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2003

marine support services

cable ships

tankships

James Fisher and Sons PUBLIC LIMITED COMPANY

Annual Report and Financial Statements **2003**



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Corporate Statement

James Fisher and Sons Public Limited Company is a leading provider of Marine Services with its business divided across three sectors:

Tankships - Delivery of refined petroleum products in North West Europe.

Marine support services - specialist marine services to the defence, nuclear and the oil and gas industries.

Cable ships - Laying sub sea fibre optic cables.

The group excels in the provision of technical engineering solutions in the marine environment.

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

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Year in Brief

2003 was another productive year for James Fisher in which we have been able to demonstrate continuing good growth in profitability and strong underlying cash flows. Particularly noteworthy was the growth in our Marine Support Services division, which now accounts for 41% of our overall profits before central costs and has become the largest profit contributor confirming James Fisher's strategy to grow its service businesses both organically and by acquisitions.

Financial Highlights

	2003	2002	
	£000	£000	%
For the year			
Turnover	77,215	71,111	+9%
Total operating profit excluding C.S. Nexus impairment	15,554	13,220	+18%
Nexus impairment	4,769	-	-
Profit before taxation excluding C.S. Nexus impairment	10,149	9,718	+4%
At year end			
Shareholders' funds	83,611	82,691	+1%
Per share	pence	pence	
Basic earnings per ordinary share	9.04	21.11	
Basic earnings per ordinary share before adjusting for C.S. Nexus impairment (2002 tax credit)	19.01*	18.63+	
Dividend per ordinary share	6.77	5.94	

* excluding C.S. Nexus impairment of £4.769m

+ before £1.179m tax credit 2.48p

Chairman's Statement

Overview

2003 was another productive year for James Fisher in which we have been able to demonstrate continuing good growth in profitability and strong underlying cash flows. Particularly noteworthy was the growth in our Marine Support Services division, which now accounts for 41% of our overall profits before central costs.

We have considered it prudent to write *cs Nexus* down to its scrap value with an impairment provision of £4.8 million, the effect of which is to reduce the 2003 basic earnings per share from 19.01p to 9.04p.

	%	2003	2002
Turnover	+9%	£77.2m	£71.1m
Total operating profit*	+18%	£15.6m	£13.2m
Pre tax profit*	+4%	£10.1m	£9.7m
Basic earnings per share	-57%	9.04p	21.11p
Basic earnings per share before Nexus impairment	+2%	19.01p	18.63p †
Proposed final dividend	+15%	4.30p	3.74p
Dividends whole year	+14%	6.77p	5.94p

* excluding *Nexus* impairment provision of £4.8m
† before £1.2m tax credit 2.48p

The basic earnings per share in 2002 benefited from a one-off tax credit of £1.2 million or 2.48p per share.

Your Board is recommending a final dividend of 4.30p per share, giving a total for the year of 6.77p (2002 5.94p) - an increase of 14%. The dividend is payable on 7 May 2004.

Tankships

Tankships, the UK market leader operating a fleet of 18 clean petroleum tankers, had a good year with segmental operating profit up by 30% over 2002 to £6.06 million. The volume of contract cargo increased by 10% (6.03 million tonnes 2003 vs 5.46 million tonnes 2002) and the spot market was stronger.

We have made progress in our fleet modernisation programme by acquiring the newbuilding contracts for two 12,800 dwt vessels under construction in the Samho yard in Korea and scheduled for delivery in late 2004 and early 2005. At the year-end, £7.3 million was being carried as a debtor in the balance sheet in respect of payments made for the vessels. Since the year end both of the vessels have been on-sold to First Ship Lease Ltd and bareboat chartered for a period of ten years from delivery. As a result we have recovered in full the £7.3 million.

We intend to replace our smaller and older ships by bareboat charters in line with our commitment to develop further the fleet with minimal capital cost. This strategy has been greatly benefited by the Tonnage Tax regime which removes the need for ship purchases to enable an operator to benefit from capital allowances. During 2003 we sold three of the smallest ships for £1.86 million in cash resulting in a book loss of £1.0 million but thereby avoiding £530,000 in refit costs. The average age of our fleet is already lower than that of our main competitors but we need to continue our fleet renewal programme both to maintain this advantage and to comply with the increasing demands that our customers and environmental legislation rightly place on our industry.

Marine Support Services

Progress in this division during 2003 was encouraging for two reasons:

- the division became the largest contributor to group profits with segmental operating profit at £7.32 million (2002 £2.15 million) including our 25% share of the operating profit of AWSR Shipping Limited, the MoD's Strategic Sealift service
- the Rumic and Scan Tech acquisitions last year produced strong results and, with the acquisitions in late 2003 of Air Supply AS and WM Defence (now James Fisher MIMIC Limited), further growth should be achieved in 2004

Marine Support Services comprises three main activities:

- Defence Services, being provided by James Fisher Rumic Limited, AWSR Shipping Limited and James Fisher MIMIC Limited
- Scan Tech, which provides services in the North Sea
- Specialist Technical Services, which comprises other non-defence services and is currently mainly concerned with the nuclear industry

Defence Services

James Fisher Rumic Limited, which operates the Royal Navy's submarine rescue service, had a good year and is adding real capability to bid for defence contracts.

We also benefited from the first full year of AWSR's operation which contributes a pre-tax profit of £1.27 million to our results. All six of its strategic sealift Ro-Ro vessels are now in service, with four utilised with the MoD and the remaining two on charter to a Scandinavian operator until late 2005. It is anticipated that AWSR will commence dividend payments in 2004.

We have recently received notice from the Ministry of Defence that they intend to exercise their purchase option for *RFA Oakleaf* in September 2004. This will result in a

capital profit of £589,000 but means that we will lose a profit contribution of c £1 million per annum with effect from the exercise date.

In October 2003 we announced the acquisition of W M Defence, which had an operating profit of £563,000 in the year ended 31 July 2003, for £3.1 million in cash. It supplies maintenance and related asset management services to the Royal Navy with its Conditioned Based Monitoring system, MIMIC, which is installed in the majority of Royal Navy warships.

We intend to continue to grow our MoD related services aggressively both organically and by acquisition.

Scan Tech

Our North Sea businesses, based in Stavanger and Aberdeen, now trade as a group under the Scan Tech name. Scan Tech AS in Stavanger, which we acquired in January 2003, had a record year but Aberdeen had a quieter year reflecting conditions in the UK market, although its HydroDigger service has started producing an acceptable rate of return. In October we announced the acquisition of Air Supply AS for NOK 57.5 million (£4.83 million) in cash. In the year ended 31 December 2002 Air Supply AS had a turnover of NOK 22.1 million (£1.9 million) and an EBITDA of NOK 12.8 million (£1.1 million). Air Supply rents and provides large containerised air compressors to the offshore oil and gas industry and is complementary to the customers and product range of Scan Tech AS and is also based in Stavanger.

Specialist Technical Services

We have a longstanding relationship with British Nuclear Fuels plc, for whom we manage seven vessels, which has been broadened by Rumic's growing nuclear decommissioning business. As a Cumbrian based company,

“Tankships enjoys a strong position in its UK niche market with important longstanding customer relationships. We have made real progress with fleet renewal in 2003 which will continue in 2004.”

whose core expertise is the practical application of engineering and operational skills, we see interesting opportunities in expanding our nuclear business both organically and by acquisition in the specialist field of nuclear decommissioning, particularly to service the challenging requirements of the local Sellafield site.

Cable Ships

As anticipated, profit from this division, pre-exceptionals, was substantially reduced from £7.92 million to £4.32 million for two reasons: the conclusion of the charter of *Nexus* to Global Marine Systems in December 2002; and the effect of a much weaker dollar on the charter income from *Oceanic Princess* and *Oceanic Pearl*.

Nexus was utilised in the second half on two short-term charters, both for defence purposes. Her cash holding costs of around £300,000 per annum are limited and our policy is to use the vessel opportunistically while working on a number of options for her long-term future. However, in view of her age of thirty-two years, and as we have been unable over the last year to find long-term employment for the vessel, we have considered it prudent to write down her carrying cost to scrap value with an impairment provision of £4.8 million. If we are unable to find employment for the vessel, we shall sell her for scrap.

Oceanic Princess and *Oceanic Pearl* were in lay-up throughout the year, reflecting the present bleak state of the cable market. Both remain chartered to *it* International Telecom, until May 2006 and December 2006 respectively, with the charters guaranteed by the parent company, General Dynamics. During 2003 we re-negotiated the terms of the charter so that we may market the ships for our own account, while retaining our future profit stream from the existing charters. We may also sell the vessels if we choose, either with or without the charter income.

Although the current cable laying market is depressed, there have been some early indications during the second half 2003 of a slow turnaround, as a result of the recovery in the technology markets and the scrapping of around 15 cable vessels during the year whilst no more are being built. Indeed, we are now being asked to quote for major contracts albeit at very competitive rates.

In many ways the cable market appears to be behaving like a classic shipping market with boom followed by bust, then attrition of the older vessels until supply again meets a recovering demand. There is effectively no active market in cable ships at present and our policy is to use the shelter of the present charters, which still have a considerable period to run, and to wait until the market conditions are more favourable when we shall have the option to sell and release significant capital resources.

Directors and Employees

Sir David Hardy, our senior non-executive director, is retiring at the AGM after ten years service on the Board. His stalwart professionalism, including a stint as stand-in chairman, has been of much benefit to James Fisher and his opinions and knowledge have always been valued. On behalf of the Company and myself, I would like to thank him for his great contribution. Anthony Cooke will be replacing him as the senior non-executive director.

I would also like to thank Terry Moore who retired from the Board on 31 December 2003 after five years service as a non-executive director.

It was a pleasure to welcome Maurice Storey CB, the recently retired CEO of the Maritime Coastguard Agency (MCA), to the Board as a non-executive director on 1 December 2003. His joining James Fisher emphasises our commitment to maintaining the highest marine standards both operationally and technically.

It is also a pleasure to welcome Charles Rice to the Board as a non-executive director with effect from 1 April 2004. Charles was the P&O main board director with responsibilities for its logistics division before its sale last year. He comes to us with much valuable experience and knowledge of service companies, including the identification and management of acquisitions.

Although we have a stable set of four executive directors, we have been strengthening our senior management level immediately below the Board. Noteworthy in this context are Simon Harris who has joined us from Houlder Limited as Commercial Director for our MoD Division, Nick Henry who has now served a year as Managing Director of Tankships, Stewart Jeffcoat who joined us in October 2003 as Technical Director and John Sands who has just joined as Managing Director of Scan Tech UK. These appointments supplement the management provided by Roger Chapman and Bjørn Erik Bjørnsen who both continue to play a full part in the integration of James Fisher Rumic and Scan Tech into the Group.

2003 has been a challenging year in many ways and I would like both to recognise and thank the employees at sea and ashore for their great contribution to the group's growth and success.

Outlook

The strength of James Fisher's marine service capabilities is demonstrated by the overall growth in profits in 2003 despite a £3.60 million deterioration in the trading profit from Cable Ships. The group has also continued to demonstrate its ability to generate strong cash flows.

Tankships enjoys a strong position in its UK niche market with important longstanding customer relationships. We have made real progress with fleet renewal in 2003 which will continue in 2004. Overall, Tankships is well placed to produce strong cash flows and a growing trend in profitability which may however vary slightly from year to year with the strength of the spot market.

Marine Support Services' profitability has grown dramatically during 2003 and we plan to continue this growth both organically and by acquisition. The acquisitions made during 2003 have been fully integrated and are already contributing to the success of this division. We also see our Cumbrian base as an advantage in expanding the defence and nuclear fields as both are longstanding "local" industries.

Over the last two years the cable ship market has been very depressed and continues to be so. We have been substantially protected by the General Dynamics charters which still have well over two years to run. The early signs of recovery may be emerging, but it is still too early to predict how soon and how completely this will be realised. With the re-negotiation of the charter terms, we now have complete flexibility to make the right move for the group at the right time in the cycle. 2004 profits will suffer from the effects of a weak dollar on *Oceanic Princess* and *Oceanic Pearl's* \$14 million of charter income but, conversely, will benefit from any activity we can generate for the vessels even at marginal rates.

James Fisher now has over 75% (2002 46%) of its trading profits coming from its Marine Service Divisions and Tanker Division. Trading in the year to date has been in line with expectations and we are well placed to continue producing growth in profitability and dividends for our shareholders.

Tim Harris CBE
Chairman

8 March 2004

“The expansion of the marine support services division remains a primary strategic objective for the group.”

Group results

Total turnover in 2003 excluding our share of the turnover in our joint venture, AWSR, increased by 9% over the previous year to £77.215m (2002 £71.111m). Details of the group's turnover by segment is detailed in note 2 of the financial statements on page 31. Total operating profit was £15.554m (2002 £13.220m), up 18% after adjusting for exceptional items.

Before the exceptional impairment loss on the C.S. Nexus, the profit before tax was £10.149m (2002 £9.718m) an increase of 4%. Including the Nexus impairment, profit before tax was £5.380m.

Tankships

Operating profit from the Tankships operation after charging directly attributable administration costs was £6.061m compared to £4.657m in 2002, an increase of 30%. The division benefited from increased contract values and a stronger spot market.

In order to match available tonnage to the demands of our customers, we have been rebalancing our fleet. In 2002 m.t. Oarsman (2,500 tonnes) was sold, m.t. Anchorman (6,000 tonnes) was redelivered and m.t. Pembroke Fisher (14,000 tonnes) joined the fleet. In 2003 m.t. Stellaman (3,700 tonnes) together with m.t. Northgate and m.t. Irishgate (both 3,300 tonnes) were sold as part of our fleet modernisation programme. The remaining younger ships and more balanced tonnage contributed to better utilisation and strong results for Tankships.

The group also have under construction for delivery under long-term bareboat charter (late 2004, early 2005) two new vessels of 12,800 tonnes. The group is currently considering renewal opportunities for the smaller vessels which will create a young, high quality fleet which provides the level of service our oil major customers demand.

Marine Support Services

Operating profit from the Marine Support Services division after charging directly attributable administration costs rose to £7.316m compared to £2.153m in 2002. This result includes the group's share of operating profit of £3.744m from our joint venture in AWSR which became fully operational during 2003.

The group's objective of growing the Marine Services Division has seen considerable progress in 2003 with the acquisition of Scan Tech AS early in 2003, WM's Defence division, renamed James Fisher MIMIC Limited, and Air Supply AS in October 2003. This provides the group with the ability to offer a wider range of specialist marine service activities. Each acquisition has brought with it a strong management team who will be able to take advantage of the extra breadth now available as part of a larger group.

In order to increase our ability to bid more comprehensively for MoD contracts, early in 2003, Ben Sharples joined James Fisher and Sons Public Limited Company as project development manager from our subsidiary company, James Fisher Rumic Limited. Strengthening this team further, Simon Harris joined in March 2004 as commercial director of James Fisher (Shipping Services) Limited - Simon had worked with us as AWSR's project manager, leading the negotiating stages of our Strategic Sealift Joint Venture. During the year we have bid for a number of MoD contracts, notably the next generation Submarine Rescue Service. Bringing more MoD experience into the organisation increases our ability to team with other defence organisations, an approach that is necessary for the larger programmes.

