid | (4) | (4) |
| **Net cash (outflow)/inflow** | (1,500) | 262 |

(c) Taxation

| | 1997 | 1996 |
|---|---|---|
| Corporation tax paid | (1,359) | (254) |
| Foreign tax paid | - | (49) |
| **Net cash outflow** | (1,359) | (303) |

## 26. Cash Flow Statement continued

| | 1997 £000 | 1996 £000 |
|---|---|---|
| **(d) Capital expenditure and financial investment** | | |
| Purchase of tangible fixed assets | (19,204) | (16,987) |
| Sale of tangible fixed assets | 5,638 | 1,704 |
| Purchase of investments | (59) | (45) |
| Sale of investments | 42 | 34 |
| Net cash outflow | (13,583) | (15,294) |

Included in the above is a cash inflow of £5,574,000 (1996 £1,411,000) relating to profit on sale of ships of £1,318,000 (1996 £671,000).

| | 1997 £000 | 1996 £000 |
|---|---|---|
| **(e) Acquisitions and disposals** | | |
| Purchase of subsidiary undertaking | - | (39,593) |
| Sale of associated undertaking | - | 151 |
| Net cash outflow | - | (39,442) |
| **(f) Management of liquid resources** | | |
| Short-term investments | (3,627) | (1,540) |
| **(g) Financing** | | |
| Issue of ordinary share capital | 28,992 | - |
| New secured loans | 21,721 | 52,774 |
| Repayment of secured loans | (40,545) | (4,320) |
| | 10,168 | 48,454 |

Included in new secured loans in the year ended 31 December 1996 is £26,000,000 of bridging finance received in that period, relating to the December 1996 rights issue. This amount was repaid in 1997.

**(h) Analysis of net debt**

| | At 1 January 1997 Restated £000 | Cash Flow £000 | At 31 December 1997 £000 |
|---|---|---|---|
| Cash at bank and in hand | 3,410 | (2,462) | 948 |
| Debt due after 1 year | (28,265) | (8,737) | (37,002) |
| Debt due within 1 year | (30,734) | 27,562 | (3,172) |
| | (58,999) | 18,825 | (40,174) |
| | (55,589) | 16,363 | (39,226) |

The cash flow statement for 1996 has been restated to show short-term deposits of £10,040,000 and £8,500,000 at 31 December 1996 and 1 January 1996 respectively within management of liquid resources rather than as cash.

## 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 1 August 1994 and 1 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 charge included in the profit and loss account in relation to these two schemes was £332,000 (1996 £299,000).

At the valuation dates the schemes were in deficit by £923,000 and £262,000 respectively. Action has been taken to eliminate these deficits by increasing contributions and the raising of the retirement age. These actions have been considered by our pension advisors and it is expected that the two schemes will show a surplus when the next actuarial valuations are undertaken in 1998.

The market valuation of the two schemes at the last valuation dates was £9,472,000 and £973,700 respectively.

A third scheme, the Dockworkers Pension Scheme was made Paid-Up with effect from 31 January 1996 and an actuarial valuation undertaken on 31 March 1996 showed a surplus of £40,000. The market valuation at that date was £3,980,000. No contributions were made to the scheme during the financial year (1996 £3,000).

In addition, an amount of £31,000 (1996 £15,000) was paid to the Chairman's personal money purchase pension fund and £45,000 (1996 £nil) was paid to a P & O pension scheme prior to the employees of P & O Tankships Holdings Limited group transferring to one of the defined benefit schemes above.

## 28. Financial Commitments

Operating leases

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

| | Group | | Company | |
|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 |
| | £000 | £000 | £000 | £000 |
| Property: | | | | |
| Leases expiring in over five years | 655 | 583 | 537 | 537 |
| Others: | | | | |
| Within two to five years | 4,165 | 10,299 | 7 | 14 |

## 29. Capital Commitments

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

| | Group | | Company | |
|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 |
| | £000 | £000 | £000 | £000 |
| Authorised and contracted | 8,361 | 16,290 | - | - |

## 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 bank guarantees.

(b) A group VAT registration is operated by the company and six 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) A counter guarantee has been issued by the company's bankers in connection with the financing of the three VSEL newbuildings, the total guarantee at 31 December 1997 was £5,000,000 (1996 £4,500,000).