The purchase of Scan Tech AS, a Stavanger based company, complemented our existing sub-sea rental organisation in Aberdeen. In addition, the Air Supply acquisition late in 2003, created a coherent combination

“Our objective of growing Marine Services has seen considerable activity with the acquisition of Scan Tech AS, WM's Defence division and Air Supply AS. This provides the ability to offer a wider range of specialist marine service activities.”

of companies, from which advantages can be gained through synergy. The customer base for this group of companies is similar and we are beginning to see the benefit of following those existing customers to new operating regions including the Black Sea and West Africa. We have added strength to the management of this part of the business by appointing John Sands as managing director of the Aberdeen operation, now branded as a Scan Tech company.

Cable ships

As forecast, operating profit, before exceptional impairment loss of £4.769m - for the cable ship division and after charging directly attributable administration costs was significantly down to £4.322m (2002 £7.919m) as a result of the re-delivery of C.S. Nexus from her charter with Global Marine in late 2002 and the effect of the weakness of the US Dollar on the earnings of C.S. Oceanic Princess and C.S. Oceanic Pearl. Both C.S. Oceanic Princess and C.S. Oceanic Pearl remain on their long term charters with *itg*, a subsidiary of General Dynamics, which run to May 2006 and December 2006 respectively.

C.S. Nexus, with the exception of two short defence contracts, remained in lay-up throughout the year. Notable was a charter demonstrating the advantages of the wider James Fisher group to customers of James Fisher Rumic Limited. The LR5 submarine rescue vehicle was deployed on exercise on board the C.S. Nexus, mobilising in our home port of Barrow-in-Furness.

In view, however, of her age of thirty two years and as we have been unable over the last year to find long-term employment for the vessel, we have considered it prudent to write down her carrying cost to scrap value with an impairment provision of £4.769m.

Cash flow

Net cash flow from operating activities was £22.848m (2002 £24.712m) underlying the group's continuing strong cash generation. Investment in the expansion of our Marine Support Services division was £17.603m.

In December 2003 the group paid £7.293m for the purchase and stage payment of two Korean ship building contracts. This transaction was included in current assets in the balance sheet at the year end. Since the year end the funds have been recovered following the sale of the contracts and conclusion of bareboat charters for both vessels from delivery.

Taxation

The group elected to enter the new UK tonnage tax regime from 1 January 2000. The election is for ten years and was renewed in August 2002.

The group pays tonnage tax calculated by reference to the net tonnage of qualifying vessels which for the current year is £0.036m (2002 £0.030m).

The group's activities which do not qualify under the tonnage tax regime remain subject to normal corporation tax. The corporation tax charge is £0.501m (2002 £0.524m) for these activities in the current year.

The overall tax charge for the group is £1.050m (2002 credit £0.318m). The previous year tax credit benefited from a release of the provision for deferred tax of £1.179m which was no longer required.

The tonnage tax regime eliminates the need to provide for deferred tax on accelerated capital allowances for activities that fall within tonnage tax. Activities outside tonnage tax continue to provide for deferred tax in full.

"The purchase of Scan Tech AS, complements our existing sub-sea rental organisation. These new businesses create a coherent combination of companies, from which advantages can be gained through synergy."

Dividend and earnings per share

The proposed final dividend of 4.30 pence per ordinary share will result in a total distribution for the year of 6.77 pence per ordinary share, an increase of 14% over that declared in 2002. The ordinary dividend is covered 2.8 times by profit before the exceptional impairment of the C.S. Nexus; after impairment 1.3 times.

Basic earnings per share for 2003 was 9.04p (2002 21.11p) but adjusting for the C.S. Nexus impairment (2002 tax credit) the basic earnings per share was 19.01p compared to 18.63p in 2002 an increase of 2%.

Treasury

Treasury Risk Management. The group maintains a centralised treasury function which operates under board approved treasury policies and guidelines, covering funding and management of foreign exchange exposure and interest rate risk. All transactions entered into by the group's treasury operations are required to be in support of, or a consequence of, underlying commercial transactions. During the year the group was in a net debt position. The management of foreign exchange risk and interest rate risk is a board agenda item.

Finance and Interest Rate Risk. The group manages its exposure to interest rate fluctuations on its borrowings through the use of interest rate swaps to reduce the impact of adverse variations in market rates on the group profit and cash flow. The group maintains a mixture of fixed and floating rate borrowings to reduce the impact of variations in interest rates on the group's profits and cash flow.

Liquidity risk. The group has continued to manage its cash in a manner designed to ensure maximum benefit is gained, whilst ensuring security of investment sources. The group's policy on investment of surplus funds is to place deposits at institutions with strong credit ratings.

Foreign exchange risk. The group trading is principally Sterling based, with US Dollar and Norwegian Kroner activity. US Dollar income is utilised to cover US Dollar expenditure.

Under the group's foreign exchange policy any significant capital exposure is hedged on commitment, mainly through the use of forward foreign exchange contracts.

The group's treasury function is subject to policies and procedures agreed by the board. Its purpose is to manage the financial risks of the business effectively and to secure finance at minimum cost. Its activities are covered by guidelines, exposure limits, controls and a system of authorities. Speculative use of financial instruments is not permitted and none has occurred during the year.

A treasury report is submitted to each board meeting and performance is monitored closely.

Borrowings/cash

The group has net debt at 31 December 2003 of £55.852m (2002 £48.068m). This comprises borrowings of £61.307m (2002 £52.972m) and cash and short term deposits of £5.445m (2002 £4.904m).

The net debt position at 31 December 2003 included the funding of £7.3m stage payment on the two Korean shipbuilding contracts. The net gearing at the end of 2003 was 68% (2002 58%). Funding of the Korean contract has now been refinanced, and the £7.3m recovered since the year end.

“The group also have under construction two new vessels of 12,800 tonnes which will be delivered to us on completion under long-term charter.”

Directors

Timothy C. Harris Executive chairman (aged 56)

Joined the board on 26 September 2001 and became chairman on 1 January 2002. Formerly chief executive officer of P & O's cruise interests and of P & O Nedlloyd Container Line Limited. He was also president of the Chamber of Shipping from March 1995 to March 1996.

Angus F. Buchanan Chief executive officer (aged 39)

Joined James Fisher Tankships Limited in June 1997 as director and general manager from Yarrow Shipbuilders where he was project director responsible for the production of Type 23 and Horizon Warships contracts. He was appointed managing director of James Fisher Tankships Limited in January 1998, to the board of James Fisher and Sons Public Limited Company in March 1998 and chief executive officer on 23 January 2002.

Ian M. Serjent Marine and technical services director (aged 61)

Joined James Fisher from Ocean in 1974 as superintendent progressing to technical director in 1982 and has over 30 years experience in operational management, the offshore industry and ship construction and conversion. He joined the board of James Fisher and Sons Public Limited Company in March 1998 and was appointed marine and technical services director on 23 January 2002.

Michael J. Shields Group finance director (aged 56)

Joined the group in 1964 and has worked extensively throughout the group's chartering, ship operations and previous port activities. In 1983 he became group accountant and treasurer, first becoming a main board director in 1986. He was appointed group finance director in 1996.

Sir David W. Hardy Senior non-executive director (aged 73) * #

Is the senior non-executive director. He is also chairman of the Trustees, National Maritime Museum, Greenwich and the Transport Research Foundation. He is also a director of Sterling of Sterling Lloyd Holdings plc and Fitzhardinge Plc.

Anthony R.C.B. Cooke Non-executive director (aged 62) * #

Joined the board on 23 January 2002. He has wide experience in commercial shipping, having been responsible for the management buyout of Ellerman Lines Plc in 1985 and its subsequent sale to Trafalgar House in 1987. Recently he was chairman of Andrew Weir Shipping Limited and was president of the Chamber of Shipping in 1997. He is currently vice chairman of the Baltic Exchange, president of the Institute of Chartered Shipbrokers, a director of Bidcorp plc and West of England Shipowners Mutual Insurance Company.

Maurice Storey Non-executive director (aged 61) * #

Joined the board on 1 December 2003. He has wide experience in shipping and marine services having been responsible for ships and port operations as main board director for Stena Line UK Limited. He retired from the Maritime Coastguard Agency where he held the position of Chief Executive. He is currently chairman of Hatsu Marine Limited and president elect of the Institute of Marine Engineering Science and Technology.

* Audit Committee # Remuneration and Nominations Committee

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 2003.

Principal activities

The principal activities of the group are the provision of specialist marine services: the transport of refined petroleum products, the provision of technical engineering, consultancy and advisory services in the marine environment and the laying of sub-sea fibre optic cables.

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

Changes in group

On 6 January 2003 the group acquired the entire issued share capital of Scan Tech Holdings AS which included two operating subsidiaries, Scan Tech AS and Scan Tech FKTM AS.

On 30 October 2003 the group acquired the entire issued share capital of Air Supply AS which included an operating subsidiary, Air Supply UK Limited and on 1 January 2004 the companies changed their names to Scan Tech Air Supply AS and Scan Tech Air Supply UK Limited respectively.

On 30 October 2003 the defence division of W.M. Engineering Limited was acquired by the group. The business now trades under the name of James Fisher MIMIC Limited.

On 8 December 2003 the group acquired the entire issued share capital of Athens Flame 2004 Shipping Company and the entire issued share capital of Athens Peace 2004 Shipping Company, who own the interest in two new shipbuilding contracts.

Post balance sheet events

On 28 February 2004 the group simultaneously sold its interest in the two new shipbuilding contracts for two double hull 12,800 dwt clean petroleum products tankers, which were acquired on 8 December 2003 recovering £7.293m, and entered into two 10 year bareboat charters. The charters will commence from the vessels' delivery, scheduled for late 2004 and early 2005.

Details of the transactions are shown in note 32 of the financial statements.

Results and dividends

The group profit for the financial year after taxation amounted to £4.330m, from which a preference dividend of £0.004m and an interim dividend of £1.200m were paid during the year. The directors recommend a final dividend of 4.30p per share amounting to £2.100m making 6.77p and £3.300m for the year.

Cable ships

As part of the preparation of the financial statements for the year ended and as at 31 December 2003 the directors performed an impairment review of the cable laying ships C.S. Oceanic Princess, C.S. Oceanic Pearl and C.S. Nexus. The result of this review has led to an impairment provision

of £4.769m against the C.S. Nexus primarily in view of her age of thirty-two years. The following information is provided with respect to the cable ships:

	C.S. Oceanic Princess £000	C.S. Oceanic Pearl £000	C.S. Nexus £000
Net book value at			
31 December 2003	22,855	24,636	1,067*
Operating cash flow			
Year 31 December 2003	4,474	3,829	686
Year 31 December 2002	4,823	4,236	3,364

* after impairment provision of £4.769m.

Directors and their interests

The current members of the board of directors are listed on page 9.

Mr. Maurice Storey, who was appointed a non-executive director on 1 December 2003, retires from the board at the Annual General Meeting and, being eligible, offers himself for election.

Mr. Ian M. Serjent and Mr. Anthony R. C. B. Cooke retire by rotation and, being eligible, offer themselves for re-election. Mr. Charles Rice, who will be joining the board as a non-executive director on 1 April 2004, and being eligible, offers himself for election.

Brief biographical details of all directors with the exception of Mr. Charles Rice are shown on page 9. Biographical details of Mr. Charles Rice are as follows:

Charles Rice Non-executive director (aged 51)

Widely experienced in commercial shipping having held a number of commercial and operational roles with Overseas Containers Limited. During the 1990's he was responsible for P&O TransEuropean Division progressing to a main board director of P&O in 2001. Recently he has chaired the review of the commission for integrated transport reporting to the Secretary of State. He is currently chairman of Three Quays Marine Services Limited and a director of Starcross Foods Limited.

The interests of the directors, who held office at the end of the financial year, in the ordinary share capital of the company, other than with respect to options to acquire ordinary shares (which are detailed in the analysis of options included in the report on directors' remuneration), are as follows:

	Holdings of ordinary shares of 25p each	
	2003 No.	2002 No.
T.C. Harris	72,862	53,984
R.A.F. Buchanan	50,745	23,867
I.M. Serjent	40,204	30,000
M.J. Shields	64,161	37,500
Sir David W. Hardy	20,000	20,000
A.R.C.B. Cooke	41,684	41,684
M. Storey	-	-

There have been no changes in directors' interests from 1 January 2004 to 8 March 2004.

All executive directors, other than the Chairman who has a six month rolling service contract, have one year rolling service contracts with the company. The non-executive directors do not 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 2003 or at any time during 2003.

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.

Substantial shareholders

On 8 March 2004 the following were interested in 3 per cent or more of the company's issued share capital:

	Ordinary Shares	
	No.	%
Rowland Frederick Hart Jackson (non-beneficial)	8,932,060	18.3
Therapia Investments Limited	2,973,351	6.1
Hermes Pension Management	2,888,838	5.9
Legal and General Investment Management	1,790,856	3.7
Prudential Corporation Group	1,521,457	3.1
Preference Shares		
	No.	%
Therapia Investments Limited	100,000	100

No other person has notified an interest in the ordinary shares of the company required to be disclosed to the company in accordance with S198 to S208 of The Companies Act 1985.

Charitable and political contributions

During the financial year the group made no political contributions (2002 £nil).

Charitable contributions made during the financial year totalled £10,500 (2002 £10,250).

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 briefings and bulletins.

A savings related share option scheme was introduced in 1995 and is open to all eligible employees. An offer of shares was made to eligible staff in November 2003. An executive share option scheme was also introduced in 1995 in which the directors may grant options to nominated employees.

A long term incentive plan (LTIP) was introduced in 2001 following shareholders' approval in which the directors may award these options to nominated employees.

It is the policy of the group to ensure all sections of the community at large have equal opportunities in matters

relating to employment. An updated policy statement, that reflects recent changes in legislation, has been introduced.

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

Special business at the Annual General Meeting

At the Annual General Meeting on 30 April 2004 resolutions 9, 10 and 11 will be special business. The special business covers approval for 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 pages 61 and 62 and the explanatory notes thereto on page 62.

In the opinion of the directors, the passing of these resolutions is in the best interests of the shareholders.

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 31 December 2003 the group and company had an average number of 31 days and 77 days purchases outstanding in trade creditors respectively (2002 group 25 days, company 44 days).

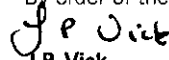
Environmental policy

The group recognises its responsibilities towards the protection of the environment by operating a management system that upholds the procedures necessary to ensure high standards and safe practices in all ship operations to prevent damage to the environment. Further details are included in the statement on corporate social responsibility on pages 14 and 15.

Auditors

The auditors, Ernst & Young LLP, 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.P. Vick
Secretary

8 March 2004

Corporate Governance Statement

The company is committed to high standards of corporate governance. The board is accountable to the company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the company and the company's compliance with the code provisions set out in section 1 of the Combined Code prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel and recommendations contained in the Turnbull Report.

The company is aware of the Code's requirements for companies with financial years beginning on or after 1 November 2003 and is taking steps to comply in those areas where it does not already do so.

Statement of compliance with the Code of Best Practice

The directors consider that the company has complied throughout the year with the Provisions of the Code of Best Practice set out in section 1 of the Combined Code.

Code Provision D.3.1 requires the members of the audit committee to be named in the report and accounts. Sir David W. Hardy, Terence Moore and Anthony R.C.B. Cooke served on the committee throughout the year. Maurice Storey served on the committee from the date of his appointment.

The workings of the board and its committees

The board is responsible to shareholders for the proper management of the group and currently comprises an executive chairman, three executive directors and three non-executive directors. The board consider that each director demonstrates a range of experience and sufficient calibre to bring independent judgement to bear on issues of strategy, performance, resource and standards of conduct, which is vital to the success of the group. A statement of directors' responsibilities and a statement on going concern are given on page 22. The board meets on a regular basis with a schedule of matters reserved for it to decide including setting and monitoring group strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition possibilities, formulating policy on key issues and reporting to shareholders.

All directors have access to independent professional advice as required. In addition, the company ensures that the directors receive appropriate training as and when necessary. To ensure that the board is able to discharge all its duties, all directors receive appropriate and timely information, with board papers being issued to all directors in advance of the board meetings and the company secretary ensures that board procedures are followed and that all applicable rules and regulations are complied with.

The following committees deal with the specific aspects of the group's affairs:

- The audit committee is formally constituted with a written basis of reference, meets at least twice a year and has consideration of the cost effectiveness, independence and objectivity of the external auditors. Meetings are also attended by the chairman, chief executive and group finance director and the group internal auditor. In addition the audit committee meets the external auditors without the executive management present.
- The remuneration and nominations committee, comprising the non-executive directors and the executive chairman, is responsible for proposing candidates for appointment to the board, having regard to the balance and structure of the board. It meets as required to review the performance of the executive directors, to recommend their remuneration and other benefit packages, pension rights and compensation payments. The executive chairman is not present when his terms and conditions are discussed. The report on directors' remuneration is shown on pages 16 to 21 and provides further details of the company's policies on remuneration and service agreements.

All directors are subject to re-election every three years in accordance with the Articles of Association.

Relations with shareholders

The board takes the opportunity at the Annual General Meeting to meet and communicate with private and institutional shareholders and welcomes their involvement. In addition, the executive directors conduct briefings with institutional shareholders with other shareholders being notified on the group's web site. The Chairman's statement on pages 2 to 5 and the operating and financial review on pages 6 to 8 provide a detailed review of the group's performance and future developments. Further regular dialogue is maintained through the issue of interim accounts and a preliminary announcement.

Maintenance of a sound system of internal control

In applying Principle D.2 of the Combined Code that the board should maintain a sound system of internal control to safeguard shareholders' investment and the group's assets, the directors recognise that they have overall responsibility for ensuring that the group maintains a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. However, there are inherent limitations in any system of

internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance.

The group has established the procedures necessary to implement the guidance published on internal control issued by the Turnbull Committee. These procedures have been in place for the full year under review and up to the date of the approval of the annual report and financial statements. These include the following:

- A risk committee meets at least four times a year and includes representatives from throughout the organisation. Its terms of reference are to identify, monitor and report risks facing the group throughout the year and to report these findings to the board of directors.
- A risk management policy document has been written and is available to all employees setting out the board's attitude to risks in the achievement of business objectives.
- The monthly management information is continually reviewed to highlight indicators of risk.
- Risk management and internal control is included as an agenda item at board meetings where there is the opportunity to discuss risk management and internal control issues and to determine a control strategy for each of the significant risks.
- A full risk assessment is made and presented to the board before any decision on major projects is made.
- Commercial, legal and financial and diligence work is carried out if a business is to be acquired.

The internal auditor's work includes appropriate compliance testing and reports to the audit committee twice a year.

The key features of the internal control system that operated throughout the year are as follows:

- **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. Each operating unit is required to operate in accordance with established policies and procedures. A "Group Guide to Policies and Procedures" is available which provides details of the key aspects to be followed and the overall environment in which the operating units are expected to function. This includes the group's ethical code and specific guidelines covering treasury, employment, health and safety, and environmental issues.

- **Information systems.** The group operates a comprehensive annual planning and budgeting system with a half yearly forecast all of which are 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 twelve 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. Rolling 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, investment, financial, organisational and compliance issues. Controls and procedures have been implemented which include 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 control.
- **Audit committee.** The audit committee is responsible for monitoring the controls in place and determines any corrective actions that it considers is appropriate in respect of internal control issues raised by the internal and external auditors. The external auditors meet with the audit committee without any executive directors being present twice each year.

The directors have reviewed the effectiveness of the group's system of internal control as it operated during the year.

Corporate Social Responsibility Statement

As a leading provider of marine services in the United Kingdom, the group is committed and determined to conduct its affairs in an equitable manner recognising its responsibilities with regard to social and ethical conduct, human resources, health and safety and the environment collectively known as Corporate Social Responsibility ("CSR") and to communicate with all shareholders, customers and staff. The group believes that its activities and relationships should be undertaken with integrity and in an honest manner and that it should be accountable for its actions.

The following statement on Corporate Social Responsibility ("CSR") has been compiled to include elements of guidelines drawn from the Association of British Insurers (ABI) and guidelines issued by the Government/CBI initiative to promote environmental reporting.

The statement contains information on: the group's policies and procedures in areas of: social and ethical conduct, human resources, health and safety and the environment. It is also an acknowledgement of the group's responsibility to provide information and greater transparency to shareholders, customers, employees, suppliers and the wider community in which the group operates.

The statement consolidates information drawn from many policies and procedures in operation throughout the group. These policies and procedures are under constant review by senior management to enable continual improvement and development.

The group's policy commitments focus on the following areas:

- Ethical code of conduct
- Human resources
- Stakeholders
- Health, safety and environment

Ethical code of conduct

The group is committed to ensuring the highest standards in all its business dealings and applies the following principles:

- Respect the rule of law and comply with legislation and recognised industry standards.
- Not participate in or condone corrupt or unacceptable business practices.
- Avoid any conflicts of interest both at a corporate and individual level.
- Promote a strong culture of health and safety and environmental awareness for the benefit of customers, suppliers, employees and third parties.

- Aim to provide continuous improvement in the provision of services the company offers.
- Respect the confidentiality of each customer's business and activities.

Human resources

The group holds its employees in high regard and recognises that it is their skills, knowledge and expertise that contributes to the group's success. The group operates an equal opportunities policy which provides that it will not discriminate on the grounds of race, creed, colour, nationality, ethnic or national origins, gender, age, marital status, language, religion, political beliefs or disability. Any complaints of discrimination will be viewed seriously and dealt with according to the group's disciplinary procedures. The group will also not tolerate sexual, physical or mental harassment of employees.

The group operates personnel policies with the objective that all employees:

- Understand their role and duties within the group.
- Work in healthy and safe working conditions.
- Have an opportunity to discuss their performance areas of improvement and training needs.
- Receive suitable training as part of a programme of continuous personal and professional development.
- Are fairly treated and have their views considered.
- Have confidential access to a member of senior management to discuss concerns about any aspect of their employment.

Stakeholders

The group recognises the aspirations and needs of its shareholders, customers, suppliers and communities in establishing and developing relationships leading to the creation of mutual success. Good relationships are founded on trust and good working practices.

In the pursuit of good relationships the group endeavours to understand the objectives and desires of those with which it is interacting and to honour the standards of service that have been agreed between parties.

The group believes that long-term relationships are based on:

- High performance standards.
- Delivery commitments.
- Flexible and strong working practices.

Health, safety and environment

The nature of the group's business is to provide quality assured marine and technical services which entails:

- Avoiding injuries to personnel and loss of life.
- Conserving and protecting the environment.
- Protecting owners' assets that are entrusted to the group.
- Complying with statutory and classification rules and requirements.
- Operating vessels and transporting cargo safely and efficiently.
- Applying recognised industry standards.
- Providing high quality equipment to clients.
- Continuous development of skills and systems.
- Preparing and dealing with emergencies.

The group understands the impact that its operations could have on the environment and has developed a policy and has systems in place to define, eliminate or mitigate environmental risks and effects.

It is the policy of the group to:

- Comply with all legal requirements.
- Set high environmental standards.
- Complete reviews of any environmental impacts and establish practices and procedures.
- Provide training to employees on environmental matters.
- Investigate environmental incidents.

To ensure that high standards are achieved the group has established and maintains an efficient and effective quality assurance programme. The group's quality assurance system complies with and exceeds the requirements of both the quality standard ISO9000 and International Safety Management (ISM) Code.

The group operates a philosophy in which the management of safety, health and environment control is integral to, and equal to all commercial activities. All employees, both at sea and ashore have a paramount responsibility to prevent accidents, incidents or injury to themselves and others and harm to the environment. The group's management system embraces this responsibility and encourages improvement by continual assessment.

The group is fully committed to providing services in accordance with its Safety Management System, approved by the Maritime Coastguard Agency (MCA), to the international quality standard ISO9001:2000. The system encompasses all aspects of the group's business from head

office functions to its offshore operations and is designed to continuously improve performance, reliability and safety whilst providing a service that fully meets our customers' requirements.

The objectives of the Safety Management System are to:

- Continuously develop and improve the awareness and management of safety of all personnel in the company.
- To provide a continuous safe working environment. Operations and activities are subject to appropriate controls that include the application of safe working practices, complying with relevant legislation and by the employment of appropriately trained and competent personnel.
- Review accidents and incidents with a view to ascertaining and publishing the root cause to improve personnel awareness. Evaluate existing controls following an incident to determine how these controls may be improved upon, to reduce the possibility of recurrence.
- Prevent damage to property and the marine environment by employing best practice and complying with all applicable rules and regulations.
- Design and operate ships taking into consideration the efficient use of energy and materials, the minimisation of any adverse environmental impact and waste generation and the safe and responsible disposal of residual wastes.
- Make use of re-cycling facilities whenever possible and appropriate.

The management system ensures compliance with all statutory requirements and where appropriate industry codes, standards and guidance to working practices and operations.

Report on Directors' Remuneration

Information not subject to audit

Remuneration committee and advisers

Although the board considers itself ultimately responsible for the framework and cost of executive remuneration, it has delegated responsibility for the implementation of the executive remuneration policy and determining the specific remuneration levels and conditions of service of executive directors of the company and the senior executives of the company, to the remuneration committee. The committee's approach is fully consistent with the company's overall philosophy that all employees should be competitively rewarded to attract and retain their valued skills in the business, as well as supporting corporate strategy by directly aligning executive management with the company's strategic business goals.

The members of the committee are Sir David Hardy (chairman and senior non-executive), Mr. Anthony Cooke, Mr. Maurice Storey (from the date of his appointment) and Mr. Terry Moore was a member until his retirement in December 2003, each being an independent non-executive director of the company and having no personal financial interest, other than as shareholders, in the matters to be decided.

The committee, which was established in 1994 and operates under clear written terms of reference, confirms that its constitution and operation comply with the principles set out in the Combined Code on Corporate Governance, and has applied the principles in section 1 of the code throughout the year.

The remuneration committee has consulted Hurst Associates, a firm of executive remuneration consultants, to assist them in the structure of the remuneration policy of the company.

The remuneration strategy is kept under continuous review to maintain its value to all and relevance to the long-term objectives of the company.

Remuneration strategy

James Fisher and Sons Public Limited Company operates in a highly competitive environment. For the company to continue to compete successfully, it is essential that the level of remuneration and benefits offered achieves the objectives of attracting, developing, retaining and motivating the necessary high quality pool of talented employees, at all levels across the company. The company therefore sets out

to provide competitive remuneration to all its employees, appropriate to the business environment in those countries in which it operates.

The remuneration strategy is designed not only to align with the company's fundamental values of fairness, competitiveness and equity, but also to support the company's corporate strategy, as a significant contributor to competitive advantage. A cohesive reward structure - with a timely pay review process, consistently applied to all employees, with links to corporate performance recognised - is seen as critical in ensuring all employees can associate with, and 'buy in to' the attainment of the company's strategic goals.

The company also seeks to align the interests of shareholders and employees at all levels by giving employees opportunities and encouragement to build up a shareholding interest in the company. Through a series of share plan initiatives, under the UK Sharesave Scheme, the majority of employees of the company, and its wholly owned subsidiaries, will have the opportunity to take up a shareholding interest.

Executive remuneration policy

The remuneration package for executive directors and senior management as determined by the remuneration committee, is intended to attract and retain high quality executives and is set by the committee, after extracting data from appropriate surveys, and taking advice from its consultant who was appointed by the committee. The main components are a base salary, benefits in kind, an annual cash bonus coupled with a share matching scheme, a Long Term Incentive Plan (LTIP) and pension benefits detailed below.

To align further the interest of senior executives and shareholders, the package is weighted towards performance-related elements including an annual cash bonus, which maximises at one-half annual salary and starting in 2003 an LTIP award of one-half of salary. Directors can also invest up to their gross bonus in a share matching scheme where lodged shares are matched 1:1 after a three-year period.

Base salary

Base salaries are reviewed annually and are determined by reference to individual responsibilities, performance and market value of the executive.

Benefits in kind

These principally comprise car benefits, life assurance and membership of the group's healthcare insurance scheme. These benefits do not form part of pensionable earnings.

Annual cash bonus

Executive directors can earn bonuses of up to 50% salary, 70% by reference to financial targets agreed in advance by the committee and 30% by individual achievement of personal objectives which are set by the committee. These annual bonuses are not pensionable by the company, although the director can use them to support a personal pension.

Bonuses for the year to 31 December 2003 are shown in the table on page 18. Other senior executives also achieved a cash bonus for last year.

Under the share matching scheme incorporated in the Long Term Incentive Plan, which was approved in 2001, executive directors and senior management may elect to invest any proportion of the gross bonus in James Fisher and Sons Public Limited Company ordinary shares to be held by the Employee Benefits Trust; provided that the shares lodged are left in the Trust for three years, the participant will receive the original shares, plus additional shares equal in number to the original shares.

Long term incentive plan

Shareholders at the 2001 Annual General Meeting approved a long-term incentive plan. The rules of the plan authorise the committee to award annually shares up to 50% of annual salary to main board directors and senior executives, subject to the achievement of a performance target, and no award vests unless the target is met at the end of a three-year period. The target is that the increase in diluted earnings per ordinary share in the three-year period, at least equals the rate of inflation plus 9%.

The plan is to reward and incentivise executive directors and senior management who have responsibility for a significant achievement of profitability and growth for the company. The award, if vested at the end of three years, is replaced by a nil cost option that can be exercised any time over the next seven years. This should enable the profit generators in the company to build up sizeable stakes in the company.

Executive share option scheme

The company has operated an Executive Share Option Scheme, which was approved by shareholders at the Annual General Meeting in 1995. Details of the awards made to directors are on page 19. The options are exercised following the attainment of a performance condition measured over a continuous period of three years and which demonstrates the diluted earnings per share achieved, exceeds inflation and is at least 9%.

As no LTIP was awarded in 2002 an award of Executive Share Options was made to a small number of executives in 2003. Details of the awards are shown on page 20.

Current Executive Chairman's salary, incentives and benefits

Mr. Tim Harris, executive chairman, has an agreed annual salary of £189,000 per year. In 2003 he was entitled to participate in the annual bonus scheme and awarded LTIP shares. The executive chairman is not in the company's pension scheme but he is a member of the company's health scheme and he receives a cash sum in lieu of a company car.

Service contracts

The executive chairman's employment agreement is subject to six months' notice by either side. Other executive directors' employment agreements are subject to twelve months' notice by the company. There is no predetermined provision for compensation on termination within executive directors' service agreements.

Non-executive directors do not have service contracts but have a letter setting out their terms and conditions.