## 31. Post Balance Sheet Event

On 11 March 1998 the company acquired the entire issued share capital of Underwater Engineering Services Limited for consideration of £1,450,000. The company will change its name to James Fisher (Underwater Engineering Services) Limited.

# Group Financial Record

**For the five years ended 31 December**

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Assets Employed | | | | | |
| Tangible fixed assets | 37,129 | 33,750 | 26,707 | 78,648 | 92,658 |
| Trade investments | 179 | 153 | 159 | 298 | 320 |
| Interest in associated undertakings | 857 | 863 | 761 | 5 | - |
| Other assets | 1,516 | 1,003 | 8,147 | 10,969 | 11,186 |
| Total Assets Employed | 39,681 | 35,769 | 35,774 | 89,920 | 104,164 |
| Financed by | | | | | |
| Ordinary share capital | 6,020 | 6,020 | 6,020 | 12,040 | 12,066 |
| Group reserves | 7,559 | 8,797 | 13,733 | 32,355 | 38,066 |
| Ordinary Shareholders' Interest | 13,579 | 14,817 | 19,753 | 44,395 | 50,132 |
| Preference share capital | 100 | 100 | 100 | 100 | 100 |
| Borrowed money | 20,954 | 15,155 | 10,545 | 32,999 | 40,175 |
| Provision for liabilities and charges | 5,048 | 5,697 | 5,376 | 12,426 | 13,757 |
| Total Funds Invested | 39,681 | 35,769 | 35,774 | 89,920 | 104,164 |
| Turnover, Profit and Reserves | | | | | |
| Turnover | 28,473 | 32,235 | 30,230 | 37,963 | 62,293 |
| (Loss)/profit before taxation | (5,634) | 2,283 | 5,313 | 5,065 | 9,308 |
| Taxation | 1,842 | (800) | 108 | (1,341) | (2,040) |
| (Loss)/profit after taxation | (3,792) | 1,483 | 5,421 | 3,724 | 7,268 |
| Dividends | (4) | (245) | (485) | (1,087) | (1,549) |
| Transferred to Reserves | (3,796) | 1,238 | 4,936 | 2,637 | 5,719 |
| | Restated | Restated | Restated | Restated | |
| | pence | pence | pence | pence | pence |
| Earnings per share | (14.40) | 5.61 | 20.56 | 14.12 | 15.02 |
| Adjusted earnings per share | (6.74) | 5.78 | 11.09 | 12.52 | 13.83 |

# Subsidiary Undertakings

**at 31 December 1997**

| Name of Company<br>(Incorporated in Great Britain and registered in England unless otherwise stated) | Principal Activities | Places of Business |
|---|---|---|
| Trading: | | |
| JAMES FISHER TANKSHIPS HOLDINGS LIMITED | Investment | BARROW-IN-FURNESS |
| JAMES FISHER TANKSHIPS LIMITED | Ship operators | LONDON |
| JAMES FISHER (GIBRALTAR) LIMITED | Ship owning | GIBRALTAR |
| JAMES FISHER HONG KONG LIMITED<br>(Incorporated and registered in Hong Kong) | Crewing agents | HONG KONG |
| JAMES FISHER AND SONS (LIVERPOOL) LIMITED | Ship owning | LIVERPOOL |
| JAMES FISHER AND SONS<br>(SEAFLOOR DYNAMEX) LIMITED | Underwater excavation engineers | ABERDEEN |
| JAMES FISHER (INSURANCE SERVICES) LIMITED | Insurance brokers | BARROW-IN-FURNESS |
| ONESIMUS DOREY (SHIPOWNERS) LIMITED<br>(Incorporated and registered in Guernsey) | Ship owning and shipbroking | GUERNSEY |
| 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.