Remuneration policy for non-executive directors

Fees for non-executive directors are determined by the board as a whole, with regard to market practice within the restrictions contained within the Articles of Association. The non-executive directors do not take part in discussions on their own remuneration. They receive no other material pay or benefits (with the exception of reimbursements of expenses incurred in connection with their directorship of the company) and do not participate in the company's share schemes, bonus schemes or incentive plans and are not eligible for pension scheme membership.

Performance graph

This graph shows James Fisher and Sons Public Limited Company's performance compared to the FTSE all share index and FTSE ASX Transport Index. The Index shows the share price growth plus reinvested dividends and provides a basis for comparison as a relevant equity index in which the group is a member.

Information subject to audit

Details of directors' remuneration

	Fees/basic salaries £000	Annual bonuses £000	Taxable benefits £000	2003 Total £000	2002 Total £000
Executive					
T.C. Harris	189	95	15	299	346
R.A.F. Buchanan	122	61	11	194	189
I.M. Serjent	102	51	18	171	169
M.J. Shields	94	47	11	152	142
Non-executive					
Sir David W. Hardy	25	–	–	25	25
A.R.C.B. Cooke	23	–	–	23	21
M. Storey	2	–	–	2	–
T. Moore	23	–	–	23	23
Sir J. Julian R. Oswald	–	–	–	–	1
J.G. Hodgson	–	–	–	–	1
Aggregate emoluments	<u>580</u>	<u>254</u>	<u>55</u>	<u>889</u>	<u>917</u>

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors. Details of the options are as follows:

	1 January 2003 No.	Granted No.	Exercised No.	31 December 2003 No.	Unrealised gains on exercise 2003 £000
T.C. Harris	–	130,282	–	130,282	–
R.A.F. Buchanan	162,593	88,262	(12,593)	238,262	25
I.M. Serjent	200,000	70,423	–	270,423	–
M.J. Shields	221,075	65,384	(17,630)	268,829	35
Total	583,668	354,351	(30,223)	907,796	60
		(1)(3)	(2)		

At 1 January 2003 and 31 December 2003 the options held under the 1995 executive share option scheme and 1995 savings related share option scheme were as follows:

	Number of share options		Option exercisable price per share	Date from which exercisable	Expiry date
	1 January 2003 No.	31 December 2003 No.			
T.C. Harris	–	130,282	142p	* 10.03.06	10.03.13
	–	130,282			
R.A.F. Buchanan	150,000	150,000	122p	* 17.10.00	17.10.07
	12,593	–	67p	+ 12.10.03	12.04.04
	–	84,507	142p	* 10.03.06	10.03.13
	–	3,755	211p	+ 01.12.08	01.06.09
	162,593	238,262			
I.M. Serjent	100,000	100,000	65p	* 24.05.98	24.05.05
	100,000	100,000	122p	* 17.10.00	17.10.07
	–	70,423	142p	* 10.03.06	10.03.13
	200,000	270,423			
M.J. Shields	100,000	100,000	65p	* 24.05.98	24.05.05
	100,000	100,000	122p	* 17.10.00	17.10.07
	17,630	–	67p	+ 12.10.03	12.04.04
	3,445	3,445	143p	+ 01.11.07	01.05.08
	–	62,324	142p	* 10.03.06	10.03.13
	–	3,060	211p	+ 01.12.06	01.06.07
	221,075	268,829			

* Executive share option scheme

+ Savings related share option scheme

The market value of the 25p ordinary share at 31 December 2003 was 263.5p having ranged between 281.5p and 127.5p during the financial year.

- On 10 March 2003 Mr. T.C. Harris, Mr. R.A.F. Buchanan, Mr. I.M. Serjent and Mr. M.J. Shields were granted 347,536 shares at 142p under the Executive Share Option Scheme.
- On 12 October 2003 Mr. R.A.F. Buchanan and Mr. M.J. Shields exercised their Savings Related Share Options 1998 offer at 67p per share and retained the shares. The market price at the date of exercise was 266p.
- On 1 December 2003 Mr. R.A.F. Buchanan was granted 3,755 shares and Mr. M.J. Shields was granted 3,060 shares at 211p under the Savings Related Share Option Scheme.

The interests of directors to subscribe for, or acquire ordinary shares under the executive share option scheme have not changed since the year end.

Report on Directors' Remuneration continued

Long-term incentive plan (LTIP)

There is a potential award of share options to directors following the introduction of a long-term incentive plan. Interests in the shares awarded will become vested with the directors after a period of three years provided the increase in diluted earnings per ordinary share in the three year period at least equals the rate of inflation plus 9%.

At 1 January 2003 and 31 December 2003 the options held were as follows:

	1 January 2003 No.	Granted No.	31 December 2003 No.
T.C. Harris	–	66,211	66,211
R.A.F. Buchanan	40,000	42,948	82,948
I.M. Serjent	40,000	35,790	75,790
M.J. Shields	40,000	32,807	72,807
	<u>120,000</u>	<u>177,756</u>	<u>297,756</u>

Long term incentive plan

		1 January 2003 No.	Granted No.	31 December 2003 No.	Exercise price	End of performance period
T.C. Harris	3 Year Award	–	66,211	66,211	Nil	5 March 2006
R.A.F. Buchanan	3 Year Award	40,000	–	40,000	Nil	10 July 2004
	3 Year Award	–	42,948	42,948	Nil	5 March 2006
		<u>40,000</u>	<u>42,948</u>	<u>82,948</u>		
I.M. Serjent	3 Year Award	40,000	–	40,000	Nil	10 July 2004
	3 Year Award	–	35,790	35,790	Nil	5 March 2006
		<u>40,000</u>	<u>35,790</u>	<u>75,790</u>		
M.J. Shields	3 Year Award	40,000	–	40,000	Nil	10 July 2004
	3 Year Award	–	32,807	32,807	Nil	5 March 2006
		<u>40,000</u>	<u>32,807</u>	<u>72,807</u>		

The scheme is unapproved for Inland Revenue purposes.

The interests of directors to subscribe for, or acquire ordinary shares under the long term incentive plan have not changed since the year end.

Share matching scheme

There is a potential award to executive directors under the company's share matching scheme as follows:

	1 January 2003 No.	Granted No.	31 December 2003 No.
T.C. Harris	–	12,585	12,585
R.A.F. Buchanan	–	14,285	14,285
I.M. Serjent	–	10,204	10,204
M.J. Shields	–	9,031	9,031
	<u>–</u>	<u>46,105</u>	<u>46,105</u>

The interest in the shares will become vested with the directors after a period of three years from the date of the award which is 5 March 2006.

The interests of directors to subscribe for, or acquire ordinary shares under the share matching scheme have not changed since the year end.

Directors' pension entitlements

The following directors had accrued entitlements under a group defined benefit scheme as follows:

	Age at 31 December 2003	Accrued pension 1 January 2003 £000	Accrued pension 31 December 2003 £000	Increase £000	Increase after indexation £000	Transfer value of increase after indexation £000
R.A.F. Buchanan	39	11	13	2	2	9
I.M. Serjent	61	47	49	2	1	18
M.J. Shields	56	57	62	5	3	40

The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year.

The value of each directors' accrued benefits is as follows:

	Transfer value of accrued benefits 31 December 2003 £000	Transfer value of accrued benefits 31 December 2002 £000
R.A.F. Buchanan	60	45
I.M. Serjent	846	802
M.J. Shields	870	734

The transfer value has been calculated on the base of actuarial advice in accordance with Actuarial Guidance Note GN11 and is net of directors' contributions.

Members of the scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.

On behalf of the Board

Sir David W. Hardy

Senior non-executive director

8 March 2004

Statement of Directors' Responsibilities

Accounts, including adoption of going concern basis

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 the financial statements, the directors are required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

After making enquiries, the directors have a reasonable expectation that the company and the group have 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.

Other matters

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 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.

Independent Auditors' Report

To the members of James Fisher and Sons Public Limited Company

We have audited the group's financial statements for the year ended 31 December 2003, which comprise group profit and loss account, group statement of total recognised gains and losses, group balance sheet, company balance sheet, group cash flow statement, and the related notes 1 to 32. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the report on directors' remuneration that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, including the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the statement of directors' responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements and the part of the report on directors' remuneration to be audited in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the report on directors' remuneration to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the listing rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the combined code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises the chairman's statement, operating and financial review, report of the directors, corporate governance statement, corporate social responsibility statement and the unaudited part of the report on directors' remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 and the part of the report on directors' remuneration to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the report on directors' remuneration to be audited 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 and the part of the report on directors' remuneration to be audited.

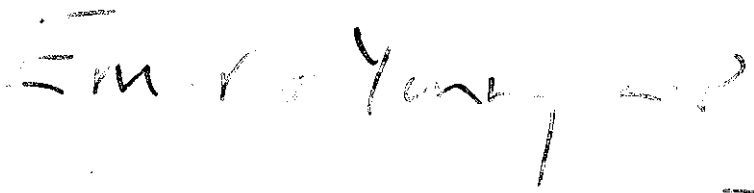
Opinion

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 2003 and of the profit of the group for the year then ended; and
- the financial statements and the part of the report on directors' remuneration to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
Liverpool

8 March 2004



Group Profit and Loss Account

the year ended 31 December 2003

	Notes	Headline £'000	Exceptional items (note 5) £'000	2003 Total £'000	2002 Total £'000
Turnover: group and share of joint ventures		84,574	–	84,574	72,322
less share of joint ventures		(7,359)	–	(7,359)	(1,211)
		77,215	–	77,215	71,111
ongoing acquisitions		70,647	–	70,647	70,979
		6,568	–	6,568	–
		77,215	–	77,215	70,979
discontinued		–	–	–	132
Group turnover	2	77,215	–	77,215	71,111
Cost of sales (excluding C.S. Nexus impairment)	3	(60,308)	–	(60,308)	(53,269)
C.S. Nexus impairment	5	–	(4,769)	(4,769)	–
Cost of sales		(60,308)	(4,769)	(65,077)	(53,269)
Gross profit		16,907	(4,769)	12,138	17,842
Administrative expenses					
goodwill amortisation		(623)	–	(623)	(58)
general		(4,474)	–	(4,474)	(4,266)
	3	(5,097)	–	(5,097)	(4,324)
Group operating profit/(loss)					
ongoing acquisitions		11,262	(4,769)	6,493	13,541
		548	–	548	–
		11,810	(4,769)	7,041	13,541
discontinued		–	–	–	(23)
	4	11,810	(4,769)	7,041	13,518
Share of operating profit/(loss) in joint ventures		3,744	–	3,744	(298)
Total operating profit: group and share of joint ventures		15,554	(4,769)	10,785	13,220
Continuing operations					
Loss on sale of ships	5	–	(1,033)	(1,033)	(327)
Discontinued operations					
Loss on sale of ships	5	–	–	–	(8)
Provision for termination of business	5	–	–	–	(794)
		15,554	(5,802)	9,752	12,091
Net interest payable					
Group		(2,237)	–	(2,237)	(2,519)
Joint ventures		(2,478)	–	(2,478)	(355)
Exchange gain on loan conversion		343	–	343	501
	6	(4,372)	–	(4,372)	(2,373)
Profit on ordinary activities before taxation		11,182	(5,802)	5,380	9,718
Taxation	9	(1,050)	–	(1,050)	318
Profit on ordinary activities after taxation		10,132	(5,802)	4,330	10,036
Dividends					
Non equity		(4)	–	(4)	(4)
Equity		(3,250)	–	(3,250)	(2,832)
	10	(3,254)	–	(3,254)	(2,836)
Retained profit for the year		6,878	(5,802)	1,076	7,200
				pence	pence
Basic earnings per ordinary share	11			9.04	21.11
Diluted earnings per ordinary share	11			8.70	20.63
Basic earnings per ordinary share after adjustment for C.S. Nexus impairment (2002 tax credit)	11			19.01	18.63
Ordinary dividends paid or payable:					
Interim	10			2.47	2.20
Final	10			4.30	3.74
				6.77	5.94

Group Statement of Total Recognised Gains and Losses

for the year ended 31 December 2003

	2003	2002
	Total	Total
	£'000	£'000
Profit for the financial year excluding profit/(loss) of joint ventures	3,083	10,719
Share of joint ventures' profit/(loss) for the year	1,247	(683)
Profit on ordinary activities after taxation	4,330	10,036
Currency translation differences on foreign currency net investments	406	~
Exchange difference on loan	(476)	~
Total recognised gains and losses relating to the year	4,260	10,036

Group Balance Sheet

at 31 December 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Intangible assets - goodwill	12	17,397	2,721
Tangible assets	13	114,455	126,109
Investments:			
Investments in joint ventures:			
Share of gross assets		52,333	30,979
Share of gross liabilities		(50,742)	(30,635)
	14	1,591	344
Other investments	14	1,514	2,053
		134,957	131,227
Current assets			
Stocks	15	2,377	1,115
Debtors	16	18,895	14,918
Cash at bank and in hand	17	5,455	4,904
		26,727	20,937
Creditors: amounts falling due within one year			
Trade and other		(16,566)	(15,854)
Bank loans	20	(9,674)	(8,614)
	18	(26,240)	(24,468)
Net current assets/(liabilities)		487	(3,531)
Total assets less current liabilities		135,444	127,696
Creditors: amounts falling due after more than one year			
Trade and other		-	(500)
Bank loans	20	(51,633)	(44,358)
	19	(51,633)	(44,858)
Provisions for liabilities and charges	22	(200)	(147)
Net assets		83,611	82,691
Capital and reserves			
Called up share capital	23	12,311	12,238
Share premium account	24	23,558	23,380
Profit and loss account	24	47,742	47,073
Shareholders' funds	25	83,611	82,691

Included in called up share capital are non-equity interests as disclosed in note 23. The analysis of shareholders' funds between equity and non-equity interests is shown in note 25.

The accounts were approved by the board of directors on 8 March 2004 and were signed on its behalf by:

T.C. Harris Executive Chairman



Company Balance Sheet

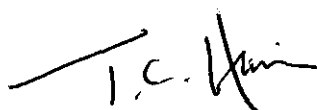
at 31 December 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	13	3,047	3,085
Investments	14	69,191	49,575
		72,238	52,660
Current assets			
Stocks	15	5	6
Debtors	16	11,683	10,499
Cash at bank and in hand	17	3,444	3,712
		15,132	14,217
Creditors: amounts falling due within one year			
Trade and other		(14,542)	(11,124)
	18	(14,542)	(11,124)
Net current assets			
		590	3,093
Total assets less current liabilities			
		72,828	55,753
Creditors: amounts falling due after more than one year			
Trade and other		-	(500)
Bank loans	20	(10,000)	-
	19	(10,000)	(500)
Net assets			
		62,828	55,253
Capital and reserves			
Called up share capital	23	12,311	12,238
Share premium account	24	23,558	23,380
Profit and loss account	24	26,959	19,635
Shareholders' funds			
	25	62,828	55,253

Included in called up share capital are non-equity interests as disclosed in note 23. The analysis of shareholders' funds between equity and non-equity interests is shown in note 25.

The accounts were approved by the board of directors on 8 March 2004 and were signed on its behalf by:

T.C. Harris *Executive Chairman*



Group Cash Flow Statement

for the year ended 31 December 2003

	Notes	2003 £'000	2002 £'000
Net cash inflow from operating activities	27(a)	22,848	24,712
Returns on investments and servicing of finance			
Interest received		341	470
Interest paid		(2,562)	(3,014)
Preference dividend paid		(4)	(4)
		(2,225)	(2,548)
Taxation			
Corporation tax paid		(386)	(651)
Overseas tax paid		(314)	-
Corporation tax received		-	109
		(700)	(542)
Capital expenditure and financial investment			
Purchases less sales of own shares by ESOP		(75)	(258)
Purchase of tangible fixed assets		(2,214)	(3,133)
Sale of tangible fixed assets		2,027	738
Purchase of shipbuilding contracts via subsidiary undertakings		(7,293)	-
		(7,555)	(2,653)
Acquisitions and disposals			
Cash acquired with subsidiary undertakings		888	1,768
Purchase of subsidiary undertakings		(17,603)	(3,275)
Loans to joint venture		(944)	(2,722)
Loans from joint venture		1,997	944
Purchase of interest in joint venture		-	(25)
		(15,662)	(3,310)
Equity dividends paid		(2,978)	(2,570)
Net cash (outflow)/inflow before management of liquid resources and financing		(6,272)	13,089
Management of liquid resources			
Increase in short term deposits		(1,535)	-
Financing			
Issue of ordinary shares		251	-
New secured loans		19,898	1,912
Repayment of loans		(13,326)	(16,922)
		6,823	(15,010)
Decrease in cash in the year		(984)	(1,921)
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the year		(984)	(1,921)
Cash (inflow)/outflow from (increase)/decrease in debt		(6,572)	15,010
Cash inflow from increase in short term deposits		1,535	-
Change in net debt resulting from cashflows		(6,021)	13,089
Exchange differences		343	501
Loans acquired with subsidiary undertakings		(2,106)	-
Movement in net debt		(7,784)	13,590
Net debt at 1 January		(48,068)	(61,658)
Net debt at 31 December	27(b)	(55,852)	(48,068)

Notes to the Financial Statements

for the year ended 31 December 2003

1. Accounting policies

A summary of the principal accounting policies, which have been applied consistently throughout the year and the preceding year, 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 group financial statements consolidate the financial statements of James Fisher and Sons Public Limited Company and all its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method of accounting.

Entities in which the group holds an interest on a long-term basis and are jointly controlled by the group and one or more other ventures under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the gross equity method.

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 after taxation for the financial year for the holding company was £10.915m (2002 £6.095m).

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life up to a presumed maximum of twenty years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Goodwill arising on acquisitions in the year ended 31 December 1997 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Finance costs

Finance costs of debt and non-equity shares are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Refit costs are capitalised and amortised over a 30 month period.

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

Ships	4% to 10%
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 directly attributable finance costs, calculated on a day to day basis, on expenditure incurred during construction and modification. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Stock

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for sale	– purchase cost
Work in progress and finished goods	– cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

1. Accounting policies (continued)

Taxation

Tonnage tax payable is provided by reference to net tonnage of qualifying vessels at the current rate.

Corporation tax payable is provided on taxable profits from activities not qualifying for the tonnage tax regime at the current rate.

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

- provision is made for tax on gains arising from revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Foreign currency

Group

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Company

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 foreign currency 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. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange differences on those borrowings are also dealt with in reserves.

Accounting for leases

As a lessor

Amounts receivable under finance lease are included under debtors and represent the total amount outstanding under lease agreements less unearned income. Finance lease income, having been allocated to accounting periods to give a constant rate of return on the net cash investment is included in turnover. Rentals receivable under operating lease are credited to turnover on a straight line basis over the lease term.

As a lessee

Rentals payable under operating leases are charged in arriving at the operating profit for the year on a straight line basis over the lease term.

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.

Following the issue of FRS 17 "Retirement Benefits" by the Accounting Standards Board additional disclosures are shown in note 28 on pages 53 to 56.

1. Accounting policies (continued)

Refit costs

For vessels held by the group under operating leases, where there is a contractual obligation to maintain the ships, provision is made on a straight line basis as the vessels are used, towards the future cost of refits to the end of the lease. The provision is utilised as expenditure is incurred.

For vessels owned by the group, and for which the group is responsible for maintenance, the accounting policy is detailed within the tangible fixed assets accounting policy above.

Derivatives and other financial instruments

The group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes. The group also uses interest rate swaps to adjust interest rate exposures.

Forward foreign currency contracts

The criteria for forward foreign currency contracts are:

- the instrument must be related to a firm foreign currency commitment;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the group's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed future transaction, are not recognised until the transaction occurs.

Interest rate swaps

The group's criteria for interest rate swaps are:

- the instrument must be related to an asset or a liability; and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Interest differentials are recognised by accruing with net interest payable. Interest rate swaps are not revalued to fair value or shown on the group balance sheet at the year end. If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument.

Turnover

Turnover, after excluding trade discounts and value added tax, represents the earnings from the provision of goods and services falling within the group companies' ordinary activities and the group's percentage interest in earnings of joint ventures.

2. Segmental analysis

The segmental analysis has been restated by allocating directly attributable administration expenses to the operating segments, which in the opinion of the directors is more appropriate.

Geographical market supplied

Turnover	Tankships		Cable ships		Marine Support Services		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations								
UK & Ireland	41,971	41,451	1,377	5,005	12,451	6,960	55,799	53,416
Continental Europe	4,596	4,577	–	–	6,052	432	10,648	5,009
Americas	–	–	9,360	11,838	1,296	637	10,656	12,475
Rest of World	–	–	–	–	112	79	112	79
Discontinued operations								
UK & Ireland	–	–	–	–	–	132	–	132
	46,567	46,028	10,737	16,843	19,911	8,240	77,215	71,111

Included in turnover for Marine Support Services is an amount of £6.568m in respect of acquisitions during the year, analysed as follows; Continental Europe £5.765m, UK & Ireland £0.803m.

Notes to the Financial Statements continued

2. Segmental analysis (continued)

The group operates from two geographical locations as follows:

	United Kingdom & Ireland		Norway		Total	
	2003	2002	2003	2002	2003	2002
	£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations						
Ongoing	12,905	15,050	-	-	12,905	15,050
Acquisitions	72	-	978	-	1,050	-
Impairment of C.S. Nexus	(4,769)	-	-	-	(4,769)	-
Share of operating profit in joint ventures	3,744	(298)	-	-	3,744	(298)
Discontinued operations						
Segment loss	-	(23)	-	-	-	(23)
	<u>11,952</u>	<u>14,729</u>	<u>978</u>	<u>-</u>	<u>12,930</u>	<u>14,729</u>
Goodwill amortisation (relates to Marine Support Services)					(623)	(58)
Common costs					(1,522)	(1,451)
Total operating profit - group and share of joint ventures					<u>10,785</u>	<u>13,220</u>

Profit on ordinary activities before taxation

	Tankships		Cable ships		Marine Support Services		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations								
Ongoing	6,061	4,657	4,322	7,919	2,522	2,474	12,905	15,050
Acquisitions	-	-	-	-	1,050	-	1,050	-
Impairment of C.S. Nexus	-	-	(4,769)	-	-	-	(4,769)	-
Share of operating profit in joint ventures	-	-	-	-	3,744	(298)	3,744	(298)
Discontinued operations								
Segment loss	-	-	-	-	-	(23)	-	(23)
	<u>6,061</u>	<u>4,657</u>	<u>(447)</u>	<u>7,919</u>	<u>7,316</u>	<u>2,153</u>	<u>12,930</u>	<u>14,729</u>
Goodwill amortisation (relates to Marine Support Services)							(623)	(58)
Common costs							(1,522)	(1,451)
Total operating profit: group and share of joint ventures							<u>10,785</u>	<u>13,220</u>

Continuing operations

Loss on sale of ships (1,033) (327)

Discontinued operations

Loss on sale of ships - (8)

Provision for termination of business - (794)

9,752 12,091

Net interest payable

Group (2,237) (2,519)

Joint ventures (2,478) (355)

Exchange gain on loan conversion 343 501

(4,372) (2,373)

Profit on ordinary activities before taxation

5,380 9,718

2. Segmental analysis (continued)

Net operating assets

	<i>Tankships</i>		<i>Cable ships</i>		<i>Marine Support Services</i>		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net assets by segment:								
Continuing operations	64,170	67,923	48,067	55,833	28,201	6,649	140,438	130,405
Share of net assets of joint ventures	-	-	-	-	1,591	1,397	1,591	1,397
	64,170	67,923	48,067	55,833	29,792	8,046	142,029	131,802

The net operating assets are reconciled to shareholders' funds as follows:

Net operating assets	142,029	131,802
Fixed asset investments	1,157	1,157
Own shares held under trust	357	896
Net borrowings	(55,852)	(48,068)
Corporation tax	(1,277)	(653)
Deferred tax	(200)	(147)
Deferred consideration	(535)	(500)
Dividends payable	(2,068)	(1,796)
Shareholders' funds	83,611	82,691

3. Cost of sales, gross profit and administrative expenses

The total figures for continuing operations in 2003 include the following amounts relating to the acquisitions of Scan Tech Holdings AS, Air Supply AS and WM Defence: cost of sales £5.518m administration expenses £0.502m.

4. Group operating profit

	2003	2002
	£'000	£'000
Group operating profit is stated after charging/(crediting):		
Auditors' remuneration:		
- audit services *	90	73
- non audit services **	25	32
	115	105

* £45,000 (2002 £27,000) of this relates to the company

** This amount excludes Ernst & Young LLP fees in respect of the acquisitions during the year amounting to £167,000 (2002 £38,000).

Notes to the Financial Statements continued

4. Group operating profit (continued)

	2003 £'000	2002 £'000
Amortisation of goodwill	623	58
Depreciation of tangible fixed assets		
– ships	6,477	6,988
– refit costs	2,141	2,130
– others	908	700
– impairment	4,769	–
Total depreciation charge	14,295	9,818
Profit on sale of other tangible fixed assets	(86)	(44)
Operating lease rentals:		
– property	263	174
– others	3,332	3,759
Share based compensation	277	156

5. Exceptional items

(a) Exceptional items reported before group operating profit

	2003 £'000	2002 £'000
C.S. Nexus impairment	4,769	–

C.S. Nexus impairment

As part of the preparation of the financial statements for the year ended and as at 31 December 2003, the directors performed an impairment review of the cable laying ships C.S. Oceanic Princess, C.S. Oceanic Pearl and C.S. Nexus. The result of this review has led to an impairment provision of £4.769m against the C.S. Nexus primarily in view of her age of thirty-two years.

(b) Exceptional items reported after group operating profit

Continuing shipping operations

	2003 £'000	2002 £'000
Loss on sale of ships	(1,033)	(327)

Discontinued shipping operations

	2003 £'000	2002 £'000
Loss on sale of ships	–	(8)
Provision for termination of business	–	(794)
	–	(802)

The loss on sale of ships of £nil (2002 £8,000) represents the disposal of the remaining dry cargo vessels following the decision to withdraw from this market.

On 28 January 2003 the dsv "Fisher Cavalier", a ship owned by the group's joint venture company, Fisher Offshore Services Limited, was sold and a provision of £0.794m was made in 2002 representing the group's share of loss on sale of vessel of £0.464m and a provision on termination of business of £330,000.

The taxation effects of the exceptional items reported after operating profit is £nil (2002 £nil).

6. Net interest payable

	2003 £'000	2002 £'000
Interest payable on:		
Bank loans	(2,502)	(3,000)
Other interest	(29)	(41)
	<hr/>	<hr/>
	(2,531)	(3,041)
Interest receivable	294	522
	<hr/>	<hr/>
	(2,237)	(2,519)
Joint ventures (net)	(2,478)	(355)
	<hr/>	<hr/>
	(4,715)	(2,874)
Exchange gain on loan conversion	343	501
	<hr/>	<hr/>
	(4,372)	(2,373)

7. Staff costs

The monthly average number of persons employed by the group was:

	2003 No.	2002 No.
Technical and administrative	265	198

Their aggregate remuneration including directors comprised:

	2003 £'000	2002 £'000
Wages and salaries	7,864	5,230
Social security costs	832	450
Other pension costs	852	436
Share based compensation	277	156
	<hr/>	<hr/>
	9,825	6,272

The number and cost of seafarers have been excluded from the above figures.

The monthly average number of seafarers employed by agencies and seconded to the group for a fee was 342 (2002 - 466).

8. Directors

Aggregate remuneration

The total amounts for directors' remuneration and other benefits were as follows:

	2003 £'000	2002 £'000
Emoluments	889	917
Unrealised gains on exercise of share options	60	1
	<hr/>	<hr/>
Total	949	918

Disclosures required by the Companies Act 1985 on directors' remuneration, including salaries, share options, pension contributions and pension entitlements and those specified by the Financial Services Authority are included on pages 16 to 21 in the report on directors' remuneration and form part of these financial statements.

Notes to the Financial Statements continued

9. Taxation

The group has entered the UK tonnage tax regime under which its ship owning and operating activities are based on the net tonnage of vessels operated. Any income and profits outside the tonnage tax regime are taxed under the normal UK corporation tax rules.

(a) Tax on profit on ordinary activities

	2003	2002
	£'000	£'000
The tax charge/(credit) is made up as follows:		
<i>Current tax:</i>		
UK tonnage tax	36	30
UK corporation tax	501	524
	537	554
Tax underprovided in previous years	88	277
Foreign tax	353	-
	978	831
Share of joint venture's current tax	19	30
	997	861
<i>Deferred tax:</i>		
Group deferred tax (note 9d)	53	(1,179)
	1,050	(318)

(b) Factors affecting current tax charge

The effective rate of tax is lower than the standard rate of corporation tax in the UK of 30% (2002 30%).

The differences are explained below:

	2003	2002
	£'000	£'000
Profit on ordinary activities before tax	5,380	9,718
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 30% (2002 30%)	1,614	2,915
Less profits on vessels and operating activities assessable under tonnage tax	(883)	(2,465)
Profits assessable under normal UK corporation tax rules	731	450
Expenses not deductible for tax purposes including goodwill amortisation	215	69
Chargeable gains	15	7
Under provision in previous years	88	277
Others	(52)	58
	997	861

9. Taxation (continued)

(c) Factors that may affect future tax charges

The group entered into the UK tonnage tax regime from 1 January 2000. The election is for ten years. It was renewed in August 2002.

The tonnage tax regime eliminates the need to provide for deferred tax on accelerated capital allowances.

The group's activities which do not qualify under the tonnage tax regime remain subject to normal corporation tax.

(d) Deferred tax

Group

The deferred tax included in the balance sheet is as follows:

	2003	2002
	£'000	£'000
Included in provisions for liabilities and charges (note 22)	200	147
Accelerated capital allowances	200	147
Provision for deferred tax	200	147
At 1 January	147	1,298
Acquired	–	28
Deferred tax debited/(credited) in group profit and loss account	53	(1,179)
At 31 December	200	147

Company

The deferred tax included in the balance sheet is £nil (2002 £nil).

10. Dividends paid and proposed

	2003	2002
	£'000	£'000
Non-equity:		
3.5% Preference paid (2002 3.5%)	4	4
Equity:		
Ordinary interim paid of 2.47p per share (2002 2.20p per share)	1,200	1,062
Ordinary final proposed of 4.30p per share (2002 3.74p per share)	2,100	1,816
Less dividends on own shares held by the ESOP	(50)	(46)
	3,254	2,836

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

	2003	2002
	No.	No.
Interim	48,600,800	48,270,098
Final	48,843,215	48,550,800

The ordinary final dividend will be paid on 7 May 2004 to those shareholdings registered in the books of the company at the close of business on 16 April 2004.