# Fleet List

| VESSEL | BUILT | D.W.T. | TYPE |
|---|---|---|---|
| JAMES FISHER AND SONS PUBLIC LIMITED COMPANY | | | |
| Owned | | | |
| RFA "OAKLEAF" | 1981 | 34,800 | Clean products tanker |
| m.t. "TILLERMAN" | 1975 | 12,800 | Clean products tanker |
| 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. "TANKERMAN" | 1983 | 10,716 | Clean products tanker |
| m.t. "FORTH FISHER" | 1997 | 3,627 | Clean products tanker |
| m.t. "GALWAY FISHER" | 1997 | 3,627 | Clean products tanker |
| m.t. "SOLENT FISHER" | 1997 | 3,627 | Clean products tanker |
| m.t. "MILFORD FISHER" | 1998 | 3,627 | 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 |
| JAMES FISHER (GIBRALTAR) LIMITED | | | |
| Owned | | | |
| 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 | 3,368 | Clean products tanker |
| m.t. "NORTHGATE" | 1980 | 3,290 | Clean products tanker |
| m.t. "IRISHGATE" | 1981 | 3,284 | Clean products tanker |
| m.t. "OARSMAN" | 1980 | 2,547 | Clean products tanker |

| 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. "THAMES FISHER" | 1997 | 4,765 | Clean products tanker |
| m.t. "HUMBER FISHER" | 1998 | 4,765 | Clean products tanker |
| 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.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. "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 8 May 1998 at noon for the following purposes:

Ordinary Business

Resolution 1

To receive the directors' report and the accounts for the year ended 31 December 1997.

Resolution 2

To declare a final dividend of 2.00p per ordinary share payable on 13 May 1998 to shareholders on the Register on 3 April 1998.

Resolution 3

To re-elect Sir David W. Hardy (member of the Remuneration and Nominations Committee) as a director of the company.

Resolution 4

To re-elect Mr. David B. Cobb as director of the company.

Resolution 5

To re-elect Mr. R. Angus F. Buchanan as a director of the company.

Resolution 6

To re-elect Mr. Terence Moore (member of the Remuneration and Nominations Committee) as a director of the company.

Resolution 7

To re-elect Mr. Ian M. Serjent as a director of the company.

Resolution 8

To re-appoint Arthur Andersen as auditors and authorise the directors to fix their remuneration.

Special Business

As special business to consider and, if thought fit, pass the following resolutions which, in the case of Resolution 9 will be proposed as an Ordinary Resolution and in the case of Resolution 10 and 11 will be proposed as Special Resolutions:

Resolution 9

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 £4,513,675 such authority to expire at 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 10

Special Resolution. That subject to the passing of Resolution 9 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(1) 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 £603,316 such authority to expire at the close of the next Annual General 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.

Resolution 11

Special Resolution. The company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the the Companies Act 1985) on the London Stock Exchange of up to a maximum aggregate of 2,400,000 ordinary shares of 25p each in the capital of the company at a price per share of not less than 25p and not more than 105 per cent of the average of the middle market quotations for such an ordinary share as derived from the London Stock Exchange Daily Official List, for the ten business days immediately preceding the day of purchase; unless previously revoked or varied, such authority will expire at the conclusion of the Annual General Meeting of the company to be held in 1999, save that the company may purchase ordinary shares at any later date where such purchase is pursuant to any contract or contracts made by the company before the expiry of this authority.

By order of the Board

J.T. Blyth

Secretary

Fisher House, Barrow-in-Furness

14 April 1998

### 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 11.30a.m. on the date of the meeting until the close of the meeting.

The 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 2.00p per ordinary share for payment to ordinary shareholders who are on the register at the close of business on 3 April 1998. If approved the final dividend will be paid on 13 May 1998.

### Special Business Explanatory Notes

Resolution 9 gives authority to the directors to allot equity securities up to a total nominal amount of £4,513,675 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 1999 and replaces a similar authority granted on 2 May 1997 which expires at the conclusion of the forthcoming Annual General Meeting. The passing of Resolution 10, a special resolution, will permit the directors, until the conclusion of the Annual General Meeting of the company to be held in 1999, to make issues of equity securities on an non pre-emptive basis up to an aggregate nominal amount of £603,316 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 2 May 1997 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 pursuant 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.

The directors are proposing a further Special Resolution 11 giving the company authority to purchase in the market up to 2,400,000 of its ordinary shares of 25p each (representing approximately 5 per cent of the issued share capital). The authority would expire on the date of the Annual General Meeting in 1999. The directors have no present intention of using the authority and in reaching their decision to purchase ordinary shares will take into account the company's cash resources and capital requirements and the effect of any purchase on earnings per share.