Notes to the Financial Statements continued

11. Earnings per ordinary share

The calculations of earnings per ordinary share are based on the following profits and numbers of shares.

	2003	2002
	£'000	£'000
Profit for the financial year	4,330	10,036
Preference dividends	(4)	(4)
	4,326	10,032

Weighted average number of shares (excluding the shares owned by James Fisher and Sons Public Limited Company Employee Share Ownership Trust):

	2003	2002
	Number of shares	Number of shares
For basic earnings per ordinary share*	47,855,653	47,516,302
Exercise of share options and LTIPs	1,850,531	1,110,975
For diluted earnings per ordinary share	49,706,184	48,627,277

* excludes shares owned by James Fisher and Sons Public Limited Company Employee Share Ownership Trust.

The basic earnings per ordinary share, before C.S. Nexus impairment (2002 tax credit), is shown to highlight the underlying earnings trend and is calculated using the same number of shares for the basic earnings calculation referred to above and the amounts shown below:

	2003		2002	
	£'000	p	£'000	p
Basic earnings per share	4,326	9.04	10,032	21.11
Adjustments:				
C.S. Nexus impairment	4,769	9.97	-	-
Deferred tax credit	-	-	(1,179)	(2.48)
	9,095	19.01	8,853	18.63

12. Intangible fixed assets - goodwill

Group	£'000
Cost:	
At 1 January 2003	2,924
Additions during the year	15,299
At 31 December 2003	18,223
Amortisation:	
At 1 January 2003	203
Provided during the year	623
At 31 December 2003	826
Net book value:	
At 31 December 2002	2,721
At 31 December 2003	17,397

The goodwill arising on all acquisitions made in the year is being amortised over its presumed useful economic life of 20 years.

13. Tangible fixed assets

Group	Analysis of ships		Total ships £'000	Freehold & leasehold property £'000	Plant & equipment £'000	Total £'000
	Ships £'000	Refit £'000				
Cost:						
At 1 January 2003	155,481	6,188	161,669	1,449	4,262	167,380
Exchange adjustment	–	–	–	(35)	(93)	(128)
Additions	117	2,006	2,123	57	846	3,026
Acquisition of subsidiary undertakings	–	–	–	616	2,001	2,617
Disposals	(7,185)	(2,158)	(9,343)	(6)	(255)	(9,604)
At 31 December 2003	148,413	6,036	154,449	2,081	6,761	163,291
Depreciation:						
At 1 January 2003	34,890	3,875	38,765	220	2,286	41,271
Exchange adjustment	–	–	–	(1)	(51)	(52)
Provided during the year	6,477	2,141	8,618	75	833	9,526
Impairment loss	4,652	117	4,769	–	–	4,769
Disposals	(4,385)	(2,158)	(6,543)	–	(135)	(6,678)
At 31 December 2003	41,634	3,975	45,609	294	2,933	48,836
Net book value:						
At 31 December 2002	120,591	2,313	122,904	1,229	1,976	126,109
At 31 December 2003	106,779	2,061	108,840	1,787	3,828	114,455

Included in ships are assets with a cost of £0.654m (2002 £0.475m) and accumulated depreciation of £0.240m (2002 £0.182m) which are held for use in operating leases. Included in tangible fixed assets is aggregate interest capitalised of £4.374m (2002 £4.397m).

Company	Total ships £'000	Freehold & leasehold property £'000	Plant & equipment £'000	Total £'000
Cost:				
At 1 January 2003	8,404	472	769	9,645
Additions	–	16	142	158
Intra group transfers	–	–	77	77
Disposals	–	(6)	(70)	(76)
At 31 December 2003	8,404	482	918	9,804
Depreciation:				
At 1 January 2003	5,947	129	484	6,560
Provided during the year	33	34	129	196
Intra group transfers	–	–	49	49
Disposals	–	–	(48)	(48)
At 31 December 2003	5,980	163	614	6,757
Net book value:				
At 31 December 2002	2,457	343	285	3,085
At 31 December 2003	2,424	319	304	3,047

Included in tangible fixed assets is aggregate interest capitalised of £nil (2002 £nil).

Notes to the Financial Statements continued

13. Tangible fixed assets (continued)

The net book value of freehold and leasehold property at 31 December 2003 is analysed as follows:

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Freehold	1,539	952	99	103
Long leasehold	32	32	32	32
Short leasehold	216	245	188	208
	<u>1,787</u>	<u>1,229</u>	<u>319</u>	<u>343</u>

14. Investments

Group	2003 £'000	2002 £'000
Joint ventures (a)	1,591	344
Own shares (b)	357	896
Other fixed asset investments (b)	1,157	1,157
	<u>3,105</u>	<u>2,397</u>

(a) Joint ventures

	£'000
At 1 January 2003	344
Share of profit retained by joint ventures	1,247
At 31 December 2003	<u>1,591</u>

Additional disclosures are given in respect of AWSR Holdings Limited which exceed certain thresholds under FRS 9 "Associates and Joint Ventures" as follows:

	2003 £'000	2002 £'000
Fixed assets	47,575	29,667
Current assets	4,758	1,312
Share of gross assets	<u>52,333</u>	<u>30,979</u>
Liabilities due within one year	(2,506)	(501)
Liabilities due after one year	(48,236)	(30,134)
Share of gross liabilities	<u>(50,742)</u>	<u>(30,635)</u>
Share of net assets	<u>1,591</u>	<u>344</u>

	2003 £'000	2002 £'000
Turnover	7,359	1,133
Operating profit	3,744	568
Net interest payable	(2,478)	(244)
Profit before tax	1,266	324
Taxation	(19)	(5)
Profit after tax	<u>1,247</u>	<u>319</u>

14. Investments (continued)

(b) Own shares and other fixed asset investments

	Listed £'000	Unlisted £'000	Total £'000
Cost:			
At 1 January 2003	896	3,858	4,754
Additions	100	–	100
Disposals	(25)	–	(25)
	971	3,858	4,829
Amounts provided:			
At 1 January 2003	–	2,701	2,701
Provided	614	–	614
At 31 December 2003	614	2,701	3,315
Net book value:			
At 1 January 2003	896	1,157	2,053
At 31 December 2003	357	1,157	1,514

(i) (ii)

(i) The company has established an employee share ownership trust, the James Fisher and Sons Public Limited Company Employee Share Ownership Trust, in connection with the savings-related share option plan, executive share option plan and long-term incentive plan for employees including directors. Options over these shares have been granted to directors and senior employees. The actual number of shares held at 31 December 2003 was 753,459 (2002 705,007). These shares had a market value at that date of £1,985,364 (2002 £1,156,211). The trust has not waived its right to receive dividends.

(ii) Unlisted

Other investments at 31 December 2003 represents a 19.99% equity interest in SEML an unlisted company incorporated in France whose main activity is a port and ferry operator. The group currently does not have any board representation and consequently the investment is treated as a fixed asset.

Company

	Subsidiary undertakings £'000	Joint ventures £'000	Own shares £'000	Other investments £'000	Total £'000
Cost:					
At 1 January 2003	49,430	51	896	3,858	54,235
Exchange adjustment	(491)	–	–	–	(491)
Additions	26,741	–	100	–	26,841
Disposals	(6,425)	–	(25)	–	(6,450)
At 31 December 2003	69,255	51	971	3,858	74,135
Amounts provided:					
At 1 January 2003	1,908	51	–	2,701	4,660
Provided/(released)	(330)	–	614	–	284
At 31 December 2003	1,578	51	614	2,701	4,944
Net book value:					
At 1 January 2003	47,522	–	896	1,157	49,575
At 31 December 2003	67,677	–	357	1,157	69,191

The market value of the investment in the company's own shares at 31 December 2003 was £1,985,364 (2002 £1,156,211). The shares are held by the James Fisher and Sons Public Limited Company Employee Share Ownership Trust.

The company's principal subsidiary and joint venture undertakings are shown on page 59.

The investment in joint venture undertakings at 31 December 2003 represents 25% equity interest in AWSR Holdings Limited, a shipowning and operating company.

14. Investments (continued)

Acquisitions

(i) Scan Tech Holdings AS

On 6 January 2003 the group acquired the entire issued share capital of Scan Tech Holdings AS, which included two operating subsidiaries Scan Tech AS and Scan Tech FKTM AS, for cash consideration of £8.910m (NOK 100 million).

The investment in Scan Tech Holdings AS has been included in the company's balance sheet at its fair value at the date of acquisition. The fair value of assets and liabilities are considered to be the book value as follows:

	Fair value to group £'000
Tangible fixed assets	1,478
Stocks	174
Debtors	892
Cash at bank	679
Creditors less than one year	(1,170)
Creditors greater than one year	(748)
	<hr/>
Net assets	1,305
Goodwill arising on acquisition	7,883
	<hr/>
	9,188
	<hr/>
Discharged by:	
Cash	8,910
Costs associated with acquisition	278
	<hr/>
	9,188
	<hr/>
Net cash flow in respect of the acquisition comprises:	
	£'000
Cash consideration and expenses	9,188
Cash at bank and in hand acquired	(679)
Bank loans acquired	748
	<hr/>
	9,257
	<hr/>

Scan Tech Holdings AS group earned a profit after tax of £1.315m, before central costs, in the 12 months ended 31 December 2003 (12 months ended 31 December 2002 £0.896m). The pre-acquisition profit to 6 January 2003 was immaterial.

Scan Tech Holdings AS group contributed £0.761m to the group's net operating cash flows, paid £0.016m in respect of net returns on investments and servicing of finance, paid £0.275m in respect of taxation, utilised £0.165m for capital expenditure and financial investment and paid £0.449m in respect of financing.

14. Investments (continued)

(ii) Air Supply AS

On 30 October 2003 the group acquired the entire issued share capital of Air Supply AS, which included an operating subsidiary, Air Supply UK Limited, for cash consideration of £4.826m (NOK 57.5 million).

The investment in Air Supply AS has been included in the company's balance sheet at its fair value at the date of acquisition. The fair value of assets and liabilities are considered to be the book value as follows:

	Fair value to group £'000
Tangible fixed assets	1,115
Stocks	649
Debtors	721
Cash at bank	209
Creditors less than one year	(1,730)
Net assets	964
Goodwill arising on acquisition	4,101
	<hr/> 5,065
Discharged by:	
Cash	4,826
Costs associated with acquisition	239
	<hr/> 5,065

Net cash flow in respect of the acquisition comprises:

	£'000
Cash consideration and expenses	5,065
Cash at bank and in hand acquired	(209)
Bank loans acquired	1,358
	<hr/> 6,214

Air Supply AS group earned a profit after tax of £0.351m in the 12 months ended 31 December 2003 (12 months ended 31 December 2002 £0.460m) of which £0.398m arose in the period from 1 January 2003 to 30 October 2003. The summarised profit and loss account for the period from 1 January 2003 to the effective date of acquisition is as follows:

	£'000
Turnover	2,500
Operating profit	562
Interest	(63)
Profit after tax	499
Taxation	(101)
Profit for the period to 30 October 2003	<hr/> 398

There were no recognised gains and losses in the period ended 30 October 2003 other than the profit of £0.398m above.

There were no significant cash flows to the group from the date of acquisition.

Notes to the Financial Statements continued

14. Investments (continued)

(iii) W.M. Defence

On 30 October 2003 the defence division of W.M. Engineering Limited was acquired by the group for cash consideration of £3.100m. The business now trades under the name of James Fisher MIMIC Limited. Acquisition costs of £0.104m were incurred.

The fair value and book value of tangible fixed assets was £0.024m.

The goodwill arising on consolidation is £3.180m.

(iv) Athens Flame 2004 Shipping Company Athens Peace 2004 Shipping Company

On 8 December 2003 the group acquired the entire issued share capital of Athens Flame 2004 Shipping Company and the entire issued share capital of Athens Peace 2004 Shipping Company who own the interest in two newbuilding contracts for cash consideration of £6.205m. The group subsequently paid £1.088m on 12 December 2003 to the shipyard in respect of stage payments on the first vessel. Acquisition costs of £0.011m, were incurred.

The fair value of the assets are considered to be the same as the consideration paid resulting in no goodwill arising.

(v) James Fisher Rumic Limited

There was goodwill of £0.135 arising in 2003 in respect of the acquisition of James Fisher Rumic Limited on 22 October 2002 resulting from additional acquisition costs.

15. Stock

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Short-term work in progress	1,439	314	-	-
Consumable stores	938	801	5	6
	2,377	1,115	5	6

16 Debtors

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Trade debtors	8,096	9,533	454	280
Amounts owed by group undertakings	-	-	10,698	7,342
Amounts owed by joint venture undertakings	-	1,997	-	1,997
- loans	-	239	-	239
- trade	-	-	-	-
Other debtors	9,091	1,312	242	467
Prepayments and accrued income	1,708	1,837	289	174
	18,895	14,918	11,683	10,499

Included in other debtors are amounts of £nil (2002 £0.869m) due after more than one year and a payment in advance of the newbuilding contracts of £7.293m.

17. Cash at bank and in hand

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Short-term deposits	1,535	–	1,535	–
Cash at bank and in hand	3,920	4,904	1,909	3,712
	5,455	4,904	3,444	3,712

18. Creditors: amounts falling due within one year

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loans - note 20	9,674	8,614	–	–
Trade creditors	3,789	2,812	435	298
Amounts owed to group undertakings	–	–	9,807	6,286
Amounts owed to joint venture undertakings	–	944	–	944
Corporation tax	1,277	653	185	507
Taxation and social security	561	490	264	253
Other creditors	606	970	160	73
Accruals and deferred income	7,730	8,189	1,088	967
Deferred consideration	535	–	535	–
Proposed dividends	2,068	1,796	2,068	1,796
	26,240	24,468	14,542	11,124

19. Creditors: amounts falling due after more than one year

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loans - note 20	51,633	44,358	10,000	–
Deferred consideration	–	500	–	500
	51,633	44,858	10,000	500

20. Bank loans

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Not wholly repayable within five years:				
By instalments	29,960	33,892	–	–
Wholly repayable within five years	31,347	19,080	10,000	–
	61,307	52,972	10,000	–
Less amount due within one year	(9,674)	(8,614)	–	–
Amount due after more than one year	51,633	44,358	10,000	–
Instalments not due within five years	10,297	14,819	–	–
Amounts falling due:				
Within one year	9,674	8,614	–	–
Between one and two years	12,003	8,614	3,333	–
Between two and five years	29,333	20,925	6,667	–
Between five and ten years	10,297	14,819	–	–
	61,307	52,972	10,000	–

Notes to the Financial Statements continued

20. Bank loans (continued)

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

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
3.75% fixed plus 1% reverting to 1% above LIBOR after 21 February 2005 repayable by March 2011	10,000	–	–	–
3.94% fixed plus 1% reverting to 1% above LIBOR after 21 February 2006 repayable by February 2011	5,000	–	–	–
0.625% above LIBOR repayable by August 2010	3,865	4,417	–	–
0.80% above LIBOR repayable by February 2011	7,015	13,635	–	–
0.80% above LIBOR repayable by March 2011	4,080	15,840	–	–
	29,960	33,892	–	–

The loans are secured by joint and several guarantees from a group undertaking, mortgages on fourteen ships, assignment of charterparties on ships and general assignment of earnings and insurance on mortgaged ships.

21. Derivatives and financial instruments

Page 8 of the Operating and Financial Review provides an explanation of the role that financial instruments have had during the year in creating or changing the risks the group faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the period.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 Derivatives and Other Financial Instruments: Disclosures (FRS 13). For this purpose non-equity shares issued by the company are dealt with in the disclosures in the same way as the group's financial liabilities but separately disclosed. Certain financial assets such as investments in subsidiaries are also excluded from the scope of these disclosures.

As permitted by FRS 13, short-term debtors and creditors have been excluded from the disclosures, other than the *currency disclosures*.

Interest rate profile

The interest rate profile of the financial assets of the group at 31 December is as follows:

	Fixed	Floating	Total
	rate	rate	
2003	£'000	£'000	£'000
Sterling	1,535	2,861	4,396
US Dollar	–	438	438
Euro	–	30	30
Norwegian Kroner	–	563	563
Canadian Dollar	–	28	28
Total	1,535	3,920	5,455
2002			
Sterling	–	3,787	3,787
US Dollar	–	1,098	1,098
Euro	–	10	10
Norwegian Kroner	–	9	9
Total	–	4,904	4,904

The interest rate on the fixed rate financial assets is 3.61% which is fixed until maturity on 19 January 2004. Floating rate financial assets comprise of cash in hand and deposits placed on money market at call, seven-day and monthly rates.

In addition there are fixed asset investments of £1.157m (2002 £1.157m) and debtors greater than one year of £nil (2002 £0.869m) on which no interest is earned and have no fixed maturity.

21. Derivatives and financial instruments (continued)

The interest rate profile of the financial liabilities of the group at 31 December is as follows:

	Fixed rate £'000	Floating rate £'000	Total £'000
2003			
Sterling			
borrowings	20,000	38,133	58,133
non equity shares	100	–	100
deferred consideration	535	–	535
US Dollar			
borrowings	–	2,827	2,827
Norwegian Kroner			
borrowings	–	347	347
	20,635	41,307	61,942
2002			
Sterling			
borrowings	10,500	38,156	48,656
non equity shares	100	–	100
deferred consideration	500	–	500
US Dollar			
borrowings	–	4,316	4,316
	11,100	42,472	53,572

The amounts shown in the tables above take into account the interest rate swaps and forward foreign currency contracts entered into by the group.

Further analysis of the interest rate profile at 31 December 2003 and 31 December 2002 is as follows:

Currency

	2003 Fixed rate		2002 Fixed rate	
	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Sterling				
– Borrowings	5.04	2.125	5.38	0.33
– Non-equity shares	3.5		3.5	

The period for which the interest rate is fixed on non-equity shares is unlimited.

The interest rate on floating rate financial liabilities is linked to one, two, three and six month LIBOR.

The total weighted average of fixed rate financial liabilities is 5.04% (2002 5.38%) – includes margins.

Further details of interest rates on long-term borrowings are given in note 20.

Currency exposures

As explained on page 8 the group's objectives in managing the currency exposures arising from its net investment overseas (in other words its structural currency exposures) are to maintain a low cost of borrowings and to retain some potential for currency related appreciation while partially hedging against currency depreciation. Gains and losses arising from these standard currency exposures are recognised in the statement of total recognised gains and losses.

The table below shows the group's currency exposures; in other words, those transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the group that are not denominated in the operating (or "functional") currency of the operating unit involved. As at 31 December 2003 the main exposures were as follows:

Notes to the Financial Statements continued

21. Derivatives and financial instruments (continued)

	Net foreign monetary assets/(liabilities)					Total £'000
	Sterling £'000	US dollar £'000	Euro £'000	Yen £'000	Others £'000	
Functional currency of group operation						
Sterling	–	(1,722)	(157)	–	–	(1,879)
Norwegian Kroner	(7)	82	–	–	121	196
Total	(7)	(1,640)	(157)	–	121	(1,683)

The main exposures at 31 December 2002 for comparison purposes were as follows:

	Net foreign monetary assets/(liabilities)					Total £'000
	US dollar £'000	Euro £'000	Yen £'000	Others £'000		
Functional currency of group operation						
Sterling	(1,408)	(144)	(2)	(21)		(1,575)

The amounts shown in the tables above take into account the effect of any currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

Maturity of financial liabilities

The maturity profile of the group's financial liabilities was as follows:

	2003 £'000	2002 £'000
In one year or less	10,209*	8,614
In more than one year but not more than two years	12,003	9,114*
In more than two years but not more than five years	29,333	20,925
In more than five years	10,397	14,919
	61,942	53,572

Non-equity shares of £0.100m (2002 £0.100m) are included in more than five years.

* Includes deferred consideration of £0.535m (2002 £0.500m).

Borrowing facilities

As at 31 December 2003 the group had a loan facility of £1.235m available to draw down by instalments by March 2007 (2002 £1.647m).

As at 31 December 2003 the group had a loan facility of £3.000m available to draw down from HSBC available until 31 December 2004.

21. Derivatives and financial instruments (continued)

Fair values

Set out below is a comparison by category of book values and fair values of the group's financial assets and liabilities.

	2003		2002	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Primary financial instruments held or issued to finance the group's operations				
Short-term financial liabilities and current portion of				
long-term borrowings	(10,095)	(10,095)	(9,085)	(9,085)
Deferred consideration	(535)	(535)	(500)	(500)
Long-term borrowings	(51,633)	(51,633)	(44,358)	(44,358)
Non equity shares	(100)	(100)	(100)	(100)
Financial assets	5,415	5,415	4,839	4,839
Fixed asset investments	1,157	1,157	1,157	1,157
Debtors due after more than one year	-	-	869	869
Derivative financial instruments held to manage the interest rate and currency profile				
Forward contracts	-	264	-	-
Interest rate swaps	-	150	-	(34)

The fair values of the interest rate swaps and forward foreign currency contracts have been determined by reference to prices available from the markets on which the instruments involved are traded. In the opinion of the directors the fair value of floating rate borrowings is not materially different from the carrying value.

Gains and losses on hedges

The group's policy is to hedge the following exposures:

- interest rate risk
- structural and transaction currency exposures on future committed sales.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses and deferred gains and losses on financial instruments used for hedging are as follows:

	Gains	Losses	Total
2003			
Gains and losses unrecognised at 31 December 2003	414	-	414
of which			
gains and losses expected to be recognised in the profit and loss account in 2004	414	-	414
2002			
Gains and losses unrecognised at 31 December 2002	-	(34)	(34)
of which			
gains and losses expected to be recognised in the profit and loss account in 2003	-	(34)	(34)

Notes to the Financial Statements continued

22. Provisions for liabilities and charges

Deferred tax	Group	Company
	£'000	£'000
At 1 January 2003	147	-
Debited to profit and loss account	53	-
	<hr/>	<hr/>
At 31 December 2003	200	-
	<hr/>	<hr/>

<i>Provided</i>	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Capital allowances in advance of depreciation	200	147	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The group is in the tonnage tax regime and consequently the directors consider that no deferred tax assets or liabilities arise in respect of the group's shipping activities.

The group provides in full for all deferred tax arising on activities outside the tonnage tax regime.

23. Share capital Group and Company

	2003	2002
	£'000	£'000
Authorised		
Non-equity:		
100,000 3.5% cumulative preference shares of £1 each	100	100
Equity:		
66,320,000 ordinary shares of 25p each	16,580	16,580
	<hr/>	<hr/>
	16,680	16,680
	<hr/>	<hr/>
Allotted and called up		
	2003	2002
	£'000	£'000
Non-equity		
100,000 3.5% cumulative preference shares of £1 each	100	100
Equity - fully paid:		
48,843,215 (2002 48,550,800) ordinary shares of 25p each	12,211	12,138
	<hr/>	<hr/>
	12,311	12,238
	<hr/>	<hr/>

During the year 292,415 ordinary shares with an aggregate nominal value of £73,000 were issued under the company's executive share option plan at option prices of 122p and 67p per share, giving rise to total consideration of £251,000.

23. Share capital (continued)

The company has an executive share option scheme and a savings related share option scheme under which options have been granted on 1,995,189 ordinary shares as follows:

- (i) 200,000 ordinary shares at 65p exercisable between 24 May 1998 and 24 May 2005.
- (ii) 14,060 ordinary shares at 147p exercisable between 6 October 2002 and 6 April 2005.
- (iii) 410,000 ordinary shares at 122p exercisable between 17 October 2000 and 17 October 2007.
- (iv) 38,853 ordinary shares at 67p exercisable between 21 September 2001 and 21 September 2008.
- (v) 30,000 ordinary shares at 67p exercisable between 21 September 2001 and 21 September 2008.
- (vi) 190,330 ordinary shares at 143p exercisable between 1 November 2007 and 1 May 2010.
- (vii) 347,536 ordinary shares at 142p exercisable between 10 March 2006 and 10 March 2013.
- (viii) 85,654 ordinary shares at 211p exercisable between 1 December 2006 and 1 June 2011.

The company has granted conditional awards in the form of options over shares or conditional rights to have shares transferred to certain employees under the LTIP (approved at the 2001 Annual General Meeting over 678,756 ordinary shares of 25p each).

24. Reserves

Group

	Share premium account £'000	Profit and loss account £'000
At 1 January 2003	23,380	47,073
Arising on share issue	178	-
Retained profit for the financial year	-	1,076
Share based compensation	-	(337)
Currency transaction differences on foreign exchange net investments	-	406
Exchange difference on loan	-	(476)
At 31 December 2003	<u>23,558</u>	<u>47,742</u>

The cumulative amount of goodwill written off against the group's reserves is £6.125m (2002 £6.125m).

Company

	Share premium account £'000	Profit and loss account £'000
At 1 January 2003	23,380	19,635
Arising on share issue	178	-
Retained profit for the financial year	-	7,661
Share based compensation	-	(337)
At 31 December 2003	<u>23,558</u>	<u>26,959</u>

The share premium is non-distributable.

Notes to the Financial Statements continued

25. Shareholders' funds

	2003		2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Analysis of shareholders' funds				
Attributable to:				
Cumulative preference shareholders (non-equity interests)	100	100	100	100
Ordinary shareholders (equity interests)	83,511	62,728	82,591	55,153
Total	<u>83,611</u>	<u>62,828</u>	<u>82,691</u>	<u>55,253</u>

Rights attached to shares:

The shareholders have the following rights to receive dividends:

100,000 cumulative preference shares 3.5% per annum.

48,843,215 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.

48,843,215 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.

26. Reconciliation of movements in group shareholders' funds

	2003 £'000	2002 £'000
Profit for the financial year	4,330	10,036
Dividends paid and proposed	(3,254)	(2,836)
Currency translation differences on foreign currency net investments	406	-
Exchange difference on loan	(476)	-
Net addition to shareholders' funds	1,006	7,200
Arising on share issue	251	400
Amortisation of own shares	(337)	-
Opening shareholders' funds	82,691	75,091
Closing shareholders' funds	<u>83,611</u>	<u>82,691</u>

27. Cash flow statement

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

	2003 £'000	2002 £'000
Group operating profit	7,041	13,518
Depreciation and refit amortisation	9,526	9,818
Impairment of fixed asset	4,769	-
Amortisation of goodwill	623	58
Increase in stocks	(439)	(255)
Decrease in debtors	2,247	1,650
Decrease in creditors	(804)	(303)
Profit on sale of tangible fixed assets	(86)	(44)
Share based compensation	277	156
(Decrease)/increase in provisions	(306)	114
Net cash inflow from operating activities	<u>22,848</u>	<u>24,712</u>

27. Cash flow statement (continued)

(b) Reconciliation of net debt

	1 January 2003 £'000	Acquisitions £'000	Cash Flow £'000	Transfer £'000	Exchange Movement £'000	31 December 2003 £'000
Cash at bank and in hand,	4,904	–	(984)	–	–	3,920
Short-term deposits*	–	–	1,535	–	–	1,535
Debt due after one year	(44,358)	–	(19,898)	12,336	287	(51,633)
Debt due within one year	(8,614)	(2,106)	13,326	(12,336)	56	(9,674)
	(52,972)	(2,106)	(6,572)	–	343	(61,307)
Net debt	(48,068)	(2,106)	(6,021)	–	343	(55,852)

* Short term deposits are included within cash at bank and in hand in the balance sheet.

28. Pensions

The group has continued to account for pensions in accordance with SSAP24 and the disclosures given in (a) are those required by that standard. FRS 17 "Retirement Benefits" was issued in November 2000 by the Accounting Standards Board to replace SSAP24 "Accounting for Pension Costs", but will not be mandatory for the group and company until the year ended 31 December 2005 following the decision to defer full implementation of FRS 17 by the Accounting Standards Board. However, certain disclosures are required in the transition period, for periods ending on or after 22 June 2001. These further disclosures are set out in (b) on pages 54 to 56.

(a) James Fisher and Sons Public Limited Company pension schemes

The group's principal pension scheme is the James Fisher and Sons Public Limited Company Pension Fund for Shore Staff. The scheme is of the defined benefit type with assets held in a separate trustee administered account. From October 2001 the company changed to a defined contribution scheme for all new members.

The pension cost is assessed in accordance with the advice of professionally qualified actuaries, Hewitt Bacon and Woodrow. The latest actuarial review of the Shore Staff scheme was at 1 August 2001. The projected unit method was used and the principal assumptions used to calculate the pension cost were as follows:

	% p.a.
Post retirement discount rate	5.0
Pre-retirement discount rate	7.0
Salary increases	4.0
Price inflation	2.5

At 1 August 2001 the market value of the assets of the scheme was £20.960m and this covered 99.3% of the benefits that had accrued to members after allowing for future salary increases.

The pension charge for the year was £0.600m (2002 £0.400m). This charge is equal to the contributions paid to the schemes in the year and there is no prepayment or provision at 31 December 2003. The accounting deficit has been spread over members' estimated remaining working lifetime.

The group also operates a paid-up defined benefit scheme, the James Fisher & Sons Limited Pension and Life Assurance Scheme for Permanent Dockworkers. The latest actuarial valuation of this scheme was at 31 March 2002. At that date the market value of the assets of the scheme was £4.650m and the actuarial value covered 80% of the accrued benefits, corresponding to a deficit of £1.260m. Contributions of £0.200m (2002 Enil) were paid to the scheme during the year and a pension charge has been taken as £0.200m (2002 Enil).

The group also operates defined contribution arrangements for employees who are not members of the Shore Staff Fund. The pension charge for the year for these arrangements is equal to the contributions paid and was £0.052m (2002 £0.036m).

Notes to the Financial Statements continued

28. Pensions (continued)

(b) FRS 17 Retirement benefits

FRS 17 Retirement benefits will change fundamentally the calculation and reporting of the cost of retirement benefits. The disclosures below relate to both defined pension schemes. The company is currently contributing 15.5% of Pensionable Pay plus regular contributions of £15,000 per month into the James Fisher and Sons PLC Pension Fund for Shore Staff ("Shore Staff") and £14,700 per month into the James Fisher & Sons Limited Pension and Life Assurance Scheme for Permanent Dockworkers' ("Dock Workers").

The latest actuarial valuation of the James Fisher and Sons Public Limited Company pension fund for Shore Staff took place on 1 August 2001. The latest valuation for the Dock Workers scheme was completed as at 31 March 2002. The valuations have been updated for 31 December 2003. The principal assumptions used by the independent qualified actuaries in updating the latest valuations of each of the schemes for FRS 17 purposes were:

	2003	2002	2001
	% p.a.	% p.a.	% p.a.
Inflation	2.8	2.3	2.5
Rate of general long term increase in salaries	4.3	3.8	4.0
Rate of increase to pensions in payment	2.7	2.3	2.5
Discount rate for scheme liabilities	5.5	5.5	5.8

Expected return on assets

At 31 December 2003

	Shore staff scheme £'000	Dock workers' scheme £'000	Total £'000	Long-term expected return % p.a.
Equities	13,600	1,900	15,500	8.3
Gilts/Corporate bonds	4,200	–	4,200	4.8/5.1
Property	–	50	50	5.8
Insurance policies	–	2,100	2,100	5.5
Cash/net current assets	100	50	150	4.0
Total market value of assets	17,900	4,100	22,000	

At 31 December 2002

	Shore staff scheme £'000	Dock workers' scheme £'000	Total £'000	Long-term expected return % p.a.
Equities	11,600	2,800	14,400	8.0
Gilts/Corporate bonds	3,800	500	4,300	4.5/5.0
Property	–	100	100	5.5
Cash/net current assets	400	100	500	4.0
Total market value of assets	15,800	3,500	19,300	

28. Pensions (continued)

An analysis of the defined benefit cost for the year ended 31 December 2003 is as follows:

Group	Shore staff scheme		Dock workers' scheme	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Current service cost	500	500	–	–
Past service costs	–	–	–	–
Total operating charge	500	500	–	–
Expected return on pension scheme assets	1,100	1,500	300	400
Interest on pension scheme liabilities	(1,400)	(1,300)	(400)	(300)
Total other finance income	(300)	200	(100)	100
Actual return less expected return on pension scheme assets	1,600	(5,800)	300	(1,100)
Experience losses arising on the scheme liabilities	(600)	(700)	(300)	(800)
Losses arising from changes in assumptions underlying the present value of the scheme liabilities	(1,600)	(500)	(200)	(300)
Actuarial loss that would be recognised in the statement of total recognised gains and losses	(600)	(7,000)	(200)	(2,200)

Analysis of movement in deficit during the year

	Shore staff scheme 2003 £'000	Dock workers' scheme 2003 £'000
Deficit in scheme at 1 January 2003	(9,400)	(2,900)
Current service cost	(500)	–
Past service costs	–	–
Other finance income	(300)	(100)
Actuarial loss	(600)	(200)
Contributions	600	200
Deficit in scheme at 31 December 2003	(10,200)	(3,000)

History of experience gains and losses

	Shore staff scheme		Dock workers' scheme	
	2003	2002	2003	2002
<i>Difference between expected and actual return on pension scheme assets:</i>				
Amount (£'000)	(1,600)	(5,800)	300	(1,100)
Percentage of scheme assets	–8.9%	–36.7%	7.3%	–31.4%
<i>Experience losses on scheme liabilities</i>				
Amount (£'000)	(600)	(700)	(300)	(800)
Percentage of the present value of scheme liabilities	–2.1%	–2.8%	–4.2%	–12.5%
<i>Total amount recognised in STRGL</i>				
Amount (£'000)	(600)	(7,000)	(200)	(2,200)
Percentage of the present value of scheme liabilities	–2.1%	–27.8%	–2.8%	–34.4%

Notes to the Financial Statements continued

28. Pensions (continued)

Assets/(liabilities) of scheme

	Shore staff scheme		Dock workers' scheme	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Total market value of assets	17,900	15,800	4,100	3,500
Present value of scheme liabilities	(28,100)	(25,200)	(7,100)	(6,400)
Deficit in scheme	(10,200)	(9,400)	(3,000)	(2,900)
Related deferred tax	1,102	1,015	900	720
Net pension liabilities	(9,098)	(8,385)	(2,100)	(2,180)

Reconciliation of net assets and reserves under FRS 17

	2003	2002
	£'000	£'000
Net assets		
Net assets excluding pension deficit	83,611	82,691
Pension deficit	(11,198)	(10,565)
Net assets after pension deficit	72,413	72,126
Reserves		
Profit and loss reserves excluding pension deficit	47,742	47,073
Pension deficit	(11,198)	(10,565)
Profit and loss reserve	36,544	36,508

29. Financial commitments

Operating leases

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

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Property:				
Within two to five years	66	–	–	–
In over five years	194	138	44	40
	260	138	44	40
Others:				
Within two to five years	61	–	5	–
In over five years	2,944	2,486	–	–
	3,265	2,624	49	40

30. Capital commitments

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

Group		Company	
2003	2002	2003	2002
£'000	£'000	£'000	£'000
<u>11,133</u>	<u>4,857</u>	<u>63</u>	<u>4</u>

Included in the capital commitments for 2003 is £10.983m in connection with the Korean shipbuilding contracts. The payments made to date and the commitment has now been transferred to a third party owner. The details are shown in note 32.

31. Contingent liabilities

- (a) In the ordinary course of the company's business, counter indemnities have been given to bankers in respect of customs bonds, foreign exchange commitments and bank guarantees.
- (b) A group VAT registration is operated by the company and fourteen group undertakings in respect of which the company is jointly and severally liable for all amounts due to H.M. 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 newbuilds, the total guarantee at 31 December 2003 was £3.333m (2002 £3.750m).
- (d) A guarantee and indemnity has been issued to HSBC plc in respect of the loan facility of AWSR Shipping Limited, the total guarantee at 31 December 2003 was £3.100m.
- (e) A guarantee and indemnity has been issued by the company in connection with the financing of the two Korean newbuilds, the total guarantee at 31 December 2003 was \$19.623m (£11.379m).

32. Post balance sheet events

On 28 February 2004 the company's wholly owned subsidiary, James Fisher Tankships Limited through its wholly owned subsidiaries Athens Peace 2004 Shipping Company and Athens Flame 2004 Shipping Company sold their interests in the two shipbuilding contracts for two double hull 12,800 dwt clean petroleum products tankers, which were acquired on 8 December 2003. James Fisher Tankships Limited simultaneously entered into two 10 year bareboat charters. The charters will commence from the vessels' delivery scheduled for late 2004 and early 2005.

The company has guaranteed the performance of James Fisher Tankships Limited under the charter.

As a result of the transaction, the group has received \$12.577m (£7.293m), which recoups its outlay in connection with the payments made.

Group Financial Record

For the five years ended 31 December

	1999 £'000	2000 £'000	2001 £'000	2002 £'000	2003 £'000
Assets employed					
Intangible fixed assets	693	655	617	2,721	17,397
Tangible fixed assets	90,428	117,066	137,827	126,109	114,455
Trade investments	–	–	–	–	–
Investments	–	107	1,795	2,397	3,105
Other assets	33,030	19,009	23,245	20,937	26,727
Total assets employed	124,151	136,837	163,484	152,164	161,684
Financed by					
Ordinary share capital	12,068	12,068	12,068	12,138	12,211
Group reserves	55,268	57,521	62,767	70,453	71,300
Ordinary shareholders' interest	67,336	69,589	74,835	82,591	83,511
Preference share capital	100	100	100	100	100
Borrowed money	43,099	52,582	68,483	52,972	61,307
Other liabilities	10,907	12,279	18,768	16,354	16,566
Provision for liabilities and charges	2,709	2,287	1,298	147	200
Total funds invested	124,151	136,837	163,484	152,164	161,684
Turnover, profit and reserves					
Turnover	68,129	60,577	67,567	71,111	77,215
Profit before taxation	6,275	5,007	8,077	9,718	5,380
Taxation	11,712	(506)	(436)	318	(1,050)
Profit after taxation	17,987	4,501	7,641	10,036	4,330
Dividends	(2,103)	(2,248)	(2,484)	(2,836)	(3,254)
Transferred to reserves	15,884	2,253	5,157	7,200	1,076
	pence	pence	pence	pence	pence
Basic earnings per ordinary share	37.41*	9.34	16.01	21.11	9.04
Diluted earnings per ordinary share	37.26*	9.29	15.91	20.63	8.70

* after a deferred tax credit of £12,256 (25.50p) per share)

Subsidiary Undertakings

at 31 December 2003

Name of company (Incorporated in Great Britain unless otherwise stated)	Principal activities	Places of business
Details of the Investments in which the group and the company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:		
Trading:		
JAMES FISHER TANKSHIPS HOLDINGS LIMITED	Investment	LONDON
JAMES FISHER TANKSHIPS LIMITED*	Ship operators	LONDON
JAMES FISHER (GIBRALTAR) LIMITED* (Incorporated in Gibraltar)	Ship owning	GIBRALTAR
JAMES FISHER HONG KONG LIMITED* (Incorporated in Hong Kong)	Crewing agents	HONG KONG
ATHENS FLAME 2004 SHIPPING COMPANY (Incorporated in Liberia)	Ship owners	LIBERIA
ATHENS PEACE 2004 SHIPPING COMPANY (Incorporated in Liberia)	Ship owners	LIBERIA
JAMES FISHER (SHIPPING SERVICES) LIMITED	Ship operators	BARROW-IN-FURNESS
JAMES FISHER AND SONS (SEAFLOOR DYNAMEX) LIMITED	Underwater excavation engineers	ABERDEEN
JAMES FISHER SCAN TECH UK LIMITED	Engineering	ABERDEEN
JAMES FISHER NORWAY AS (Incorporated in Norway)	Investment	NORWAY
JAMES FISHER SCAN TECH HOLDINGS AS* (Incorporated in Norway)	Engineering	NORWAY
JAMES FISHER SCAN TECH AS* (Incorporated in Norway)	Engineering	NORWAY
JAMES FISHER SCAN TECH FKTM AS* (Incorporated in Norway)	Engineering	NORWAY
SCAN TECH AIR SUPPLY AS* (Incorporated in Norway)	Engineering	NORWAY
SCAN TECH AIR SUPPLY UK LIMITED*	Engineering	ABERDEEN
JAMES FISHER MIMIC LIMITED	Marine Services	MANCHESTER
JAMES FISHER (LOGISTICS) LIMITED	Ship owning	BARROW-IN-FURNESS
JAMES FISHER (RO-RO) LIMITED	Investment	BARROW-IN-FURNESS
JAMES FISHER RUMIC LIMITED	Marine Services	DALTON-IN-FURNESS

* held by a subsidiary undertaking

Joint Venture and Associated Undertakings

at 31 December 2003

AWSR HOLDINGS LIMITED **	Ship owning	LONDON
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** 25% shareholding

Fleet List

at 31 December 2003

Vessel	Built	D.W.T.	Type
James Fisher and Sons Public Limited Company			
Owned			
RFA "OAKLEAF"	1981	34,800	Clean products tanker

James Fisher Tankships Limited

Owned			
m.t. "SEVERN FISHER"	1983/1998	11,227	Clean products tanker
m.t. "MERSEY FISHER"	1998	4,765	Clean products tanker
m.t. "FORTH FISHER"	1997	4,972	Clean products tanker
m.t. "GALWAY FISHER"	1997	4,967	Clean products tanker
m.t. "SOLENT FISHER"	1997	4,970	Clean products tanker
m.t. "MILFORD FISHER"	1998	4,973	Clean products tanker

Long Term Bareboat Charter

m.t. "RUDDERMAN"	1994	6,418	Clean products tanker
m.t. "STEERSMAN"	1994	6,403	Clean products tanker
m.t. "CHARTSMAN"	1993	6,397	Clean products tanker
m.t. "PEMBROKE FISHER"	1997	14,204	Clean products tanker

James Fisher (Gibraltar) Limited

Owned			
m.t. "LOUGH FISHER"	1980	8,400	Clean products tanker
m.t. "EASTGATE"	1979	3,415	Clean products tanker
m.t. "WESTGATE"	1979	3,368	Clean products tanker

James Fisher (Shipping Services) Limited

Owned			
C.S. "NEXUS"	1972/1993	10,910	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. "WEAR FISHER"	1980	3,120	Clean products tanker
m.t. "TEES FISHER"	1980	3,120	Clean products tanker

James Fisher (Logistics) Limited

Owned			
C.S. "OCEANIC PRINCESS"	1993/2001	11,121	Cable laying ship
C.S. "OCEANIC PEARL"	1997/2001	7,429	Cable laying ship

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 Abbey House Hotel, Abbey Road, Barrow-in-Furness on Friday 30 April 2004 at noon for the following purposes:

Ordinary Business

Resolution 1

To receive the report on directors' remuneration for the year ended 31 December 2003.

Resolution 2

To receive the directors' report and the financial statements for the year ended 31 December 2003.

Resolution 3

To declare a final dividend of 4.30p per ordinary share payable on 7 May 2004 to shareholders on the Register on 16 April 2004.

Resolution 4

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

Resolution 5

To re-elect Mr. Anthony R.C.B. Cooke as a director of the company.

Resolution 6

To elect Mr. Maurice Storey as a director of the company.

Resolution 7

To elect Mr. Charles Rice as a director of the company.

Resolution 8

To re-appoint Ernst & Young LLP as auditors of the company until the conclusion of the next Annual General Meeting 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 Resolutions 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 £4,029,565 being the nominal amount of the authorised but unissued ordinary share capital at the date of passing this resolution, 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.

Notice of Annual General Meeting *continued*

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 by 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 £610,540 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 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 Official List, for the five business days immediately preceding the day of purchase; unless previously revoked or varied, such authority will expire at the close of the next Annual General Meeting of the company, 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.P. Vick

Secretary

29 March 2004

Registered office:

Fisher House, Barrow-in-Furness,

Cumbria, LA14 1HR

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, speak 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, Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, 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 4.30p per ordinary share for payment to ordinary shareholders who are on the register at the close of business on 16 April 2004. If approved the final dividend will be paid on 7 May 2004.

Special Business Explanatory Notes

Resolution 9 gives authority to the directors to allot equity securities up to a total nominal amount of £4,029,565 being the nominal amount of the authorised but unissued share capital. The authority will expire at the conclusion of the Annual General Meeting to be held in 2005 and replaces a similar authority granted on 2 May 2003 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 2005, to make issues of equity securities on a non pre-emptive basis up to an aggregate nominal amount of £610,540 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 2003 and which will lapse at the conclusion of the forthcoming Annual General Meeting.

Resolution 11 gives 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 will expire at the conclusion of the Annual General Meeting to be held in 2005 and replaces a similar authority granted on 2 May 2003 which expires at the conclusion of the following Annual General Meeting. The directors have no present intention of using the authority and in reaching their decision to purchase ordinary shares will take into account, amongst other things the company's cash resources and capital requirements and the effect of any purchase on earnings per share.

Registered Office and Advisers

Secretary and registered office

Jonathan P. Vick
James Fisher and Sons Public Limited Company
Fisher House
P.O. Box 4
Barrow-in-Furness
Cumbria LA14 1HR

Registrars

Capita IRG Plc
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditors

Ernst & Young LLP
Silkhouse Court
Tithebarn Street
Liverpool L2 2LE

Bankers

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lloyds TSB Bank plc
25 Gresham Street
London EC2Y 7HH

Merchant bankers

E.C. Hambro Rabben & Partners Ltd
11 Albermarle Street
London W15 4HH

Stockbrokers

Evolution Beeson Gregory Limited
9th Floor
100 Wood Street
London EC2V 7AN

Financial Calendar

14 April 2004	Ex dividend date for 2003 final dividend
16 April 2004	Record date
30 April 2004	Annual General Meeting
7 May 2004	Payment of 2003 final dividend
August 2004	Announcement of 2004 interim results

Shareholders notes



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